



City of Chicago



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Meeting Date:	1/13/2016
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Type:	Report
Title:	City Colleges of Chicago Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015
Committee(s) Assignment:	

32845
ADOPTED – BOARD OF TRUSTEES
COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 10, 2015

BOARD OF TRUSTEES OF COMMUNITY COLLEGE DISTRICT NO. 508
COUNTY OF COOK AND STATE OF ILLINOIS

RESOLUTION

TO TRANSMIT FISCAL YEAR 2015 ANNUAL AUDIT
OFFICE OF FINANCE

WHEREAS, pursuant to Section 7-24 of the Illinois Public Community College Act, “the board shall yearly, and may as often as necessary, appoint certified public accountants to examine the business methods and audit the accounts of the board, and to submit a report of that examination and audit, together with any of their recommendations as to changes in business methods of the board or any of its departments, officers or employees. That report shall be made to the mayor, the city council and the board and be filed in the records of the board”;

WHEREAS, the City Colleges of Chicago audit for Fiscal Year 2015 was completed by McGladrey LLP, which found that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements were fairly presented in conformity with Generally Accepted Accounting Principles (GAAP); and

WHEREAS, the Office of Finance has reviewed the completed audit for Fiscal Year 2015;

NOW, THEREFORE BE IT RESOLVED, that McGladrey LLP has submitted the Fiscal Year 2015 audit and the Board authorizes the transmission of said audit to the Mayor and the City Council with a copy filed in the records of the Board.

December 10, 2015 – Office of Finance

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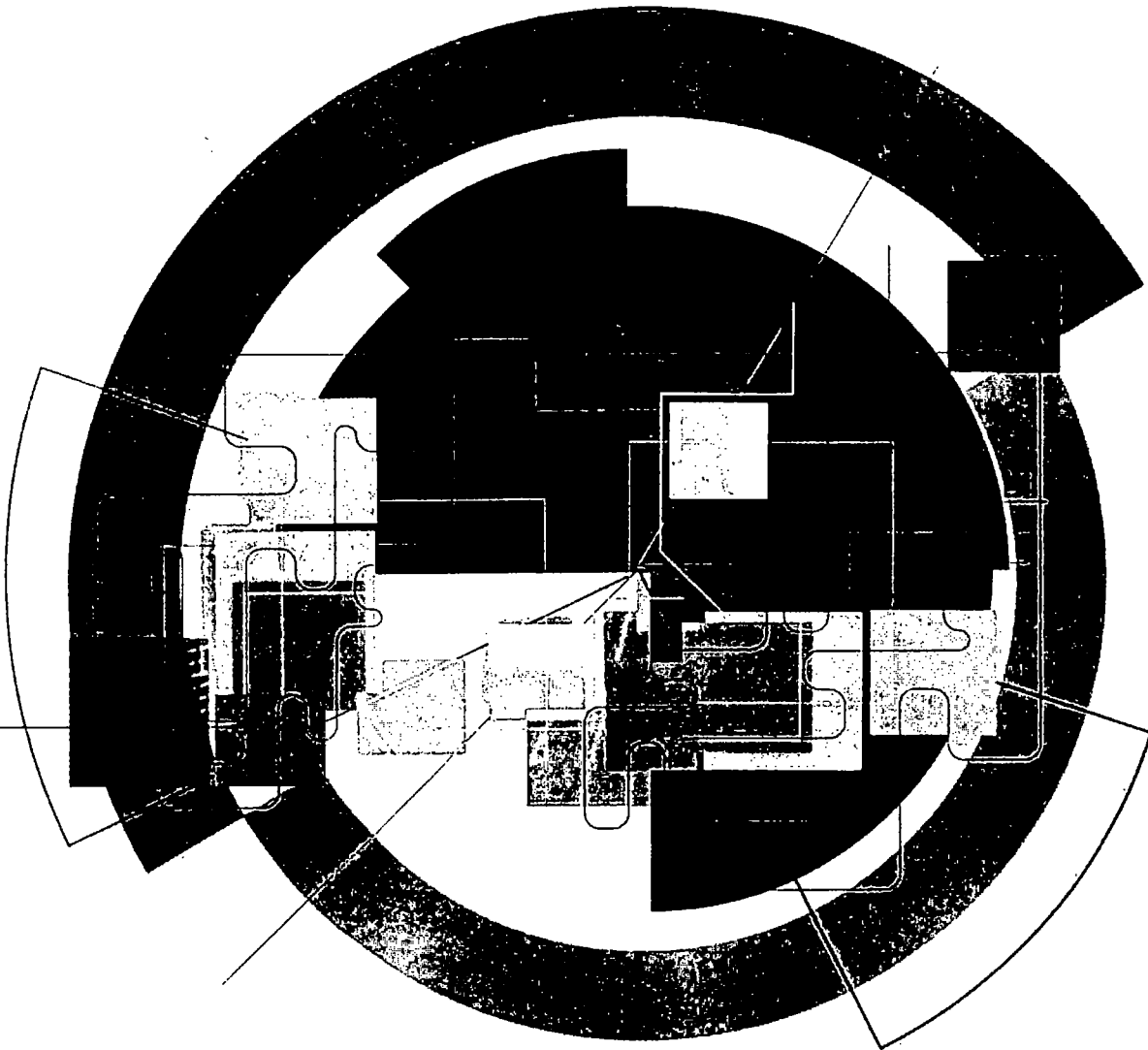
OFFICE OF THE
CITY CLERK

CITY COLLEGES OF CHICAGO

Fiscal Year Ended June 30, 2015

Comprehensive Annual Financial Report

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



Rahm Emanuel
Mayor, City of Chicago, Illinois

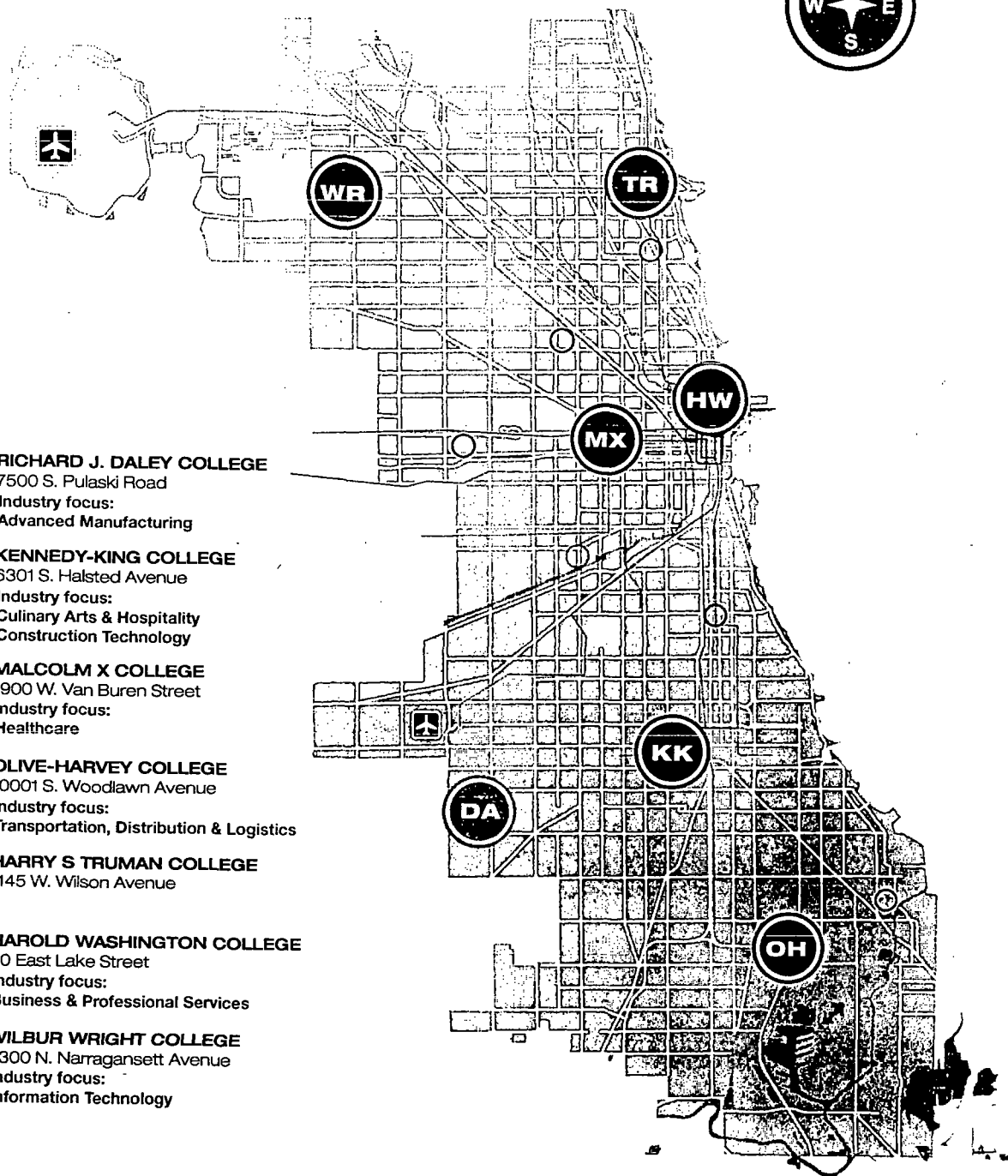
Cheryl L. Hyman
Chancellor

Charles R. Middleton
Board Chair

Board of Trustees of Community College
District No. 508
Cook County, State of Illinois



CITY COLLEGES OF CHICAGO



DA **RICHARD J. DALEY COLLEGE**
7500 S. Pulaski Road
Industry focus:
Advanced Manufacturing

KK **KENNEDY-KING COLLEGE**
6301 S. Halsted Avenue
Industry focus:
Culinary Arts & Hospitality
Construction Technology

MX **MALCOLM X COLLEGE**
1900 W. Van Buren Street
Industry focus:
Healthcare

OH **OLIVE-HARVEY COLLEGE**
10001 S. Woodlawn Avenue
Industry focus:
Transportation, Distribution & Logistics

TR **HARRY S. TRUMAN COLLEGE**
1145 W. Wilson Avenue

HW **HAROLD WASHINGTON COLLEGE**
30 East Lake Street
Industry focus:
Business & Professional Services

WR **WILBUR WRIGHT COLLEGE**
4300 N. Narragansett Avenue
Industry focus:
Information Technology

Satellite Locations

○ **Lake View Learning Center**
3310 North Clark Street
Chicago, IL 60657

○ **West Side Learning Center**
4624 W. Madison Street
Chicago, IL 60644

○ **Dawson Technical Institute**
3901 South State Street
Chicago, IL 60609

○ **Humboldt Park Vocational Education Center**
1645 N. California Avenue
Chicago, IL 60647

○ **Arturo Velasquez Institute**
2800 S. Western
Chicago, IL 60608

○ **South Chicago Learning Center**
3055 E. 92 Street
Chicago, IL 60617



COMMUNITY COLLEGE DISTRICT NO. 508

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2015

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

Charles R. Middleton, Board Chair
Cheryl L. Hyman, Chancellor

Board of Trustees of Community College District No. 508

**County of Cook and
State of Illinois**

Rahm Emanuel
Mayor, City of Chicago, Illinois

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John Gasiorowski, Inspector General



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Administrative Officers

Cheryl L. Hyman, Chancellor

James T. Frankenbach,
Chief Operating Officer

Craig Lynch,
Chief of Staff and Enterprise Services

Laurent Pernot,
Executive Vice Chancellor and Senior Adviser

Rasmus Lynnerup,
Executive Vice Chancellor and Chief Strategy
Officer

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

Jerrold Martin,
Vice Chancellor/Chief Information Officer

Diane Minor,
Vice Chancellor, Administrative Services and
Procurement

Eugene Munin,
General Counsel

Beatrice O'Donnell,
Vice Chancellor, Safety and Security

Stephanie Tomino,
Vice Chancellor, Human Resources and Staff
Development

Dr. Jose Aybar,
President, Richard J. Daley College

Dr. Margaret A. Martyn,
President, Harold Washington College

Arshele Stevens,
President, Kennedy-King College

David A. Sanders,
Interim President, Malcolm X College

Dr. Angelia Millender,
President, Olive-Harvey College

Dr. Reagan Romali,
President, Truman College

Dr. David Potash,
President, Wright College

October 15, 2015

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

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City Colleges of Chicago for the fiscal year ended June 30, 2015. This report demonstrates City Colleges' commitment to providing each one of our students a quality, affordable education while continuing to serve as a responsible steward of taxpayer dollars.

With over \$859 million in assets, City Colleges has maintained its strong financial standing over the past year. Having saved \$66 million since the launch of Reinvention through greater efficiencies, the elimination of redundancies, and cost containment strategies, City Colleges has been able to make strategic investments that have supported our faculty and staff in delivering improved student outcomes. In fiscal year 2015, City Colleges awarded nearly 5,000 degrees, more than double that awarded annually before the launch of Reinvention, and has more than doubled its graduation rate to 17 percent.

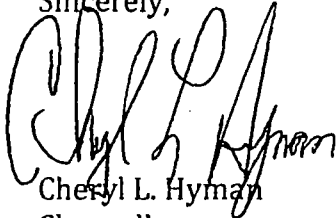
In our ongoing effort to ensure we offer relevant programs that prepare students for in-demand careers through our College to Careers initiative, we continue to make investments that enhance the learning environment. Construction proceeds on the \$251 million Malcolm X College campus, complete with a virtual hospital, with an expected on-time, on-budget delivery in January 2016. We are also optimistic that construction will resume on Olive-Harvey College's new \$45 million Transportation, Distribution, and Logistics (TDL) Center, where work has been stopped by the state of Illinois due to an ongoing budget impasse. Infrastructure improvements continue to be made across the City Colleges system, including creating innovative math emporiums that provide for tailored, hybrid learning at all seven colleges.

Despite holding spending level, targeted investments have allowed for an expansion in the number of free dual enrollment seats available for high school students. In addition, City Colleges now maintains expanded student supports at every college (wellness centers, disability access centers, veterans centers, and student activities centers), and has worked diligently to increase the number of adult education students taking advantage of transitional supports.

We remain committed to ensuring both access to a quality, affordable education and seeing to it that our students find success with us, meaning they complete their programs and move on to further college and careers. To address the former of these two aspects of our mission, access, Mayor Emanuel and I launched the Chicago Star Scholarship this past fiscal year, which affords qualified Chicago Public School graduates free tuition and books for up to three years. Nearly 1,000 students have already taken advantage of this scholarship in Fall 2015, and these students may also be eligible for additional scholarships offered by City Colleges' four year university partners that have joined the Chicago Star Partnership to ensure our Star Scholars are able to go on to pursue their bachelor's degrees.

Ensuring our students can access a quality education and that they find success with us is our focus, and this Comprehensive Annual Financial Report helps document the strategic choices we make each day to realize this mission and move ever closer to becoming a world-class community college system.

Sincerely,



Cheryl L. Hyman
Chancellor

City Colleges of Chicago
Community College District No. 508
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2015

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

**Comprehensive Annual Financial Report
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Community College District No. 508**

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Community College District No. 508
Comprehensive Annual Financial Report
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Introductory Section



Transmittal Letter

October 14, 2015

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, 2015. 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 McGladrey LLP is included in the financial section of this CAFR.

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

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

PROFILE OF THE CITY COLLEGES OF CHICAGO

City Colleges is a non-home rule community college district of the State of Illinois, having boundaries coterminous with the City of Chicago. City Colleges is established under and governed by the Illinois Public Community College Act and operates seven colleges offering two-year Associates' degrees, occupational certificates, continuing education, customized business-specific training and adult education programs. City Colleges has no component units that are included for presentation in the financial statements.

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

The District currently occupies a land area of approximately 228.5 square miles, and serves an estimated population of 2,722,389.

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.

In fiscal year 2015, City Colleges awarded 11,883 degrees and certificates. The vision for City Colleges is to transform the District into a world-class institution that not only prepares students to move into higher education, but also ensures that they have the skills necessary for employment. All this will need to be accomplished while enhancing and maintaining efficient and effective operations that are not only customer focused but also fiscally responsible.

DEVELOPING A NEW REVENUE STRUCTURE TO ENCOURAGE TIMELY COMPLETION AND ADDRESS DECLINING REVENUE

For fiscal year 2016, City Colleges will adopt a new flat-price tuition structure designed to encourage full-time status and timelier completion for students, while also making City Colleges' prices more transparent by eliminating fees. The change also will address financial pressure stemming from funding losses from the State of Illinois and declining tuition revenue that could slow the significant student-success gains achieved under the five-year-old Reinvention of City Colleges, which have included doubling the number of degrees awarded annually.

City Colleges currently has 151 different fees that vary greatly based on what classes students take, and their semester price can change greatly based on class selection. Fees are higher for College to Careers programs, including \$265 for advanced manufacturing, \$300 for IT network technician and \$650 for surgical technician. This can create an obstacle to students entering programs that hold the highest career potential for them. The new structure eliminates all fees and removes that barrier.

By doubling and even tripling key measures of student achievement, and by launching the College to Careers partnership with employers, City Colleges has boosted the value of a City Colleges degree and delivered an increasing return on taxpayers' investment over the last five years:

- Under Reinvention, the federally defined IPEDS graduation rate for first-time, full-time students has doubled, from 7% to 14%, even as 90% of students continue to need assistance to gain college readiness when they arrive at City Colleges. More than 70% of students who earn a City Colleges degree within three years first entered City Colleges needing remediation.
- City Colleges has increased the number of degrees awarded 96% (to more than 4,000).
- Other significant achievements include a 51% increase in total completions (degrees and certificates); a 33% increase in certificates awarded; and tripling the number of students who transition from GED and ESL to college-level work.

Declining state support and increasing costs mean City Colleges must, for the first time in more than four years, increase the price of a City Colleges education. Even under the new price structure, City Colleges' price per semester will remain far cheaper for a Chicago resident than attending any other Chicago-area community college. A Chicago resident attending a neighboring community college will still pay 55% less on average; 61% less for part-time and 35% if taking just one course. City Colleges' property tax levy will remain unchanged, and has not been increased since 2009. At 0.02%, City Colleges' tax rate is 55% lower than the average rate for neighboring community college districts. City Colleges' tuition rate has remained flat for more than four years – the last vote for an increase by a City Colleges of Chicago Board of Trustees took place in 2008, with the last increase stemming from that vote going into effect in 2011. This is in contrast to the trend at other Illinois community colleges; City Colleges is the only college among Illinois' 39 community college districts not to have increased tuition/fees since fiscal year 2011.

Since FY2011, State of Illinois funding to City Colleges has decreased 17% (\$13 million), while inflation in Chicago rose 4.5%. Rising costs and declining funding make it difficult to keep supporting much-needed Reinvention efforts.

Enrollment has softened as the unemployment rate has dropped (the Chicago unemployment rate is down 31% from the start of Fall Semester 2013 to the start of Fall Semester 2014), bringing less tuition revenue. City Colleges' fixed costs have increased. In FY2014, the latest year for which statewide data is available, City Colleges' credit enrollment was down 2.6%, less than the 4.9% average decline for the rest of Illinois community colleges. Overall, tuition revenue is down 11% since FY2011, compounding the impact of State cuts.

ECONOMIC CONDITION AND OUTLOOK

The **Federal Reserve Bank of Chicago** is forecasted to grow at a solid pace in 2015 and at a somewhat faster pace in 2016: The growth rate of real gross domestic product (GDP) is predicted to be 2.1% in 2015 and 2.7% in 2016. The unemployment rate is predicted to edge lower through the end of 2016. It is expected to fall to 5.2% by the fourth quarter of 2015 and then ease to 5.0% by the final quarter of 2016. Inflation, as measured by the consumer price index (CPI), is expected to decrease from a very low 1.2% in 2013 to 0.7% in 2015 and then increase to 2.2% in 2016. Real personal consumption expenditures are forecasted to expand at solid rates of 2.6% this year and 2.7% in 2016. Light vehicle sales are expected to rise to 16.8 million units this year and then improve to 17.1 million units next year. Real business fixed investment is predicted to record solid growth rates of 2.5% in 2015 and 4.1% in 2016. The housing sector is predicted to continue to improve over the forecast horizon. Real residential investment is anticipated to expand at a rate of 6.1% in 2015 and at a rate of 8.5% in 2016. Housing starts are expected to increase to 1.09 million units in 2015 and 1.23 million units in 2016. The long-term interest rate is forecasted to increase 18 basis points in 2015, to 2.46%, and 64 basis points in 2016, to 3.10%. The short-term interest rate is expected to increase 50 basis points this year, to 0.65%, and 95 basis points next year, to 1.60%. The trade-weighted U.S. dollar is predicted to strengthen by 7.0% this year and then stay steady in 2016 (The Federal Reserve Bank of Chicago, 2015).

World Business Chicago reports the Chicago economy has expanded by an estimated 15,294 jobs, a 1.3 percent year-over-year improvement since June 2014, mostly attributed to education and health services (+8,782) and professional and business services (+8,227) sectors. In June 2015, the City of Chicago posted a preliminary unemployment rate of 6.9% before seasonal adjustment – this is down one percentage point from the June 2014 rate of 7.9%. An estimated 298,897 people in the 14-county Chicago metropolitan statistical area (MSA) were unemployed out of a labor force of approximately 4.963 million, resulting in a preliminary unemployment rate of 6.0% (not seasonally adjusted). Unemployed Chicago residents dropped by 14,526 compared to the year prior (from 109,649 to an estimated 95,123 in June 2015).

Between June 2014 and June 2015, the Chicago MSA gained an estimated 51,876 employed residents, increasing total regional employment to approximately 4.664 million. The June 2015 unemployment rate was 1.1 points lower than June 2014 (7.1%). The Architectural Billings Index, an indication of future construction spending, reached its highest level since 2007 (55.7), led by institutional projects. Median home sales price increased by 5.5% year-over-year since June 2014. In the same time period, the number of home sales increased by 9.3%. (World Business Chicago, 2015)

Chicago Fed National Activity Index (CFNAI) rose to +0.34 in July 2015 from –0.07 in June 2015. Two of the four broad categories of indicators that make up the index increased from June, and three of the four categories made positive contributions to the index in July. The index's three-month moving average, suggests that growth in national economic activity was at its historical trend. The contribution from employment-related indicators to the CFNAI was unchanged at +0.11 in July. The unemployment rate was steady at 5.3 percent in July, and nonfarm payrolls increased by 215,000 in July after rising by 231,000 in June. The contribution of the personal consumption and housing category to the CFNAI moved up to –0.06 in July from –0.10 in June. The contribution from production-related indicators to the CFNAI rose to +0.28 in July from –0.14 in June. Industrial production was up 0.6 percent in July, following a gain of 0.1 percent in June. Manufacturing production increased 0.8 percent in July, after declining 0.3 percent in the previous month; and manufacturing capacity utilization rose to 76.2 percent in July, up from 75.7 percent in June (Federal Reserve Bank of Chicago, 2015).

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

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

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

- The structural imbalance of the State's budget remains one of the most difficult challenges facing City Colleges. The uncertainty of appropriated funding and timing of actual cash payments have serious negative consequences for sound long-term financial planning.
- Annual health care costs are rising at 7% based on an aging workforce and new coverage to be provided to part-time employees per federal legislation. Employee personal coverage elections under the plans have been modified so employees can elect the appropriate coverage to address their family needs and the employee and retiree contribution share of health cost has increased offsetting a portion of the increase in total cost.
- City Colleges of Chicago has several pending contract negotiations, the outcome of which could place additional strain on resources.

Community College State Funding

<u>Fiscal Year</u>	<u>State Funding to All State Community Colleges</u>
2006	\$296,555,599
2007	\$302,035,040
2008	\$297,698,600
2009	\$287,664,558
2010	\$308,471,029
2011	\$295,401,900
2012	\$295,521,900
2013	\$282,421,700
2014	\$284,916,500
2015	\$285,144,498

Source: Illinois Community College Board

City Colleges' five-year, \$540.6 million capital plan includes \$82 million in system-wide academic and student-facing technology enhancements (i.e., smart classrooms, science classrooms, libraries, labs, and student support centers); a new Malcolm X College campus housing the Allied Health Academy near the heart of the Illinois Medical District; and a new Transportation, Distribution and Logistics Center at Olive-Harvey College. The latter two projects are major investments for the College to Careers initiative. City Colleges issued \$250,000,000 in alternate revenue bonds in early October 2013 to partially fund these capital projects.

ACHIEVEMENTS

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

- The number of degrees awarded in FY2014 was the highest in City Colleges' history, and is double the number awarded annually at the beginning of Reinvention.
- Overall completion, which includes all degrees and certificates awarded, was up 19% between FY2013 and FY2014 and up 51% since the launch of Reinvention.
- The federal IPEDS rate of 14% has doubled since the launch of Reinvention. The IPEDS graduation rate is calculated using a formula set by the federal government that covers only first-time, full-time students who complete a degree or certificate program within 150% of the program's length (i.e. three years for a two-year Associate's Degree and nine months for a six-month certificate).
- Adult education transitions to credit are up 190% since the launch of Reinvention.

- Three and a half years into the College to Careers initiative, more than 3,000 students have found a job or a paid internship in one of the seven Colleges to Careers fields. New, more relevant programs launch each semester. More than 150 corporate and four-year college partners are working with us to redesign curricula, facilities, and to offer our students access to real world learning opportunities, jobs and internships. Enrollment in College to Careers programs exceeds our targets.
- Automated a Student Guided Pathways to Success system through an upgrade to PeopleSoft/Campus Solutions 9 that allows students to set enrollment preferences and, based on those choices, default into a clear course of study for the duration of their college program. Integral to this system are significant investments in student supports, including a case management advising system, an early alert system, a wellness center, transfer center, career center, and veteran center at every college along with specialists in each of these areas.
- Launched the STAR Scholarship to offer qualifying Chicago Public High School graduates up to three years of community college for free.
- Kennedy-King College won the first-ever Aspen Institute Rising Star Award for rapid growth in completion for tripling its graduation rate under Reinvention out of more than 1,000 community colleges nation-wide.

COST CONTAINMENT STRATEGIES

City Colleges has spent a significant amount of time and effort to maximize its share of state funding over the past several years. Through continuous evaluation of expenditures, management continues to look for innovative ways to contain costs through contract negotiations, performance audits, participation in energy savings and rebate programs and implementation of cost avoidance initiatives. As a result, City Colleges has focused on reducing expenses through cost containment initiatives, as follows:

- **City Sister-Agency Health Coalition:** City Colleges anticipates approximately \$300,000 in saving annually for each year of a three-year prescription drug agreement with CVS Caremark January 1, 2015 – December 31, 2017 due to its participation in the Coalition.
- **Employee Health Benefits Review:** Health care industry surveys estimate health care costs rising at approximately 7% over fiscal year 2016. Benefits costs are forecasted to increase approximately \$4 million or 11% in fiscal year 2016, based on conservative market trends and projected City Colleges' experience. Additionally, City Colleges self-funded medical plan's prescription drug formulary has been updated to CVS Caremark's standard formulary as of April 1, 2015. During fiscal year 2016, City Colleges will continue to seek opportunities to enhance its comprehensive employee benefits program.
- **Cooperative Purchasing Agreements:** City Colleges has access to purchasing contracts negotiated by the Chicago Public Schools, the City of Chicago, the Chicago Park District, and the State of Illinois Central Management Services, and makes many purchases through the Illinois Community College System Procurement Consortium, Educational and Institutional Cooperative Purchasing, National IPA and US Communities Government Purchasing Alliance to leverage savings through volume purchasing. The ongoing practice of joining other agencies is expected to be expanded further in fiscal year 2016.
- **Employee Expense Reimbursement:** During fiscal year 2015 employee reimbursements were automated to reduce manual paper work and processing time.
- **Energy Savings Performance Contract Program:** Contracts implemented in 2004 and 2005 utilizing an external vendor continue to provide City Colleges' with annual savings and cost avoidance opportunities. Since the base year of 2003, City Colleges has managed to reduce its electrical usage by 15 million kWh and natural gas usage by 180,000 therms even though its square footage has increased. This represents approximately one-third of our electric usage.
- **Utility Rates:** City Colleges negotiated a three-year agreement with the electric service provider, through 2016, that specifies its rates will be \$0.085 for the commodity. City Colleges also locked-in its natural gas rates for fiscal year 2016 at a historically low fixed rate for supply of \$0.393 per therm.

- **Fuel Through City Depots:** City Colleges continues to purchase fuel for its fleet of vehicles from City of Chicago fuel depots, saving approximately two-thirds of the retail price.
- **Internet Service Provider:** City Colleges continues to utilize the State's contract for an internet service provider which has negotiated rates at 65% savings from fiscal year 2013. Estimated annual savings are approximately \$180,000.
- **Collection of Student Receivables:** In fiscal year 2015, City Colleges has selected a new collection agency that offers a lower commission rate than the previous vendor. We anticipate that the efforts of this new vendor combined with City Colleges' more intentional collections strategy will keep bad debt below 1.5% of tuition and fee revenue.

FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

Property Tax: Estimated assessed value of taxable property for tax year 2014 collectible in fiscal year 2015 is \$64,879,908,794. Estimated assessed value of taxable property for tax year 2013 collectible in fiscal year 2014 was \$62,337,066,955. City Colleges' average collection rate over the past five years has been over 97%.

Debt Administration: Long-term and current debt at June 30, 2015 totaled \$250,000,000 due to City Colleges' issuance of bonds in October 2013.

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

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

City Colleges invests funds in various securities listed as permitted investments in the Board-approved Investment Policy. This policy is reviewed on an annual basis and any modifications require Board approval. The securities include, but are not limited to, money market funds, U.S. Treasury bonds, bills, notes and certificates of deposit. Investment income for fiscal year 2015 totaled \$1.2 million.

Risk Management: The Office of Risk Management (ORM) continuously and actively assesses and reviews potential risk and exposures the District may encounter and strives to mitigate the potential impact on the institution. ORM procures commercial insurance to address significant property and non-property losses for amounts in excess of self-insured retentions. The comprehensive Commercial Insurance Program is reviewed annually to determine policy limits and retention (deductible) levels for property assets, general liability exposures, workers' compensation injuries and educators legal liability matters. The current deductibles equal \$25,000, \$250,000, \$600,000 and \$200,000 per claim, respectively.

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

OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants. The City Colleges of Chicago Board of Trustees selected the audit firm of McGladrey LLP as its independent certified public accountants for fiscal year 2015. The independent auditor's report of McGladrey LLP on the basic financial statements and supplementary schedules is included in the financial section of this report.

Awards: The 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, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

City Colleges has also earned GFOA's **Award for Distinguished Budget Presentation** for its annual budget for the fiscal year beginning July 1, 2014. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

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

Respectfully submitted,

Joyce Carson
Vice Chancellor of Finance and
Business Enterprises / CFO

Daryl J. Okrzesik
Associate Vice Chancellor, Treasurer

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
PRINCIPAL OFFICIALS
Year Ended June 30, 2015**

BOARD OF TRUSTEES

Charles R. Middleton, Chair
Gary Gardner, Vice Chair
Clarisol Duque, Secretary
Karen Kent, Trustee
Rev. Darrell Griffin, Trustee
Marisela Lawson, Trustee
Isaac S. Goldman, Trustee
Eliana Blancas, Student Member
Tracey Fleming, Advisor to the Board of Trustees
Candace Montgomery, Assistant Board Secretary
Roberto Concepcion, Executive Director, Internal Audit
John Gasiorowski, Inspector General

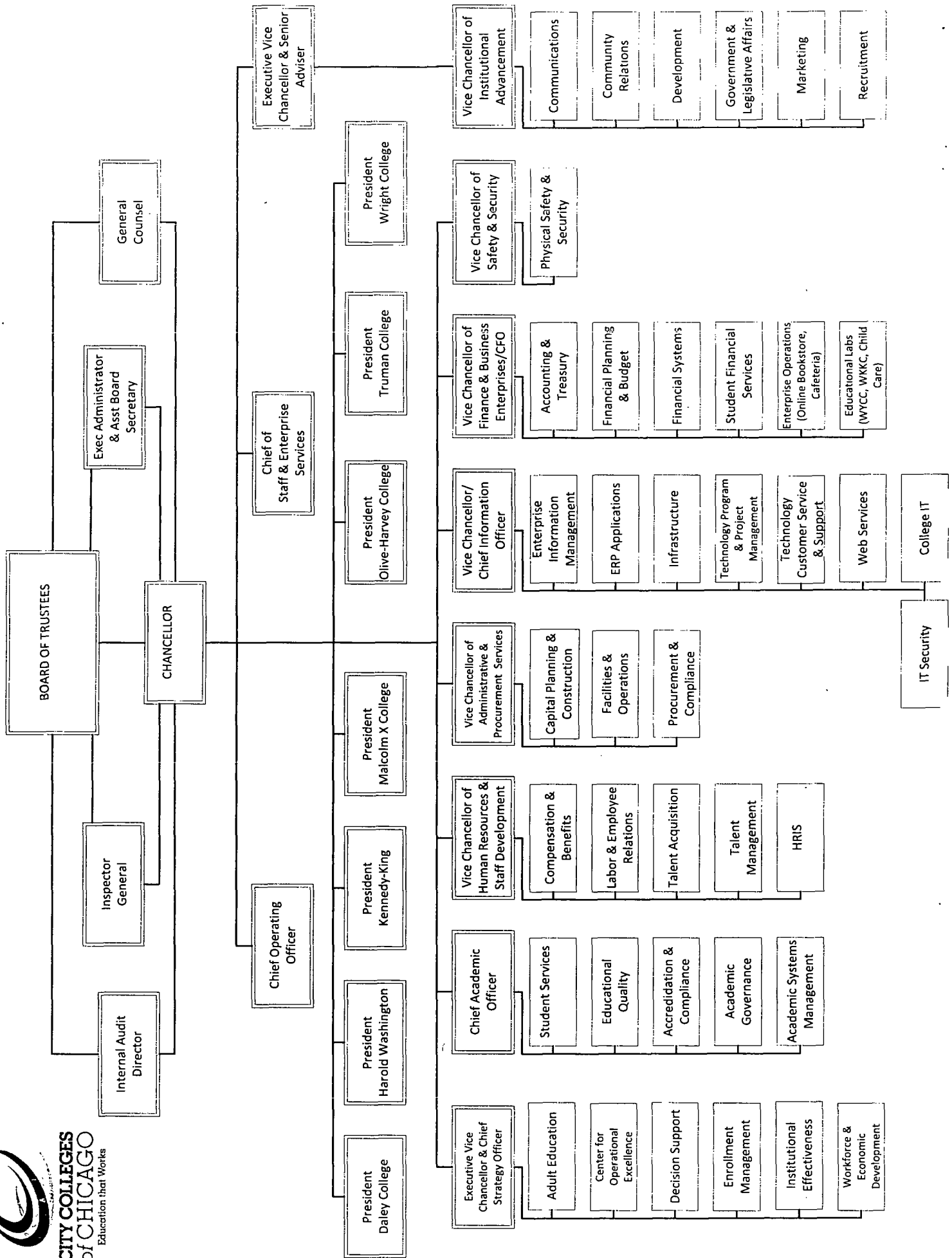
ADMINISTRATIVE OFFICERS

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

REPORT ISSUED BY

Office of Finance

District-wide Organizational Chart





Government Finance Officers Association

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

Presented to

**City Colleges of Chicago
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of City Colleges of Chicago, Community College District No. 508, as of June 30, 2015, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 of the basic financial statements, in the year ended June 30, 2015, City Colleges adopted the reporting and disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of GASB Statement Nos. 68 and 71 resulted in the reporting of deferred outflows of resources related to pension contributions and the related restatement of beginning net position. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City Colleges' basic financial statements. The Uniform Financial Statements, as required by the Illinois Community Colleges Board, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2016, which is unaudited, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2016, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and the Certification of Chargeback Reimbursement for Fiscal Year 2016 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of City Colleges' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.



Chicago, Illinois
October 14, 2015

Management Discussion and Analysis (MD&A)

The discussion and analysis of City Colleges of Chicago financial performance provides an overall review of City Colleges' financial activities for the fiscal year ended June 30, 2015. This discussion and analysis focuses on current activities, currently known facts and related changes. The management of City Colleges encourages readers to consider the information being presented herein in conjunction with the transmittal letter that precedes this section and the basic financial statements and accompanying notes (which immediately follow this section) to enhance their understanding of City Colleges' financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current and prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A"). Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

Using This Annual Report

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

Financial Highlights

Statement of Net Position

The total net position as of June 30, 2015 decreased by \$29.3 million to \$859 million was largely due to a \$20 million increase in depreciation expense from changing the estimated useful life for the existing Malcolm X building.

Net investments in capital assets increased by \$58.8 million over fiscal year 2014 and unrestricted net position decreased by \$86.8 million primarily due to the continuing construction of the new Malcolm X campus.

Overview of Financial Statements

Total current assets decreased by \$66.6 million as compared to prior year, mainly due to the decrease in short-term investments. Capital assets less accumulated depreciation increased \$172.9 million due to capital investments made in a new Malcolm X College campus building and a new Transportation, Distribution and Logistics Center at Olive-Harvey College and other capital projects. Other non-current assets decreased by \$130.4 million due to the \$112.6 million decrease of restricted cash which includes proceeds from the issuance of \$250 million in bonds, a \$17.3 million decrease in long-term investments and a \$0.7 million decrease in other receivables.

Total current liabilities increased by \$5.7 million due primarily to an increase of \$10.8 million from accounts payable, accrued payroll, unearned grant revenue and current portion of non-current liabilities offset by \$5.1 million decrease from other accruals, deposits held for others and other liabilities.

Total non-current liabilities decreased by \$0.1 million mainly due to a \$5.9 million increase in accrued compensated absences, accrued property tax refunds and OPEB, offset by \$6 million decrease in sick leave benefits, bonds payable, and the current portion of the long-term liabilities. The deferred inflows of resources are the deferred property tax revenue that has been presented separately in the financial statement to conform to GASB Statement No. 65.

Due to the implementation of GASB Statement No.'s 68 and 71, City Colleges restated the fiscal year 2015 beginning total net position from \$888.3 million to \$889.2 million to account for the effect of pension related deferred outflows.

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

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current assets	\$ 222.5	\$ 289.1	\$ (66.6)
Non-current assets			
Capital assets	1,200.5	991.2	209.3
Less accumulated depreciation	(336.3)	(299.9)	(36.4)
Other assets	<u>234.1</u>	<u>364.5</u>	<u>(130.4)</u>
Total assets	<u>\$ 1,320.8</u>	<u>\$ 1,344.9</u>	<u>\$ (24.1)</u>
Deferred outflows of resources	<u>\$ 0.8</u>	<u>\$ -</u>	<u>\$ 0.8</u>
Current liabilities	\$ 84.4	\$ 78.7	\$ 5.7
Non-current liabilities	<u>318.0</u>	<u>318.1</u>	<u>(0.1)</u>
Total liabilities	<u>\$ 402.4</u>	<u>\$ 396.8</u>	<u>\$ 5.6</u>
Deferred inflows of resources	<u>\$ 60.2</u>	<u>\$ 59.8</u>	<u>\$ 0.4</u>
Net position			
Net investment in capital assets	\$ 717.3	\$ 658.5	\$ 58.8
Restricted for specific purposes	6.7	8.0	(1.3)
Unrestricted	<u>135.0</u>	<u>221.8</u>	<u>(86.8)</u>
Total net position	<u>\$ 859.0</u>	<u>\$ 888.3</u>	<u>\$ (29.3)</u>

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

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

Operating	2015	2014	Change
Revenues	\$ 49.0	\$ 53.4	\$ (4.4)
Expenses	(503.7)	(460.4)	(43.3)
Operating loss	(454.7)	(407.0)	(47.7)
Non-operating			
Revenues	407.2	407.9	(0.7)
Net non-operating revenues	407.2	407.9	(0.7)
Income (loss) before capital contributions	(47.5)	0.9	(48.4)
Capital contributions	17.3	5.1	12.2
Change in net position	(30.2)	6.0	(36.2)
Net position, beginning of year*	889.2 *	882.3	6.9
Net position, end of year	\$ 859.0	\$ 889.1	\$ (29.3)

* Net position has been restated as of July 1, 2014 due to the implementation of GASB Statement No's 68 and 71.

Statement of Revenues, Expenses and Changes in Net Position

Total net position decreased by \$29.3 million over prior year mainly by an increase of \$20 million in depreciation expense due to change in estimate of the useful life for the existing Malcolm X building and a \$10.9 million decrease in tuition revenue.

Operating revenues decreased by \$4.4 million from the previous year because of the \$1.8 million decrease in net student tuition and fees, and a \$2.6 million decrease in other operating revenues.

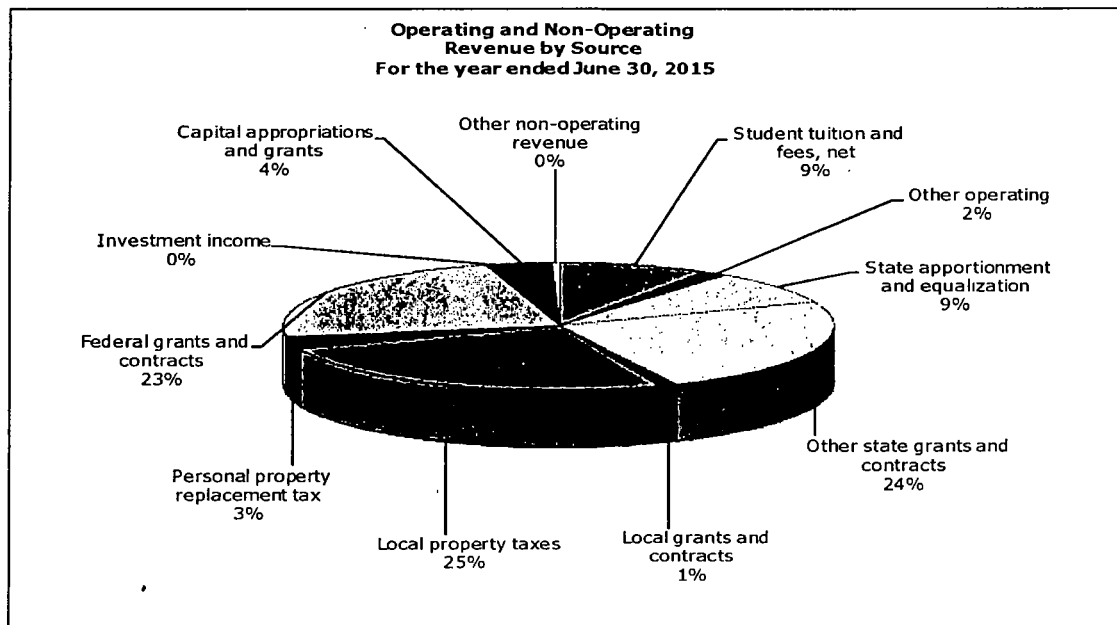
Non-operating revenues decreased \$0.7 million in fiscal year 2015 mainly due to a decrease of \$3.1 million in State Apportionment, \$3.4 million in State Grants and Contracts, \$11.3 million in Federal Grants and Contracts and \$0.4 million in investment income. The decrease was offset by increases of \$14.3 million in the on-behalf payments made by the State of Illinois to the State University Retirement System for the benefit of the City Colleges' employees and \$1 million in Personal Property Replacement Taxes due to the higher tax refunds for prior year levies, \$0.7 million in local grants, contracts and property taxes and \$1.6 million in other non-operating revenue.

Capital contributions increased by \$12.2 million due to more capital funding received from outside sources in fiscal year 2015 for the ongoing capital projects at Olive Harvey for the TDL Center and the Truman Student Services Center.

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

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

Operating revenues	2015	2014	Change
Student tuition and fees	\$ 99.6	\$ 110.5	\$ (10.9)
Less scholarships	(57.8)	(66.9)	9.1
Other operating	7.2	9.8	(2.6)
Total operating revenues	49.0	53.4	(4.4)
Non-operating revenues			
State apportionment and equalization	40.9	44.1	(3.2)
Other state grants and contracts	113.9	103.0	10.9
Local grants and contracts	5.1	5.0	0.1
Local property taxes	119.4	118.7	0.7
Personal property replacement tax	14.6	13.6	1.0
Federal grants and contracts	110.0	121.3	(11.3)
Investment income	1.2	1.6	(0.4)
Other non-operating revenue	2.2	0.6	1.6
Total non-operating revenues	407.3	407.9	(0.6)
 Capital appropriations and grants	 17.3	 5.1	 12.2
Total revenues	\$ 473.6	\$ 466.4	\$ 7.2

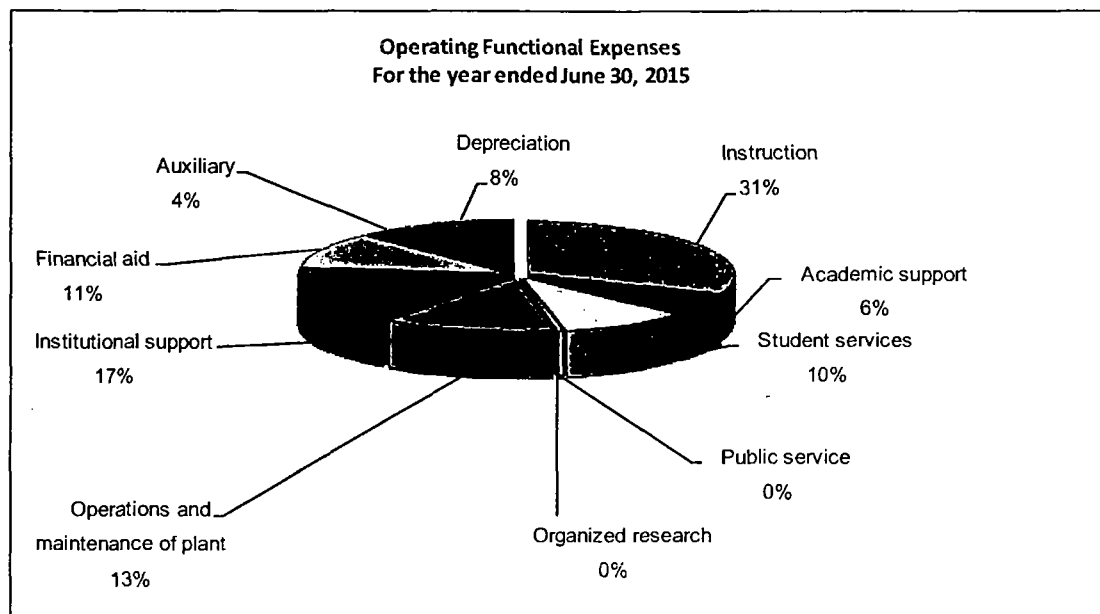


Community College District No. 508 Management's Discussion and Analysis

Total operating expenses increased by \$43.3 million in fiscal year 2015. Instructional expenses increased \$2.1 million, Academic Support by \$1.8 million, Student Services by \$6.1 million, Operations and Maintenance of Plant by \$5.5 million, and Institutional Support by \$2.3 million followed by an increase in Auxiliary expense of \$6.0 million all due to higher salaries and related expenses. Depreciation increased \$19.8 million due to additional capital assets put in service and the change in estimate of the useful life of the existing Malcolm X Building. The increases were offset by a decrease in Public Services and Organized Research by \$0.3 million.

Table 4
Operating Functional Expenses
(in millions of dollars)

Operating expenses	2015	2014	Change
Instruction	\$ 156.4	\$ 154.3	\$ 2.1
Academic support	29.2	27.4	1.8
Student services	49.1	43.0	6.1
Public service	1.9	2.0	(0.1)
Organized research	0.1	0.3	(0.2)
Operations and maintenance of plant	66.9	61.4	5.5
Institutional support	84.7	82.4	2.3
Financial aid	54.8	54.8	-
Auxiliary	20.2	14.2	6.0
Depreciation	40.4	20.6	19.8
Total operating expenses	\$ 503.7	\$ 460.4	\$ 43.3



Net Capital Assets and Non-Current Liabilities

As of June 30, 2015, City Colleges had \$1,200.5 million in capital assets and \$336.3 million in accumulated depreciation, resulting in \$864.2 million in net capital assets. This investment in net capital assets includes land, buildings and improvements, construction in progress, equipment, vehicles and software. The total increase in City Colleges' net capital assets for the current fiscal year is \$172.9 million. (See Note 5)

Major capital asset events during fiscal year 2015 included a net increase of \$37.2 million in buildings and improvements and a net increase of \$166.5 million in construction in progress attributable to Truman's Student Services Center and Parking Garage, a new Malcolm X College campus housing the Allied Health Academy, a new Transportation, Distribution and Logistics Center at Olive-Harvey College, a new district-wide emergency system, software upgrades, replacing and upgrading outdated infrastructure in various campuses, and the continued renovation of the District Office building.

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

Capital Assets	2015	2014	Change
Land	\$ 55.4	\$ 53.6	\$ 1.8
Buildings and improvements	824.2	787.0	37.2
Construction in progress	269.6	103.1	166.5
Equipment	20.4	17.5	2.9
Software	30.9	30.0	0.9
Total	1,200.5	991.2	209.3
Less accumulated depreciation	(336.3)	(299.9)	(36.4)
Net capital assets	<u>\$ 864.2</u>	<u>\$ 691.3</u>	<u>\$ 172.9</u>

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

Total non-current liabilities decreased by \$.1 million to \$318 million. This was mainly due to a \$3 million increase in accrued property tax refunds from tax objections and a \$2.7 million increase in other post-employment benefit liability because of increases in the number of active eligible employees, despite a decrease in the number of retirees receiving benefits. These increases were offset by a decrease of \$2.5 million in sick leave benefit liability because of a decrease in the number of eligible employees in accordance with union contracts. A \$1.2 million decrease in bonds payable net of premiums and discounts is due to the amortization of bond premiums and discounts.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Accrued compensated absences	\$ 3.1	\$ 3.0	\$ 0.1
Accrued property tax refunds	14.9	11.9	3.0
Sick leave benefits	8.9	11.4	(2.5)
Other post-employment benefits	42.4	39.7	2.7
Bonds payable, net of premiums & discounts	<u>256.2</u>	<u>257.4</u>	<u>(1.2)</u>
Sub-total	325.5	323.4	2.1
Less current portion	<u>(7.5)</u>	<u>(5.3)</u>	<u>(2.2)</u>
Total non-current liabilities	<u>\$ 318.0</u>	<u>\$ 318.1</u>	<u>\$ (0.1)</u>

Requests for Information

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

Basic Financial Statements

**City Colleges of Chicago
Community College District No. 508
Statement of Net Position
June 30, 2015**

Assets

Current assets:

Cash and cash equivalents	\$ 38,847,886
Short-term investments	90,441,739
Property tax receivable, net	58,803,222
Personal property replacement tax receivable	2,390,859
Other accounts receivable, net	31,880,799
Prepaid items and other assets	136,724

Total current assets	<u>222,501,229</u>
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Non-current assets:

Restricted cash	121,550,517
Funds held by others - restricted	155,205
Long-term investments	105,495,843
Other accounts receivable	6,889,662
Capital assets not being depreciated	325,048,886
Capital assets being depreciated, net	539,168,847

Total non-current assets	<u>1,098,308,960</u>
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Total assets	<u>1,320,810,189</u>
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Deferred outflows of resources

Deferred grant-related pension contributions	<u>833,715</u>
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Liabilities

Current liabilities:

Accounts payable	42,198,752
Accrued payroll	13,475,823
Other accruals	3,246,213
Deposits held in custody for others	1,228,698
Unearned tuition and fees revenue	5,265,449
Unearned grant revenue	1,381,319
Other liabilities	10,106,255
Current portion of non-current liabilities	7,502,160

Total current liabilities	<u>84,404,669</u>
----------------------------------	-------------------

Non-current liabilities:

Accrued compensated absences	3,109,320
Accrued property tax refunds	14,939,675
Sick leave benefits	8,857,755
Other post-employment benefits	42,414,120
Bonds payable, net of premiums and discounts	256,211,924
Less current portion of non-current liabilities	<u>(7,502,160)</u>

Total non-current liabilities	<u>318,030,634</u>
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Total liabilities	<u>402,435,303</u>
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Deferred inflows of resources

Deferred property tax revenue	<u>60,204,301</u>
-------------------------------	-------------------

Net position

Net investment in capital assets	717,255,258
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Restricted for specific purposes:

Audit	165,898
Liability, protection, and settlement	6,580,766
Unrestricted	135,002,378

Total net position	<u>\$ 859,004,300</u>
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The accompanying notes are an integral part of these basic financial statements.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2015

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. 72, *Fair Value Measurement and Application*, will be effective for City Colleges beginning with its year ending June 30, 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Nos. 67 and 68*, will be effective for City Colleges beginning with its year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for City Colleges beginning with its year ended June 30, 2017. This statement will establish requirements for those pension and pension plans that are not administered through a trust meeting specified criteria.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for City Colleges beginning with its year ending June 30, 2017. This statement will establish rules on reporting OPEB plans that administer benefits on behalf of governmental entities.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employer)*, will be effective for City Colleges beginning with its year ending June 30, 2018. This statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for City Colleges beginning with its year ending June 30, 2016. This statement supersedes GASB State No. 55 and reduces the existing hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for City Colleges beginning with its year ending June 30, 2017. For financial reporting purposes, tax abatement is defined as resulting from an agreement between a government and an individual or entity in which the government promised to forgo tax revenues and the individual or entity subsequently take specific action to contribute to the economic development or otherwise benefits of the government. This statement requires disclosure of tax abatement information about (1) the reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

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

2. DEPOSITS AND INVESTMENTS

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

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.

City Colleges of Chicago
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2. DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

Custodial credit risk – with regards to deposits with financial institutions, custodial credit risk is the risk that in the event of bank failure, City Colleges’ deposits may not be returned. City Colleges’ investment policy requires that investments made in excess of any applicable deposit insurance be secured by a corporate surety bond written by a surety company authorized to do business in the State of Illinois that is rated at least AA by Standard and Poor’s or Aa3 by Moody’s, or by an undertaking from the depository supported by a pledge of securities having a market value that is at all times equal to or greater than the uninsured amount on deposit. At June 30, 2015, City Colleges had cash and cash equivalents of over \$163.5 million and was not exposed to custodial credit risk on these deposits.

Investments

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

City Colleges of Chicago
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Notes to Basic Financial Statements
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2. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – as it relates to investments, custodial credit risk is the risk that in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments held by an outside party. All City Colleges' investment counterparties are limited to banks or trust companies authorized to do business in the State of Illinois that are member banks of the Federal Reserve System, and only to registered primary reporting dealers who are registered as broker-dealers with the Securities and Exchange Commission as required by City Colleges' investment policy. The District's investments in federal agency bonds, notes and commercial paper were subject to custodial credit risk as of June 30, 2015.

Concentration of credit risk – Investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At June 30, 2015, City Colleges had the following investments that exceeded 5% of the investment portfolio: Federal Home Loan Bank of \$36,944,968, Fannie Mae Mortgage Association of \$12,090,603, and Federal Home Loan Mortgage Corporation of \$11,931,307. Since these investments were issued by the U.S. government, they are excluded from the concentration of credit risk.

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.

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

2. DEPOSITS AND INVESTMENTS *(Continued)*

The carrying amount of investments at June 30, 2015 is shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury Bond / Note	\$ 64,048,524	\$ 10,703,531	\$ 53,344,993
Federal Agency Bond / Note	78,892,920	26,987,070	51,905,850
Illinois Trust TERM	3,000,000	3,000,000	-
Illinois Trust CD Program	21,110,000	20,865,000	245,000
Illinois Portfolio, IIIT Class	93,434	93,434	-
Commercial Paper	28,778,977	28,778,977	-
Money Market Fund	8,727	8,727	-
Total investments	<u>195,932,582</u>	<u>90,436,739</u>	<u>105,495,843</u>
Illinois Funds (Money Market)	5,000	5,000	-
Total investments	<u>\$ 195,937,582</u>	<u>\$ 90,441,739</u>	<u>\$ 105,495,843</u>

3. OTHER ACCOUNTS RECEIVABLE

City Colleges' other accounts receivable consists of the following:

Student	\$ 9,484,942
Grants	11,428,904
State of Illinois	6,602,536
City of Chicago - TIF	7,634,715
Other	<u>6,307,516</u>
Gross other accounts receivable	41,458,613
Less: Allowance for uncollectibles	<u>(2,688,152)</u>
Other accounts receivable, net	38,770,461
Less: Non-current portion of City of Chicago - TIF	<u>6,889,662</u>
Current portion of other receivable, net	<u>\$ 31,880,799</u>

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

4. CAPITAL ASSETS

	<u>July 1, 2014</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 53,616,391	\$ 1,805,569	\$ -	\$ 55,421,960
Construction in progress	103,111,151	210,539,281	(44,023,506)	269,626,926
Subtotal	<u>156,727,542</u>	<u>212,344,850</u>	<u>(44,023,506)</u>	<u>325,048,886</u>
Capital assets being depreciated:				
Equipment	17,525,902	2,852,191	-	20,378,093
Software	30,035,011	817,275	-	30,852,286
Buildings and improvements	786,947,003	42,378,498	(5,076,833)	824,248,668
Subtotal	<u>834,507,916</u>	<u>46,047,964</u>	<u>(5,076,833)</u>	<u>875,479,047</u>
Total capital assets	991,235,458	258,392,814	(49,100,339)	1,200,527,933
Accumulated depreciation:				
Equipment	14,256,136	1,060,210	-	15,316,346
Software	29,689,622	360,402	-	30,050,024
Buildings and improvements	256,016,775	38,942,271	(4,015,216)	290,943,830
Total accumulated depreciation	<u>299,962,533</u>	<u>40,362,883</u>	<u>(4,015,216)</u>	<u>336,310,200</u>
Capital assets, net	<u>\$ 691,272,925</u>	<u>\$ 218,029,931</u>	<u>\$ (45,085,123)</u>	<u>\$ 864,217,733</u>

The District is constructing a new campus next to the existing Malcolm X College, and expects the project to be completed in fiscal year 2016. The existing campus building will be in operation by the District until the new campus is completed. In accordance with the impairment guidelines within the GASB codification, the District has modified the remaining useful life of the existing building with a range from 7.5 years to 38 years down to 2 years; therefore, an additional \$19,226,835 of depreciation expense has been recognized in the fiscal year 2015 financial statements, with the remainder of depreciation expense relating to this building to be recorded in 2016.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

5. NET POSITION

City Colleges' net position includes restricted and unrestricted resources. Unrestricted resources may be used at the discretion of the governing board to meet current expenses for any purpose. The Board of Trustees of City Colleges has designated \$40 million for other post-employment benefits. Net position also includes \$67 million of working cash. This qualifies as a stabilization arrangement, which is a formal arrangement set aside by the District to maintain amounts for budget stabilization or working capital needs. These funds may be spent through a transfer, an abolishment, or an abatement of amounts needed by the District. Amounts can be added to the working cash balance through replenishment, the issuance of bonds, or the levy of property taxes.

6. OPERATING LEASES

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

Operating lease expense was \$2,138,902 for the year ended June 30, 2015.

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

2016	\$ 1,071,147
2017	812,477
2018	680,205
2019	700,611
2020	721,630
2021 - 2030	<u>7,794,591</u>
	<u>\$ 11,780,661</u>

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2015**

7. OTHER ACCRUALS AND OTHER LIABILITIES

City Colleges' other accruals and other liabilities consist of the following as of June 30, 2015:

Other accruals	
Accrued for services	\$ 2,025,744
Accrued interest	1,078,124
Other accruals	142,345
Total other accruals	<u>\$ 3,246,213</u>
Other liabilities	
Self insurance	\$ 4,676,881
Unclaimed property	3,068,852
Other	2,360,522
Total other liabilities	<u>\$ 10,106,255</u>

In fiscal year 2015, City College's liability to the federal government for compliance with Title IV federal financial aid regulations at Kennedy-King and Malcolm X Colleges for \$2 million was settled.

8. SICK LEAVE BENEFITS

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a three to five year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative employees and certain union-represented employees who have served continuously for 10 years or more and are eligible for an annuity under the State University Retirement System (SURS), generally at age 55. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 2.5%, (2) future payments discounted by a 4.5% interest factor in 2015 and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

8. SICK LEAVE BENEFITS (Continued)

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

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

At June 30, 2015, City Colleges accrued \$3,166,732 for the estimated present value of these future retiree benefits for current employees and \$5,691,023 in benefits payable to retired employees for a total of \$8,857,755. (See Note 9)

9. CHANGES IN NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2015 are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2015</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 3,019,110	\$ 2,938,085	\$ (2,847,875)	\$ 3,109,320	\$ 1,020,527
Accrued property tax refund	11,873,206	7,693,396	(4,626,927)	14,939,675	-
Sick leave benefits	11,457,018	931	(2,600,194)	8,857,755	2,476,633
Other post-retirement benefits	39,703,812	11,992,523	(9,282,215)	42,414,120	-
Bonds payable	250,000,000	-	-	250,000,000	4,005,000
Bonds premiums and discounts	7,406,782	-	(1,194,858)	6,211,924	-
	<u>\$ 323,459,928</u>	<u>\$ 22,624,935</u>	<u>\$ (20,552,069)</u>	<u>\$ 325,532,794</u>	<u>\$ 7,502,160</u>

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

10. EMPLOYEE RETIREMENT PENSION PLAN

As of the fiscal year ended June 30, 2015, City Colleges was required to implement GASB Statement No.'s 68 and 71. Implementation resulted in recognition of deferred outflows of resources, restatement of beginning net position, and changes to disclosures and required supplementary information. The net position as of June 30, 2014 was restated to account for the effect of pension related deferred outflows. City Colleges' pension contribution for fiscal year 2014 was made subsequent to the pension liability measurement date; therefore, the 2014 net position has been restated to record grant-related pension contributions as deferred outflows as of June 30, 2015.

Net position as previously reported, June 30, 2014	\$888,348,651
Change in net position based on GASB 68 deferred outflows	<u>824,938</u>
Net position as restated, June 30, 2014	<u>\$889,173,589</u>

General Information about the Pension Plan

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

Benefits Provided - A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014, can be found in the System's comprehensive annual financial report (CAFR) notes to the financial statements.

City Colleges of Chicago
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Notes to Basic Financial Statements
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10. EMPLOYEE RETIREMENT PENSION PLAN (Continued)

Contributions - The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2014 was 11.91% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

City Colleges of Chicago
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Notes to Basic Financial Statements
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10. 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 \$1,087,536,479, or 4.9908%, 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 was measured as of June 30, 2014, and total projected pension benefits used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward to June 30, 2014. The basis of allocation used to determine City Colleges' proportionate share of net pension liability is the actual reported pension contributions made to SURS during fiscal year 2014 as compared to the total actual reported pension contributions of all employers.

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 2014. As a result, City Colleges recognized on-behalf revenue and pension expense of \$82,364,483 for the fiscal year ended June 30, 2015.

Deferral of Fiscal Year 2015 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 \$833,715 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014, and are recognized as deferred outflows of resources as of June 30, 2015.

Assumptions and Other Inputs

Actuarial Assumptions - The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 – 2010 and an economic study completed in June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

**City Colleges of Chicago
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Notes to Basic Financial Statements
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10. EMPLOYEE RETIREMENT PENSION PLAN (Continued)

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

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

For each major asset class that is included in the pension plans target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected	4%	2.30%
Real Estate	6%	6.20%
Real Estate Investment Trust (REITS)	4%	6.20%
Opportunity Fund	<u>1%</u>	<u>2.50%</u>
Total	100%	5.00%
Inflation		<u>2.75%</u>
Expected Geometrical Normal Return		7.75%

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

10. EMPLOYEE RETIREMENT PENSION PLAN (Continued)

Discount Rate - A single discount rate of 7.090% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 4.290% (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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, 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.

11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description: In addition to providing the pension benefits described in Note 10, City Colleges provides other post-employment health care benefits (OPEB) and life insurance to retirees and their spouses. The benefits, benefit levels, employee contributions and employer contributions are governed by City Colleges and can be amended by City Colleges through its personnel manual and union contracts. An irrevocable trust has not been established to account for the plan, so the plan is not accounted for as a trust fund and does not issue a separate report.

Benefits Provided: City Colleges pays approximately 90% 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.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2015

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

Membership: As of June 30, 2015, 2014 and 2013, membership consisted of:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Retirees currently receiving benefits	1,279	1,386	1,093
Active employees	2,274	1,976	1,899
TOTAL	<u>3,553</u>	<u>3,362</u>	<u>2,992</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 90% of the cost of the premiums and retirees pay approximately 10% 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 2015. The actuarial valuation is used to determine the total actuarial liability and annual required contribution for the post-retirement medical and life insurance benefits provided for purposes of GASB Statement No. 45. For the fiscal year ended June 30, 2015, City Colleges contributed \$9,282,215.

Annual OPEB costs and the net OPEB obligation are based on the calculations and parameters prescribed in GASB Statement No. 45. A valuation date of July 1, 2015 and the Projected Unit Credit actuarial cost method were used. Using a closed amortization period, the annual required contribution is calculated as the normal cost plus a 30-year amortization of the unfunded actuarial liability as a level-dollar amount. The assumptions also include data regarding demographic and mortality rates, an inflation rate of 3% per year, an interest rate assumption of 4.5% per year, and a health care cost trend rate assumption that starts at 7.5% in 2014 and gradually declines to 4.0% by the year 2022. This valuation also considers projections and estimates of future retiree health care benefits based on actuarial standards issued by the Actuarial Standards Board. In performing the actuarial valuation of the OPEB programs, the actuarial assumptions for fiscal year 2015 included premium rates, payroll, data, variation of health care costs, census data regarding participants and age factors in each plan.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2015

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

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

The actuarial value of assets was not determined as City Colleges has not fully advance-funded its obligation; however, City Colleges has \$40 million in investments designated for this obligation in 2015. Based upon the above valuations, City Colleges' annual OPEB costs and net OPEB obligation shown in the tables on the following page discloses the actuarial calculations of the OPEB plan and its actuarial accrued funded status for fiscal years 2015, 2014, and 2013.

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 11,992,523	\$ 9,282,215	77.4%	\$ 42,414,120
June 30, 2014	11,072,215	6,828,202	61.7%	39,703,812
June 30, 2013	11,413,965	6,774,237	59.4%	35,459,799

	<u>2015</u>
Annual Required Contribution	\$ 12,538,366
Interest on Net OPEB Obligation	1,786,672
Adjustment to Annual Required Contribution	<u>(2,332,515)</u>
Annual OPEB Cost	11,992,523
Contributions Made	<u>(9,282,215)</u>
Increase in Net OPEB Obligation	2,710,308
Net OPEB Obligation Beginning of Year	<u>39,703,812</u>
Net OPEB Obligation End of Year	<u><u>\$ 42,414,120</u></u>

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2015

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

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

	2015	2014	2013
Actuarial Value of Assets	\$ -	\$ -	\$ -
Actuarial Liability	120,853,689	115,158,411	112,458,352
Unfunded Actuarial Liability	120,853,689	115,158,411	112,458,352
Funded Ratio (actuarial value of assets/AAL)	0%	0%	0%
Covered Payroll (active plan members)	146,164,608	128,106,608	107,485,980
UAAL as a Percentage of Active Member Payroll	82.7%	89.9%	104.6%

12. LONG-TERM DEBT

On October 8, 2013, City Colleges issued \$250,000,000 in Unlimited Tax General Obligation Bonds (Series 2013) at a net premium of \$8,233,226. The bonds were issued with interest rates ranging from 4.00% to 5.50% with payment dates of June 1 and December 1 of each year. The proceeds derived from the issuance of the bonds will be used to (i) construct, acquire and equip City Colleges' campus and administrative buildings and make site improvements and other capital expenditures related to the five-year \$545.6 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>
2016	\$ 4,005,000	\$ 12,857,387	\$ 16,862,387
2017	4,165,000	12,693,988	16,858,988
2018	4,335,000	12,502,313	16,837,313
2019	4,550,000	12,280,187	16,830,187
2020	4,775,000	12,047,063	16,822,063
2021- 2025	27,710,000	56,309,687	84,019,687
2026 - 2030	35,545,000	48,236,756	83,781,756
2031 - 2035	45,890,000	37,633,309	83,523,309
2036 - 2040	59,290,000	23,856,566	83,146,566
2041 - 2044	59,735,000	6,472,594	66,207,594
Total	<u>\$ 250,000,000</u>	<u>\$ 234,889,850</u>	<u>\$ 484,889,850</u>

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2015

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

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

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

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

The District procures an Educators Legal Liability Policy (ELL) to cover a broad range of non-bodily injury or non-property damage liability claims made against the District, administrators, employees and staff. Claims associated with ELL matters are managed by the Office of the General Counsel with cooperation of the Office of Risk Management. Policy limits of \$5,000,000 in the aggregate and \$5,000,000 per occurrence apply, with retention of \$200,000.

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. City Colleges has accrued funds for estimated future claims of \$1,018,389 as of June 30, 2015.

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.

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

Table N

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

Capital Asset Type	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Land	\$ 17,388,173	\$ 19,574,040	\$ 48,988,547	\$ 49,094,047	\$ 49,094,047	\$ 49,959,334	\$ 49,959,334	\$ 50,588,046	\$ 53,616,391	\$ 55,421,960
Construction in progress	70,201,658	182,702,679	18,421,821	28,955,476	43,035,306	51,832,430	58,677,994	80,178,270	103,111,151	269,626,926
Equipment	8,756,202	9,909,704	17,574,611	17,919,630	16,548,010	15,901,476	16,930,530	17,064,376	17,525,902	20,378,093
Buildings and improvements	478,350,538	488,896,308	642,987,012	654,292,589	680,481,594	692,728,579	711,320,407	725,256,411	786,947,003	824,248,668
Software	28,639,679	28,694,279	28,734,268	29,008,086	29,342,571	29,342,571	30,035,011	30,035,011	30,035,011	30,852,286
Total Capital Assets	603,336,250	729,777,010	756,706,259	779,269,828	818,501,528	839,764,390	866,923,276	903,122,114	991,235,458	1,200,527,933
Less: Accumulated Depreciation	(194,626,987)	(206,074,196)	(186,971,382)	(208,307,417)	(225,326,563)	(246,743,974)	(266,588,199)	(281,982,383)	(299,962,533)	(336,310,200)
Net Capital Assets	\$ 408,709,263	\$ 523,702,814	\$ 569,734,877	\$ 570,962,411	\$ 593,174,965	\$ 593,020,416	\$ 600,335,077	\$ 621,139,731	\$ 691,272,925	\$ 864,217,733
Capital Lease & Bond Obligations	\$ 56,105,000	\$ 31,695,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000,000	\$ 250,000,000

Data Sources: Summary of Capital Assets Schedule, (See Note 5)
and prior-year comprehensive annual financial reports

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

Table O

**Operating Information
Miscellaneous Statistics (*Unaudited*)**

<i>Founded</i>	<i>1911</i>	
Accreditation by North Central Association of Colleges and Schools	<u>Most Recent Accreditation</u>	<u>Next Review</u>
Dalcy	2011-12	2021-22
Harold Washington	2008-09	2018-19
Kennedy-King	2005-06	2015-16
Malcolm X	2007-08	2017-18
Olive-Harvey	2010-11	2020-21
Truman	2009-10	2019-20
Wright	2001-02	2015-16
Current gross square footage		4,481,075
Size of district		228.5 square miles
Counties served		Cook and DuPage
Population of district		2,722,389
Number of full-time faculty		603
Number of part-time faculty		1,925
Number of custodial / maintenance staff		788
Number of professional / technical staff		643
Number of academic support staff		709
Number of clerical staff		605
Number of administrators		394
Number of student/workstudy staff		289
Number of supervisors		72
Degrees and certificates awarded (fiscal year 2015)		11,883

**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
2006	\$296,555,599	\$54,645,516
2007	\$302,035,040	\$58,595,337
2008	\$297,698,600	\$55,892,006
2009	\$287,664,558	\$53,244,610
2010	\$308,471,029	\$57,321,939
2011	\$295,401,900	\$64,548,437
2012	\$295,521,900	\$64,549,023
2013	\$282,421,700	\$58,314,908
2014	\$284,916,500	\$58,700,515
2015	\$285,144,498	\$56,491,043

Source: Illinois Community College Board

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

Table Q
Operating Information
Revenues and Expenditures by Campus (Unaudited)
Fiscal Year Ended June 30, 2015

	Daley	Harold Washington	Kennedy-King	Malcolm X	Olive-Harvey	Truman	Wright	District Office	Total
Revenues:									
Local Tax Revenue	11,287,371	3,721,729	21,626,218	35,256,045	12,592,146	14,696,656	9,519,803	25,253,879	\$ 133,953,847
All Other Local Revenue	138,000	2,000	137,000	70,000	1,752,476	1,950,207	3,164	916,008	4,968,855
ICCB Grants	9,584,130	9,027,788	6,666,836	7,266,253	5,313,053	11,655,959	11,226,597	-	60,740,616
All Other State Revenue	1,142,525	2,669,934	1,533,421	1,660,916	1,212,633	1,352,917	1,836,467	316,721	11,725,534
Federal Revenue	11,143,561	23,184,134	17,611,613	16,933,259	9,131,535	12,832,284	18,360,116	776,118	109,992,620
Student Tuition and Fees	10,625,737	25,354,075	11,831,194	11,505,549	6,441,447	13,610,081	20,205,831	-	99,573,914
All Other Revenue	264,324	1,332,977	3,595,783	336,649	189,231	336,202	932,657	4,258,540	11,246,363
Total Revenue before Capital Appropriations	44,185,648	65,292,637	63,002,065	73,048,671	36,632,521	56,434,306	62,084,635	31,521,266	432,201,749
Capital Appropriations	-	-	-	-	17,281,560	45,000	-	-	17,326,560
Total Revenue	<u>\$ 44,185,648</u>	<u>\$ 65,292,637</u>	<u>\$ 63,002,065</u>	<u>\$ 73,048,671</u>	<u>\$ 53,914,081</u>	<u>\$ 56,479,306</u>	<u>\$ 62,084,635</u>	<u>\$ 31,521,266</u>	<u>\$ 449,528,309</u>
Expenditures by program									
Instruction	13,729,997	18,579,676	17,180,250	15,405,115	11,326,619	21,189,099	20,582,985	1,277,103	\$ 119,270,844
Academic Support	1,965,157	2,545,780	4,406,303	2,164,468	3,020,956	2,919,763	2,956,843	3,079,598	23,058,868
Student Services	3,752,481	8,491,855	3,066,924	5,062,023	3,315,085	5,746,484	6,058,145	2,433,500	37,926,497
Public Service/Continuing Education	142,871	1,642	211,658	348,185	9,220	37,118	348,948	512,574	1,612,216
Organized Research	-	90,534	-	290	1,150	238	3,164	4,484	99,860
Auxiliary Services	697,275	756,384	2,019,351	908,108	340,701	662,079	159,371	10,507,115	16,050,384
Operations and Maintenance	9,019,467	5,516,052	14,518,361	28,339,073	6,233,048	9,143,572	8,860,489	15,528,935	97,158,997
Institutional Support	3,480,403	3,371,182	4,090,114	3,775,056	2,956,715	3,484,213	3,372,249	45,673,804	70,203,736
Scholarships, Grants, Waivers	11,397,997	25,939,532	17,509,101	17,046,353	9,429,026	13,251,738	19,742,442	-	114,316,189
Total Expenditures	<u>\$ 44,185,648</u>	<u>\$ 65,292,637</u>	<u>\$ 63,002,062</u>	<u>\$ 73,048,671</u>	<u>\$ 36,632,520</u>	<u>\$ 56,434,304</u>	<u>\$ 62,084,636</u>	<u>\$ 79,017,113</u>	<u>\$ 479,697,591</u>

Excludes SURS contribution of \$82,364,483

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2015, 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, 2015

	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	PBC * Operations and Maintenance Fund	GASB 34/35 Adjustment ***	Total
Fund Balance: July 1, 2014	\$ 5,844,425	\$ -	\$ 152,988,464	\$ -	\$ (3,992,021)	\$ -	\$ 67,013,532	\$ 194,892	\$ 7,187,039	\$ 225,717,257	\$ 607,045	\$ 433,612,956	\$ 889,173,589
Revenues:													
Local Tax Revenue	91,421,045	23,230,098	1,868,662	12,937,488	-	-	-	458,006	4,038,548	-	-	-	133,953,847
All Other Local Revenue	-	-	17,326,560	-	-	4,968,855	-	-	-	-	-	-	22,295,415
ICCB Grants	56,705,814	-	-	-	-	4,034,801	-	-	-	-	-	-	60,740,615
All Other State Revenue	-	-	-	-	-	11,725,534	-	-	-	-	-	-	11,725,534
Federal Revenue	68,604	-	-	-	-	109,924,016	-	-	-	-	-	-	109,992,620
Student Tuition and Fees	99,573,913	-	-	-	-	-	-	-	-	-	-	-	99,573,913
All Other Revenue	2,937,411	1,074,587	426,870	5,331	6,576,727	117,047	-	-	-	108,390	-	-	11,246,363
Total Revenues	250,706,787	24,304,685	19,622,092	12,942,819	6,576,727	130,770,253	-	458,006	4,038,548	108,390	-	-	449,528,307
Expenses													
Instruction	108,077,328	-	-	-	3,521,413	7,672,102	-	-	-	-	-	-	119,270,843
Academic Support	14,417,652	-	-	-	172,333	8,468,883	-	-	-	-	-	-	23,058,868
Student Services	35,170,160	473	-	-	79,948	2,675,918	-	-	-	-	-	-	37,926,499
Public Service/Continuing Education	349,022	-	-	-	68,728	1,194,465	-	-	-	-	-	-	1,612,215
Organized Research	4,484	-	-	-	-	95,376	-	-	-	-	-	-	99,860
Auxiliary Services	9,010,325	1,182	-	-	5,742,834	1,296,043	-	-	-	-	-	-	16,050,384
Operations and Maintenance	16,907,025	26,781,370	92,152,579	12,937,488	-	-	-	-	1,009,974	100,263,593	-	(152,893,031)	97,158,998
Institutional Support	61,669,436	17,559	25,037,404	100	26,507	577,523	-	486,999	3,634,847	-	-	(21,246,635)	70,203,740
Scholarships, Grants, Waivers	5,174,021	-	-	-	-	109,142,168	-	-	-	-	-	-	114,316,189
Total Expenses	250,779,453	26,800,584	117,189,983	12,937,588	9,611,763	131,122,478	-	486,999	4,644,821	100,263,593	-	(174,139,666)	479,697,596
Net Transfers	607,045	-	-	-	-	-	-	-	-	-	(607,045)	-	-
Fund Balance: June 30, 2015	\$ 6,378,804	\$ (2,495,899)	\$ 55,420,573	\$ 5,231	\$ (7,027,057)	\$ (352,225)	\$ 67,013,532	\$ 165,899	\$ 6,580,766	\$ 125,562,054	\$ -	\$ 607,752,622	\$ 859,004,300

* Public Building Commission

** Excludes SURS contribution \$ 82,364,483.

*** July 1, 2014 Fund Balance has been restated by \$824,938 due to the implementation of GASB Statement No. 71.

*** 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, 2015

	Capital Assets / Long-Term Debt July 1, 2014	Additions	Deletions and Transfers	Capital Assets / Long-Term Debt June 30, 2015
Fixed Assets				
Land	\$ 53,616,391	\$ 1,805,569	\$ -	\$ 55,421,960
Construction in progress	103,111,151	210,539,281	(44,023,506)	269,626,926
Buildings and improvements	786,947,003	42,378,498	(5,076,833)	824,248,668
Equipment	17,525,902	2,852,191	-	20,378,093
Software	30,035,011	817,275	-	30,852,286
Accumulated depreciation	(299,962,533)	(40,362,883)	4,015,216	(336,310,200)
Net Fixed Assets	<u>\$ 691,272,925</u>	<u>\$ 218,029,931</u>	<u>\$ (45,085,123)</u>	<u>\$ 864,217,733</u>
Fixed Debt				
Bonds payable	\$ 250,000,000	\$ -	\$ -	\$ 250,000,000
Total Fixed Debt	<u>\$ 250,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000,000</u>

City Colleges of Chicago
Community College District No. 508
Operating** Funds Revenues and Expenditures
Uniform Financial Statement #3
Fiscal Year Ended June 30, 2015

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
OPERATING REVENUES BY SOURCE			
Local Government Revenue:			
Local Taxes	\$ 91,421,045	\$ 23,230,098	\$ 114,651,143
TOTAL LOCAL GOVERNMENT	<u>91,421,045</u>	<u>23,230,098</u>	<u>114,651,143</u>
State Government:			
ICCB Base Operating Grant	40,944,584	-	40,944,584
Other ICCB Grants	15,761,230	-	15,761,230
TOTAL STATE GOVERNMENT	<u>56,705,814</u>	<u>-</u>	<u>56,705,814</u>
Federal Government:			
Dept. of Education	68,604	-	68,604
TOTAL FEDERAL GOVERNMENT	<u>68,604</u>	<u>-</u>	<u>68,604</u>
Student Tuition and Fees			
Tuition	79,119,801	-	79,119,801
Fees	20,454,112	-	20,454,112
TOTAL TUITION AND FEES	<u>99,573,913</u>	<u>-</u>	<u>99,573,913</u>
Other Sources			
Sales and Service Fees	388,793	-	388,793
Facilities Revenue	49,623	1,074,587	1,124,210
Investment Revenue	1,224,283	-	1,224,283
Non-Governmental Grants	1,274,712	-	1,274,712
TOTAL OTHER REVENUE	<u>2,937,411</u>	<u>1,074,587</u>	<u>4,011,998</u>
TOTAL REVENUE	<u>\$ 250,706,787</u>	<u>\$ 24,304,685</u>	<u>\$ 275,011,472</u>
OPERATING EXPENDITURES			
BY PROGRAM			
Instruction	\$ 108,077,328	\$ -	\$ 108,077,328
Academic Support	14,417,652	-	14,417,652
Student Services	35,170,160	473	35,170,633
Public Service/Continuing Education	349,022	-	349,022
Organized Research	4,484	-	4,484
Auxiliary Services	9,010,325	1,182	9,011,507
Operations and Maintenance	16,907,025	26,781,370	43,688,395
Institutional Support	61,669,436	17,559	61,686,995
Scholarships, Grants, Waivers	5,174,021	-	5,174,021
TOTAL EXPENDITURES	<u>250,779,453</u>	<u>26,800,584</u>	<u>277,580,037</u>
Less Non-Operating Items*			
Tuition Chargeback	283,394	-	283,394
Transfers to Non-Operating Funds	-	-	-
ADJUSTED EXPENDITURES	<u>\$ 251,062,847</u>	<u>\$ 26,800,584</u>	<u>\$ 277,863,431</u>
BY OBJECT			
Salaries	\$ 179,692,431	\$ 12,322,609	\$ 192,015,040
Employee Benefits	25,760,284	2,446,400	28,206,684
Contractual Services	14,172,777	3,692,961	17,865,738
General Materials and Supplies	13,479,219	877,987	14,357,206
Professional Development	863,132	4,906	868,038
Fixed Charges	1,326,415	809,937	2,136,352
Utilities	2,619,044	6,635,811	9,254,855
Other	7,691,062	9,973	7,701,035
Student Grants & Scholarships**	5,175,089	-	5,175,089
TOTAL EXPENDITURES	<u>250,779,453</u>	<u>26,800,584</u>	<u>277,580,037</u>
Less Non-Operating Items*			
Tuition Chargeback	283,394	-	283,394
Transfers to Non-Operating Funds	-	-	-
ADJUSTED EXPENDITURES	<u>\$ 251,062,847</u>	<u>\$ 26,800,584</u>	<u>\$ 277,863,431</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, 2015

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$ 4,968,855
State Government	
ICCB - Adult Education	4,034,801
Other	<u>11,725,534</u>
TOTAL STATE GOVERNMENT	<u>15,760,335</u>
Federal Government	
Dept. of Education	97,717,874
Other	<u>12,206,142</u>
TOTAL FEDERAL GOVERNMENT	<u>109,924,016</u>
Other Sources	
Other	<u>117,047</u>
TOTAL OTHER SOURCES	<u>117,047</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 130,770,253</u></u>

EXPENDITURES BY PROGRAM

Instruction	\$ 7,672,102
Academic Support	8,468,883
Student Services	2,675,918
Public Service/Continuing Education	1,194,465
Organized Research	95,376
Auxiliary Services	1,296,043
Institutional Support	577,523
Scholarships, Grants and Waivers	109,142,168
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 131,122,478</u></u>

EXPENDITURES BY OBJECT

Salaries	\$ 15,723,391
Employee Benefits	3,311,493
Contractual Services	1,735,789
General Materials and Supplies	2,573,899
Professional Development	362,683
Fixed Charges	2,550
Utilities	594
Other	388,597
Scholarships, Grants, Waivers	107,023,482
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 131,122,478</u></u>

* Excludes SURS contribution of \$82,364,483.

City Colleges of Chicago
Community College District No. 508
Current Funds * Expenditures** by Activity
Uniform Financial Statement #5
Fiscal Year Ended June 30, 2015

INSTRUCTION	
Instructional Programs	\$ 119,270,843
Total Instruction	<u>119,270,843</u>
ACADEMIC SUPPORT	
Library Center	810,999
Instructional Materials Center	126,827
Educational Media Services	2,099
Academic Computing Support	29,597
Academic Administration and Planning	13,929,916
Other	<u>8,159,430</u>
Total Academic Support	<u>23,058,868</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	6,805,192
Counseling and Career Services	11,263,268
Financial Aid Administration	4,027,481
Other	<u>15,830,558</u>
Total Student Services Support	<u>37,926,499</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	26,261
Customized Training (Instructional)	213,001
Community Services	393,778
Other	<u>979,175</u>
Total Public Service/Continuing Education	<u>1,612,215</u>
ORGANIZED RESEARCH	<u>99,860</u>
AUXILIARY SERVICES	<u>16,050,385</u>
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	11,649,529
Custodial Services	7,579,951
Grounds	2,973
Campus Security	10,701,354
Transportation	6,054
Utilities	7,390,693
Administration	3,468,823
Other	<u>3,898,992</u>
Total Operations and Maintenance of Plant	<u>44,698,369</u>
INSTITUTIONAL SUPPORT	
Executive Management	7,572,924
Fiscal Operations	10,303,825
Community Relations	4,432,870
Administrative Support Services	8,690,796
Board of Trustees	236,492
General Institutional	16,388,222
Institutional Research	2,174,410
Administrative Data Processing	8,498,827
Other	<u>8,114,505</u>
Total Institutional Support	<u>66,412,871</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>114,316,189</u>
TOTAL CURRENT FUNDS EXPENDITURES	<u>\$ 423,446,099</u>

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

** Excludes SURS Contribution of \$82,364,483.

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

Certification of Chargeback Reimbursement for Fiscal Year 2016 *(Unaudited)*

Note: The fiscal year 2016 Certificate of Chargeback Reimbursement Form was unable to be completed by the October 15, 2015, audit due date because line 17 of the form (the fiscal year 2015 average grant rate based on fiscal year 2016 ICCB grants) was unavailable since the State of Illinois budget had not yet been approved by the General Assembly and the Governor of the State of Illinois. This page will be issued at a later date as an addendum/replacement page once all information is available to complete the fiscal year 2016 Chargeback Reimbursement Form.



**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, 2015. City Colleges' management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

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

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

McGladrey LLP

Chicago, Illinois
October 14, 2015

City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed
Year ended June 30, 2015

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	57,104.0	-	236,880.0	-	241,451.0	-	535,435.0	-
Business Occupational	3,300.0	-	20,825.0	-	20,847.0	-	44,972.0	-
Technical Occupational	8,572.5	-	28,833.0	-	28,519.0	-	65,924.5	-
Health Occupational	2,787.0	-	16,512.0	-	15,543.5	-	34,842.5	-
Remedial/Developmental	7,285.0	-	56,360.0	-	43,448.0	-	107,093.0	-
Adult Basic/Secondary Education	52,657.5	24,082.0	65,265.0	51,501.5	92,719.0	18,777.0	210,641.5	94,360.5
Total	131,706.0	24,082.0	424,675.0	51,501.5	442,527.5	18,777.0	998,908.5	94,360.5

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2015

Categories	Unrestricted		Restricted	
	Total Credit Hours	Certified by ICCB	Total Credit Hours	Certified by ICCB
Baccalaureate Transfer	535,435.0	535,435.0	-	-
Business Occupational	44,972.0	44,972.0	-	-
Technical Occupational	65,924.5	65,924.5	-	-
Health Occupational	34,842.5	34,842.5	-	-
Remedial/Developmental	107,093.0	107,093.0	-	-
Adult Basic/Secondary Education	210,641.5	210,641.5	94,360.5	94,360.5
Total	998,908.5	998,908.5	94,360.5	94,360.5

Summary of Certified Dual Credit and Dual Enrollment Hours

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	9,298.5	7,872.0

City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed (Continued)
Year ended June 30, 2015

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	960,194.0		
Restricted in-district resident hours	<u>89,869.5</u>		
Semester credit hours (all terms)	1,050,063.5	1,543.5	1,051,607.0

District prior-year equalized assessed evaluation \$ 64,874,165,733

	<u>Total Credit Hours</u>	<u>Total Credit Hours Certified by ICCB</u>	<u>Difference</u>
In-district resident	1,050,063.5	1,050,063.5	-
Out-of-district (chargeback/contractual agreement)	<u>1,543.5</u>	<u>1,543.5</u>	-
Total	<u>1,051,607.0</u>	<u>1,051,607.0</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)

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>
2014	\$64,874,191,713
2013	62,337,066,955
2012	65,221,057,665
2011	75,087,804,739
2010	82,052,222,695
2009	84,550,505,262
2008	80,929,580,524
2007	73,611,156,177
2006	69,479,300,657
2005	59,274,592,340

State Grant Compliance Section



Independent Auditor's Report on The Grant Program Financial Statements

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State Adult Education and Family Literacy Grant Program, Early School Leavers Grant Program, Career and Technical Education - Program Improvement, Accelerating Opportunities Integrated Career and Academic Prep System Grant Program, and Adult Education Bridge Program (the Grant Programs) of City Colleges of Chicago, Community District No. 508 (City Colleges) as of and for the year ended June 30, 2015 and the related notes to the financial statements – grant programs, which collectively comprise City Colleges' grant program financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Adult Education and Family Literacy Grant Program, Early School Leavers Grant Program, Career and Technical Education - Program Improvement, Accelerating Opportunities Integrated Career and Academic Prep System Grant Program, and Adult Education Bridge Program as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The grant program financial statements present only the Grant Programs referred to above and do not purport to, and do not present the financial position of City Colleges as of June 30, 2015, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of City Colleges' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.



Chicago, Illinois
October 14, 2015



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Grant Program Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Adult Education and Family Literacy Grant Program, Early School Leavers Grant Program, Career and Technical Education - Program Improvement, Accelerating Opportunities Integrated Career and Academic Prep System Grant Program, and Adult Education Bridge 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, 2015, and the related notes to the financial statements – grant programs, and have issued our report thereon dated October 14, 2015. The grant program financial statements present only the Grant Programs referred to above and do not purport to, and do not present the financial position of City Colleges as of June 30, 2015, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

**City Colleges of Chicago
Community College District No. 508
Career and Technical Education - Program Improvement
Balance Sheet
As of June 30, 2015**

Assets	
Cash	<u>\$ 27,451</u>
 Liabilities and Fund Balance	
Accounts payable	\$ 13,816
Accrued payroll	9,300
Other accrued expense	1,129
Deferred Revenue	<u>3,206</u>
Total liabilities	27,451
 Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 27,451</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2015**

Revenue	
State sources	<u>\$ 105,118</u>
 Expenditures	
Salaries	\$ 42,010
Instructional equipment	21,065
Materials and supplies	29,214
Curriculum development	1,365
Staff development	<u>11,464</u>
Total Expenditures	<u>\$ 105,118</u>
 Excess of Revenue Over Expenditures	<u>\$ -</u>
 Fund Balance - July 1, 2014	<u>-</u>
Fund Balance - June 30, 2015	<u>\$ -</u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Accelerating Opportunities Integrated Career and Academic Prep System Grant Program
Balance Sheet
As of June 30, 2015**

Assets	
Cash	\$ <u>1,455</u>
 Liabilities and Fund Balance	
Accrued expense	\$ <u>1,455</u>
Total liabilities	<u>1,455</u>
 Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ <u>1,455</u></u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2015**

Revenue	
State sources	\$ 10,000
Private	<u>10,000</u>
Total Expenditures	<u>\$ <u>20,000</u></u>
 Expenditures	
Salaries	\$ 6,103
Employee benefits	232
Materials and supplies	1,889
Travel and meeting	9,167
Indirect cost	<u>2,609</u>
Total Expenditures	<u>\$ <u>20,000</u></u>
 Excess of Revenue Over Expenditures	 \$ -
 Fund Balance - June 30, 2014	 <u>-</u>
Fund Balance - June 30, 2015	<u>\$ <u>-</u></u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Adult Education Bridge Grant Program
Balance Sheet
As of June 30, 2015**

Assets

Cash	\$	<u>-</u>
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Liabilities and Fund Balance

Accounts payable	\$	<u>-</u>
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Total liabilities		-
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Total Fund Balance		<u>-</u>
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Total Liabilities and Fund Balance	\$	<u>-</u>
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**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2015**

Revenue

State sources	\$	<u>525,000</u>
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Expenditures

Salaries	\$	467,760
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Employee benefits		32,304
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Materials and supplies		<u>24,936</u>
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Total Expenditures	\$	<u>525,000</u>
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Excess of Revenue Over Expenditures	\$	-
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Fund Balance - June 30, 2014		<u>-</u>
------------------------------	--	----------

Fund Balance - June 30, 2015	\$	<u>-</u>
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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, 2015**

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. State Adult Education and Family Literacy Grant Programs

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

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

The ICCB provides funding for Adult Education and Family Literacy from State and Federal sources. State funds include three categories: (1) State Basic, (2) State Public Assistance, and (3) State Performance. Federal funds include two categories: (1) Federal Basic and (2) Federal EL/Civics. Funding is allocated through a competitive process. The funding source determines the applicable statutory regulations, policies, and guidelines, including allowable costs.

B. Early School Leavers Grant Program

The Early School Leavers Grant is to provide opportunities for youth aged 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 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, 2015**

1. PROGRAM DESCRIPTIONS *(Continued)*

D. Accelerating Opportunities - Integrated Career and Academic Prep System Grant Program

The Accelerating Opportunities Grant Program's primary focus is to increase the number of lower-skilled students that achieve at least one credit-bearing, post-secondary credential, which is critical to alleviating the trans-generational cycle of poverty.

E. Adult Education Bridge Grant Program

The Adult Education Bridge Grant Program allows adult students with language arts and math skills between a sixth and eighth grade level to rapidly build their basic skills through instruction tailored specifically to a high-growth career field in Healthcare, Manufacturing, Culinary/Hospitality or Transportation, Distribution and Logistics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Reporting

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

Grant revenues are reported in these grant program financial statements when allowable grant expenditures are made. Expenditures are allowable if they comply with "Policy Guidelines for Restricted Grant Expenditures and Reporting" set 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, the Early School Leavers program, the Accelerating Opportunities program and the Adult Bridge Program were fully expended within the grant period.

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

**Notes to Grant Program Financial Statements
June 30, 2015**

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

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

B. Cash Held by City Colleges of Chicago

To facilitate sound management, substantially all grant program cash for the State Adult Education and Family Literacy, Early School Leavers, Career and Technical Education Program Improvement, Accelerating Opportunities and Adult Education Bridge programs are pooled with City Colleges.

C. Capital Outlay

Acquisitions of fixed assets with grant funds are reported as capital outlay expenditures in these grant program financial statements. Fixed assets acquired with grant funds are not reported on grant balance sheets.

D. Uses of Estimates

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

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



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements, and have issued our report thereon dated October 14, 2015. Our report was modified to include an emphasis of matter paragraph regarding the adoption of the reporting and disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*.

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 opinion 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.

A handwritten signature in cursive script that reads "McGladrey LLP".

Chicago, Illinois
October 14, 2015



**Report on Compliance for Each Major Federal
Program; Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2015. 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 of City Colleges is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. 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 the responses.

Report on Internal Control Over Compliance

Management of City Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City Colleges as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements. We issued our report thereon dated October 14, 2015, which contained an unmodified opinion on those financial statements. Our report was modified to include an emphasis of matter paragraph regarding the adoption of the reporting and disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Chicago, Illinois
October 14, 2015

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education -			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	P063P111341	\$ 94,302,093
Federal Work-Study Program	84.033	P033A111123	1,609,251
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A111123	2,026,761
Total Student Financial Assistance			<u>97,938,105</u>
Federal Direct Student Loans			
Kennedy King College	84.268	P268K146807	7,193,168
Olive Harvey College	84.268	P268K146999	3,191,050
Harold Washington College	84.268	P268K146870	4,365,317
Truman College	84.268	P268K146996	3,610,780
Malcolm X College	84.268	P268K146907	4,066,538
Wright College	84.268	P268K146997	2,175,169
Daley College	84.268	P268K146878	1,509,455
Total Federal Direct Student Loans			<u>26,111,477</u>
Total Student Financial Assistance Cluster:			<u>124,049,582</u>
TRIO Cluster:			
TRIO- Student Support Services			
Student Support Services Program	84.042A	P042A100449-14	211,089
Student Support Services Program	84.042A	P042A100449-13	34,568
Student Support Services Program	84.042A	P042A100110-14	181,389
Student Support Services Program	84.042A	P042A100110-13	5,394
			<u>432,440</u>
TRIO - Talent Search Program:			
Talent Search Grant	84.044A	P044A110877-14	192,057
Talent Search Grant	84.044A	P044A110877-13	49,441
Talent Search Grant	84.044A	P044A110382-14	151,480
Talent Search Grant	84.044A	P044A110382-13	27,171
			<u>420,149</u>
TRIO - Upward Bound Program:			
Upward Bound Grant	84.047A	P047A121219-14	161,823
Upward Bound Grant	84.047A	P047A121219-13A	98,113
			<u>259,936</u>
TRIO - Educational Opportunity Centers			
Educational Opportunity Centers Program	84.066A	P066A110111-14	170,081
Educational Opportunity Centers Program	84.066A	P066A110111-13	50,230
			<u>220,311</u>
Total TRIO Cluster			<u>1,332,836</u>

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education - (Continued)			
Adult Education - Basic Grants to States			
Passed through the Illinois Community College Board			
Adult Education Grant - Basic	84.002A	50800	\$ 1,171,146
Adult Education Grant - Civic	84.002A	50800	146,401
			<u>1,317,547</u>
Adult Education - Basic Grants to States			
Passed through the Illinois Community College Board			
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.002A	AEL ICAPS 50815	10,000
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.002A	AEL ICAPS 508D15	10,000
			<u>20,000</u>
Higher Education Institutional Aid			
Strengthening Institutions Programs (SIP)	84.031A	P031A090185-12	19,192
Strengthening Institutions Programs (SIP)	84.031A	P031A090185-13	49,125
			<u>68,317</u>
Higher Education Institutional Aid			
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-14	122,746
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-13	62,371
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-14	215,949
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-13	67,908
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-14	177,255
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-13	48,226
			<u>694,455</u>
Higher Education Institutional Aid			
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-13	91,916
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-14	539,396
			<u>631,312</u>
Career and Technical Education - Basic Grants to States			
Passed through the Illinois Community College Board			
Perkins III Grant	84.048	15CTE508	<u>3,232,999</u>
Career and Technical Education			
CCC Programs of Study (POS) Implementation Grant			
Pathway to Results	84.048	15CTE POSI 508	<u>5,000</u>
Career and Technical Education			
Passed through Illinois Community College Board			
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.048	CTE ICAPS 50815	10,000
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.048	CTE ICAPS 508D15	10,000
			<u>20,000</u>
Career and Technical Education			
Passed through Illinois Community College Board			
Dual Credit Enhancement	84.048	15 DCE 508	10,000
Dual Credit Enhancement	84.048	15 DCE 508	10,000
Dual Credit Enhancement	84.048	15 DCE 508-T	10,000
Dual Credit Enhancement	84.048	15 DCE 508-W	10,000
			<u>40,000</u>

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education - (Continued)			
Minority Science Improvement	84.120A	P120A120077-14	\$ 238,112
Minority Science Improvement	84.120A	P120A120077-13	124,295
			<u>362,407</u>
Strengthening Minority-Serving Institutions			
Project GEMS	84.382A	P382A110034-14	465,981
Project GEMS	84.382A	P382A110034-13	184,587
			<u>650,568</u>
Strengthening Minority-Serving Institutions			
Learning Communities for STEM	84.382A	P382A110046-14	317,690
Learning Communities for STEM	84.382A	P382A110046-13	91,010
			<u>408,700</u>
Race to the Top			
Passed through Illinois Community College Board			
STEM College and Career Readiness	84.413A	14 RTTT508-H	56,000
STEM College and Career Readiness	84.413A	14 RTTT508-O	48,648
STEM College and Career Readiness	84.413A	15 RTTT508-W	17,152
			<u>121,800</u>
Total Expenditures - U.S. Department of Education			\$ 132,955,523
U.S. Department of Health and Human Services -			
Head Start			
Passed through the City of Chicago Department of Family and Support Services:			
Head Start Program	93.600	28838-2	\$ 465,627
Head Start Program	93.600	28838-1	402,310
Head Start Support Services Program	93.600	29794-2	194,925
Head Start Support Services Program	93.600	29794-1	171,228
			<u>1,234,090</u>
Child Care			
Passed through the City of Chicago Department of Family and Support Services:			
Child Care Services Program	93.596	28412-2	291,258
Biomedical Research			
Passed through University of Illinois			
UIC Behavioral and Biomedical Sciences Bridges to Baccalaureate Program	93.859	5R26GM107692	1,389
Total Expenditures - U.S. Department of Health and Human Services			\$ 1,526,737

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Agriculture -			
Passed through the Illinois State Board of Education			
Child and Adult Care Food Program	10.558	15016508051	\$ 109,984
Child and Adult Care Food Program	10.558	15016508051	21,302
			<u>131,286</u>
Higher Education - Institution Challenge Grants Program			
Passed through Chicago State University			
Chicago South Side Urban Agricultural Initiative	10.217	2011-38411-30640	10,292
	10.217	2011-38411-30640	804
			<u>11,096</u>
Total Expenditures - U.S. Department of Agriculture			\$ <u>142,382</u>
U.S. Department of Labor -			
Green Jobs Innovation Fund Grants			
Passed through Opportunity Advancement Innovation			
Calumet Green Manufacturing Partnership - Tuition Disbursement	17.279	14-051006	\$ 7,288
Trade Adjustment Assistance Community College and Career Training Grants			
Passed through Cincinnati State Technical and Community College			
Health Professionals Pathways Consortium (H2P)	17.282	TC-22486-11-60-A-39	433,582
Passed through William Rainey Harper College			
Illinois Network for Advanced Manufacturing (INAM)	17.245	TC-23795-12-60-A-17	45,780
Total Expenditures - U.S. Department of Labor			\$ <u>486,650</u>
National Science Foundation -			
Research and Development Cluster			
Education and Human Resources			
Passed through Chicago State University			
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	\$ 6
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	2,478
			<u>2,484</u>
Education and Human Resources			
Passed through Roosevelt University			
RU-HWC Partnership for STEM Education			
Mathematics Talent Expansion Program (USTEP)	47.076	DUE-0757053	18,112
Education and Human Resources			
Passed through Chicago State University			
Urban STEM Talent Expansion Program	47.076	DUE-0856827	29,590

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
National Science Foundation - (Continued)			
Education and Human Resources			
Passed through University of Massachusetts Boston			
Broadening Advanced Technological Education			
Connections	47.076	DUE-1104145	\$ 305
Education and Human Resources			
STEM Scholars Program	47.076	DUE-1259809	119,513
Total Expenditures - National Science Foundation			\$ 170,004
Office of Naval Research -			
Midwest Association for Science and Services (Critical Mass)	12.300	N00014-12-1-0738	63,089
		N00014-13-1-0881	325,635
			388,724
Total Expenditures - Research and Development Cluster			\$ 558,728
U.S. Department of Transportation			
Federal Highway Administration			
Highway Planning and Construction			
Passed through the Illinois Community College Board			
Highway Construction Careers Training Program	20.205	15 HCCTP 508	\$ 372,268
National Aeronautics and Space Administration			
Passed through University of Illinois Urbana-Champaign			
Passed through Illinois Institute of Technology			
Engaging community college students in STEM through			
high altitude ballooning	43.008	NNX14AR13A	84,811
ARRA/Recovery Act Programs			
U.S. Department of Energy -			
Weatherization Assistance for Low-Income Persons			
Weatherization Assistance Program Training Centers and Programs	81.042	DE-EE0003859	320,612
Total Expenditures - Other Federal Agencies			\$ 777,691
Total All Programs			\$ 136,447,711

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

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 Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit).

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2015.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts presented in this schedule have been reconciled to the City College's basic financial statements.

Cost allocation: City Colleges has a plan for allocation of common and indirect costs related to grant programs in accordance with OMB Circular A-21, *Cost Principles for Educational Institutions*. The amounts allocated to grant programs during the fiscal year ended June 30, 2015, are primarily based on a federally negotiated higher education rate agreement.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

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, 2015, are summarized as follows:

Guaranteed loan programs:	
Subsidized	\$ 19,372,298
Unsubsidized	6,632,011
Parent plus	<u>107,168</u>
Total federal student loan programs	<u>\$ 26,111,477</u>

There was no federal capital contributions received for the year ended June 30, 2015, under the Federal Perkins Loan Program (Perkins). There were no new Perkins loans issued to students during the year ended June 30, 2015. Total Perkins loan balances outstanding at June 30, 2015, were \$817,673.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2015.

Note 5. Findings and Noncompliance

The findings and noncompliance identified in connection with the 2015 Single Audit are disclosed in the schedule of findings and questioned costs.

Note 6. Subrecipients

City Colleges provided \$388,724 in federal awards from the Midwest Association for Science and Services (Critical Mass) program (CFDA # 12.300) to a subrecipient during the fiscal year ended June 30, 2015.

Note 7. Amount of Federal Insurance in Effect During the Year

No federal insurance was received by City Colleges during the year ended June 30, 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 X Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063, 84.033, 84.038, 84.007, 84.268	Student Financial Assistance Cluster
84.002	Adult Education-Basic Grants to States
84.048	Career and Technical Education -Basic Grants to States
84.120	Minority Science Improvement
81.042	Weatherization Assistance Program Training Centers and Programs
20.205	Highway Construction Careers Training Program
12.300, 47.076	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$371,960

Auditee qualified as low-risk auditee?

 Yes X No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

II. FINANCIAL STATEMENT FINDINGS

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

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

Federal Agency: U.S. Department of Education (ED)

Federal Program Title: Federal Perkins Loan Program

Pass-Through Entity: Not applicable

CFDA Number: 84.038

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: None

Criteria:

The Department of Education requires the District to maintain a Federal Perkins Loan Program fund (Fund) in a separate interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obligations issued or guaranteed by the United States. Interest on Fund proceeds are retained by the institution as part of the Fund. The Department of Education requires that principal repayments and reimbursements for canceled loans are reinvested in the FPL revolving fund (34 CFR §668.163 and §674.8). Additionally, the Department of Education requires institutions to exercise due care and diligence in the collection of loans. For the Federal Perkins Loan Program, such due diligence procedures include, but are not limited to the following:

1. Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR §674.43).
2. Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR §674.45).

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

**Finding 2015-001: Noncompliance with Federal Perkins Loan Program Requirements
(Continued)**

Condition:

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

Additionally, controls were not in place to ensure the District maintained documentation to support that it complied with the due care and diligence requirements of the Department of Education regarding the collection of loans.

Context:

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

The District is engaged with the Department of Education in liquidating its Perkins loan portfolio so that the District can be relieved of its responsibility to comply with the compliance requirements applicable to the Federal Perkins Loan Program. The District has completed and submitted the Independent Perkins Liquidation Audit to the Department of Education.

Cause:

City Colleges of Chicago has not been actively administering its Federal Perkins Loan program since it ended its servicer agreement in 2009. City Colleges did have a segregated account for the program; however, it was closed because no students were paying on their loans at the time of its closure. City Colleges lack of controls for this program is due to the age of the loan accounts and management turnover.

Effect:

The Department of Education will not accept a loan for assignment if proper due diligence has not been performed on the loan and the District will be required to purchase those loans from the Department of Education.

Recommendation:

We recommend the District continue following the Department of Education's liquidation guidance so that the District can be relieved of its responsibility to comply with the compliance requirements applicable to the Federal Perkins Loan Program.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-002: Noncompliance with Reporting Requirements

Federal Agency: U.S. Department of Transportation

Federal Program Title: Highway Planning and Construction

Pass-Through Entity: Illinois Community College Board

CFDA Number: 20.205

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: None

Criteria:

As outlined in the terms and conditions included in the agreement dated November 19, 2014, the Illinois Community College Board requires the District to prepare and submit written quarterly progress reports.

Condition:

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

Context:

Failure to prepare the quarterly progress reports is a result of an error by City Colleges. The District plans to be in compliance with this requirement for years subsequent to fiscal year 2015.

Cause:

Management failed to prepare and submit the quarterly progress reports as the District did not have controls in place to track that the reporting requirements identified in the grant agreement were complied with.

Effect:

Failure to submit the quarterly reports results in noncompliance with the Illinois Community College Board's terms and conditions for the Highway Construction Careers Training Program.

Recommendation:

We recommend that the District improve its internal controls that ensure reporting requirements are identified and monitored throughout each individual grant cycle.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

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

Federal Agency: U.S. Department of Education (ED)

Pass through Entity: Illinois Community College Board

Federal Program Title (CFDA Number): Adult Education - Basic Grants to States (84.002)

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: \$1,225

Criteria:

Allowable Costs/Cost Principles for local governments are located in OMB Circular A-21. Section J.I0 (b) (c) describes the acceptable methods for distributing salaries. At least annually a statement must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored City agreements as direct charges and to residual, facilities and administrative costs or other categories is reasonable in relation to work performed. For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Condition:

As part of our compliance review over expenditures, we selected a sample of employees charged to the program to ascertain they were allowable per program requirements and appropriately supported in accordance with OMB Circular A-21. For five of the 34 payroll transactions selected for testing, we noted the salary distribution was in excess of the allowable amount of payroll and related benefit allocations as evidenced in the time and effort certifications for the period.

Context:

Total exceptions amounted to \$1,225 of the \$27,984 sampled from the total salaries and benefit allocations that the District was reimbursed for during fiscal year ended June 30, 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-003: Allowable Activities and Allowable Costs/Cost Principles (continued)

Cause:

Payroll charges processed through the HR/payroll system may not reconcile to time and effort reports completed by staff in each pay period because the chartfield information loaded into the HR system is not altered pay period by pay period throughout the year based on the reported distribution of effort.

Effect:

The lack of timely submission of time and effort can lead to unsupported, inaccurate, or incomplete charges to sponsored awards due to either the passage of time or inappropriate oversight.

Recommendation:

We recommend the District continue to emphasize the importance of time and effort reporting through training and communication and clarify its policy to indicate that completion of the time and effort certification process includes receipt and review by management knowledgeable of the grant requirements.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-001: Noncompliance with Federal Perkins Loan Program

Federal Perkins Loan Program – CFDA 84.038

Federal Agency - U.S. Department of Education

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

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

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

Corrective Action Plan – City Colleges of Chicago is implementing the auditor's recommendation. CCC is currently in the process of liquidating its Federal Perkins Loan portfolio.

Current Status – See finding 2015-001.

Finding 2014-002: Cost of Attendance

Student Financial Aid Cluster – CFDA 84.007, 84.033, 84.063, 84.268, 84.375

Federal Agency - U.S. Department of Education

Condition - For six out of 60 students selected for testing, the District inaccurately calculated the student's cost of attendance. In five instances, there was no effect on the award of FSA. In one instance, this resulted in a \$1,334 over-award of FSA.

Corrective Action Plan – City Colleges referred the issue to the vendor early in the 2013 term. In order to mitigate any overpayments that would stem from such an issue, the District performed cost of attendance recalculations for the affected students and corrected any over-awards identified.

Current Status – No exceptions noted in fiscal year 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS *(Continued)*

Finding 2014-003: Allowable Activities and Allowable Costs/Cost Principles

Adult Education – Basic Grants to States – 84.002

Federal Agency – U.S. Department of Education (ED)

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

For eight of the 36 payroll transactions selected for testing, we noted the salary distribution was in excess of the allowable amount evidenced in the time and effort certifications for the period.

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

Current Status – See Finding 2015-003.

October 14, 2015

McGladrey LLP
1 South Wacker Drive, Suite 800
Chicago, IL 60606

City Colleges of Chicago's Corrective Action Plan for the findings identified in the June 30, 2015 Single Audit is identified below. The findings are titled and numbered consistently with the titles and numbers assigned in the schedule of findings and questioned costs.

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

Management Response:

City Colleges of Chicago engaged the auditing firm of Clifton Larson Allen to perform an independent Perkins Liquidation Audit. The audit was completed in late June 2014, and was submitted to the U.S. Department of Education on July 17, 2014. We are currently awaiting a response from the U.S. Department of Education so that we may proceed with the liquidation process. Additionally, in response to the U.S. Department of Education's Final Audit Determination letter regarding the 12/13 A133 Perkins Loan-related finding, City Colleges of Chicago revised the 12/13 FISAP so that the reported Perkins Loan data would be in alignment with the data that was validated by Clifton Larson Allen.

Contact person: Robert Bobbins, Associate Vice Chancellor of Student Financial Services

Anticipated completion date: June 30, 2016

Finding 2015-002: Noncompliance with Reporting Requirements

Management Response:

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

Contact person: Robert W. Barnett, Dean, Dawson Technical Institute

Anticipated completion date: November 30, 2015

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

Management Response:

Grants awarded to the District to support adult education instruction typically are not received before the beginning of the fiscal year. In some years, they have not been received until months after. To ensure that the District's adult education programs are not delayed, adult education instructors have been set up to be paid from the unrestricted Education Fund until the grants have been awarded formally and set up in the PeopleSoft system.

Once the grants are established in the system, reassigning instructors' payroll from the Education Fund to the grants requires analysis of the enrollment in their classes to ensure that a sufficient number of students are supported by the grant to generate the grant in accordance with ICCB rules.

Instructors' payroll charges are posted to the Education Fund during the time from the beginning of the year until completion of grant setup and enrollment analysis. The instructors certify their time and effort accordingly by signing a form that identifies the term and grant charged.

In FY 2015, once the grants were awarded and set up; the instructors to be assigned to each grant identified; and transfers of their payroll charges from the Education Fund to the appropriate grant completed, revised time and effort certifications were generated. These revised certifications reflected the final posting of instructors' payroll by term and grant. They were distributed to adult education deans and instructors for signatures. Each college retained the original signed certifications and returned copies to the District budget office.

Ninety-four percent of (749 of 795) revised certifications for FY 2015 were signed and returned to the budget office as of September 30, 2015. This is the first year that this recertification process was used by the District, to ensure compliance with relevant regulations.

Because assigning adult education instructors to particular grants at the beginning of the year will continue to be a challenge, the District will continue its efforts to improve the efficiency and timeliness of the process for identifying which instructors will be charged to which grant. The District also will focus on improving the time and effort certification (and, as necessary, recertification) process so that it is completed before the end of the fiscal year.

Contact person: JR Dempsey, Associate Vice Chancellor of Finance

Anticipated completion date: June 30, 2016

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2015: <http://www.ccc.edu/departments/Pages/Annual-Finance-and-Budget-Reports/CAFR>.

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

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