

**CITY COLLEGES<sup>®</sup>**  
OF CHICAGO

# Board of Trustees

## FY2022 Audit Update

December 1, 2022

**34693**

RECEIVED AND PLACED ON FILE – BOARD  
OF TRUSTEES  
COMMUNITY COLLEGE DISTRICT NO. 508  
DECEMBER 1, 2022



# **FY2022 Financial Audit Results**

# Fiscal Year Ended June 30, 2022

## Annual Comprehensive Financial Report (ACFR)

- The CCC FY2022 external audit was completed on November 30, 2022
  - The audit is required to be completed by December 15, 2022 per Illinois ICCB
  - CCC has received an unmodified (clean) opinion on City Colleges' June 30, 2022 financial statements
  - There have been no disagreements between RSM and management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements
  - Federal Single audit report completed.
  - ICCB special reports and credit hour certification completed.
  - There were three (3) audit findings related to Federal awards

# FY2022 Final Operating Results

Districtwide (\$ in millions)	FY22 Adopted Budget	Audited Actuals	Variance
<b>Revenues</b>			
Local Government	\$135.4	\$141.3	\$5.9
PPRT	11.6	43.9	32.3
State Government	54.0	53.4	(0.6)
Federal Government	2.2	1.9	(0.3)
>> Federal HEERF	24.5	23.8	(0.7)
Tuition	77.6	72.1	(5.5)
Auxiliary/Enterprise	8.5	7.3	(1.2)
Facilities Rental	1.0	1.4	0.4
Investment Income	0.8	(1.5)	(2.2)
Fundraising	4.3	-	(4.3)
<b>Total Revenues</b>	<b>\$320.0</b>	<b>\$343.8</b>	<b>\$23.8</b>
<b>Expenses</b>			
Salaries	\$205.1	\$198.3	(\$6.8)
Benefits	36.7	38.0	1.3
Benefits - OPEB	(1.8)	(6.1)	(4.3)
Contractual Services	16.5	11.1	(5.4)
Materials and Supplies	14.4	12.8	(1.6)
Travel and Conference	0.9	0.4	(0.5)
Fixed Charges (includes Debt Service)	24.0	23.9	(0.1)
Gas and Electricity	7.1	7.1	0.0
Other Utilities	1.4	0.8	(0.5)
Scholarships and Waivers	11.6	10.2	(1.5)
Bad Debt	3.1	(2.9)	(6.0)
Other Expenses	1.1	0.3	(0.7)
Net Appropriated Assets	-	41.0	41.0
<b>Total Expenses</b>	<b>\$320.0</b>	<b>\$334.8</b>	<b>\$14.8</b>
<b>Surplus/(Deficit)</b>	<b>\$0.0</b>	<b>\$9.0</b>	<b>\$9.0</b>

## FY2022 Operating Surplus of \$9.0M

### \$23.8M Revenue Favorability

- Local revenue was nearly \$6M favorable to budget due to new property additions to EAV, expired TIF districts and higher property collections by the County
- PPRT Revenues were \$32M+ favorable due to continued historic corporate collections.
- State Revenue shortfall of **\$0.6M** driven by emergency relief timing (GEER) between FY22 and FY23 fiscal years
- Tuition revenue was unfavorable to budget by **\$5.5M** due to enrollment declines.
- Fundraising revenue was redirected from operational support to direct student support.

### \$26.2M Expense Favorability Offset by Operating Transfer for Capital Projects

- Personnel costs were \$9.8M favorable to budget due to strict management of vacancies and salvage from turnover offset by increased healthcare costs due to COVID
- Contractual Services and Materials & Supplies were \$7M favorable to budget largely due to UPass, software, Washburne catering, and miscellaneous contract savings
- Scholarships & Waivers were \$1.5M favorable to budget due to a combination of increased State MAP funding and lower enrollment
- Bad Debt expense continues to be favorable to budget due to active management of receivables and emergency relief grants.
- All other expenses were a combined \$1.8M under budget.
- \$41M was transferred to O&M fund for Capital Projects.

# Change in Net Assets

Unrestricted Net Assets improved by **\$41M** to **\$21M** at 6/30/2022, which is above GFOA recommended minimum level of 5% of operating expenses, or \$17M.

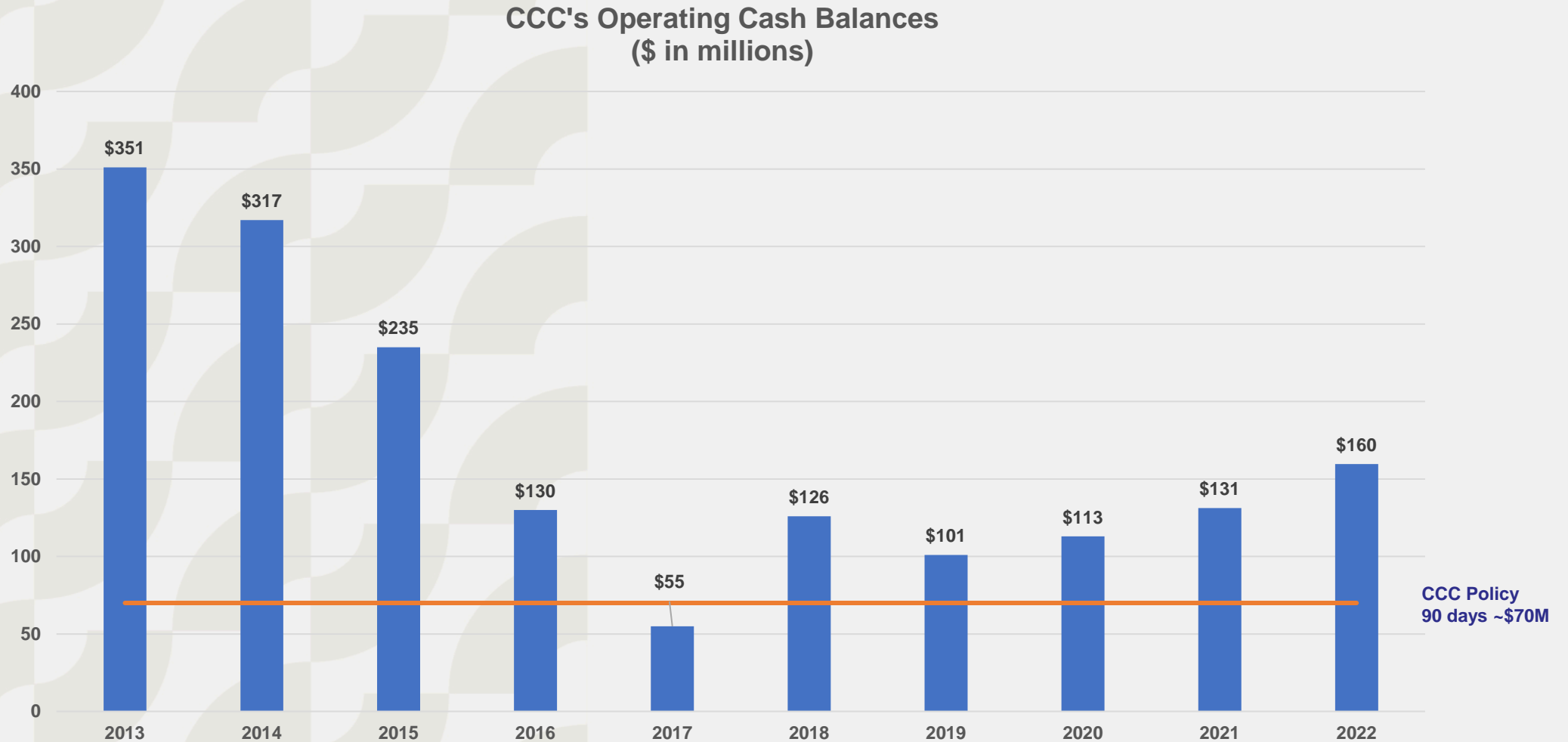
Net Assets \$ in millions	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017**
Unrestricted	\$21	(\$20)	(\$53)	(\$82)	(\$79)	(\$114)
Restricted (Audit, Liability, Protection, Settlement and Agency Fund*)	4	4	2	0.4	2	1
Net Investments in Capital Assets	489	510	535	622	654	705
<b>Total Net Assets</b>	<b>\$514</b>	<b>\$494</b>	<b>\$484</b>	<b>\$540</b>	<b>\$577</b>	<b>\$592</b>

\*Net position has been restated for Agency funds due to the implementation of GASB# 84 as of June 30, 2020.

\*\* Includes Other Post-employment Benefits (OPEB) restatement of \$76M.

- Net Assets Balance increase of \$20M in FY22 is largely due to the following:
  - Change in **Unrestricted Assets** \$41M
    - Operating gain of \$50M
    - Other Non-Operating Funds **-\$9M**
    - No change in Restricted Specific Purpose
  - Change in **Capital Assets** **-\$21M** due to the following:
    - Depreciation & capital related activity **-\$31M**
    - GASB 87 Leases recognition of \$4M
    - Debt Principal payments of \$6M

## City Colleges Is Focused on Stabilizing its Cash Position



- Since arriving in May 2017, Chancellor Salgado has worked to improve CCC's cash position, including reductions in force of non-student facing, non-bargained for employees, and the sale of CCC's downtown headquarters that closed on September 30, 2019.
- During fiscal year 2021 and 2022, the stimulus funds have helped CCC to preserve its cash reserves.

# Capital Plan Expenditures

(\$ in thousands)

Category	FY2022 Budget	FY2022 Actual	Notable Items
Information Technology	\$17,404	\$7,359	Infrastructure Upgrades/ OIT purchases
Elevators & Escalators	5,938	4,184	Elevators modernizations & upgrades and legal fees
Campus Security	680	201	Safety equipment, security upgrades, and repairs
Building Structure & Site Improvements	6,260	5,949	HW roof replacement, other roof repairs, and street repaving
Mechanical Systems	3,593	940	Mechanical & boiler upgrades, compressor replacements
Electrical Systems	335	385	Exterior lighting & conduit replacements and generator replacement
Equipment	205	66	Facility maintenance equipment and vehicles
Academic & Programmatic Enhancements	6,062	1,262	KKC Tutoring Lab, KKC Innovation One Lab, OH Greenhouse, AVI Welcome Back
Environmental & Compliance	250	318	Water quality testing & enhancements, & abatement
<b>Total</b>	<b>\$40,727</b>	<b>\$20,664</b>	

(\$ in thousands)

Category	FY2023 Budget
Information Technology	\$16,210
Elevators & Escalators	3,000
Campus Security	865
Building Structure & Site Improvements	6,120
Mechanical Systems	3,778
Electrical Systems	465
Equipment	350
Academic & Programmatic Enhancements	13,175
Environmental & Compliance	375
<b>Total</b>	<b>\$44,338</b>

The FY2022 capital budget plan was the first year of a new five-year plan focused on deferred maintenance and select student facing enhancements that align with CCC's academic goals.

- Actual FY2022 spend was under budget by \$20M as some larger, non-critical projects were contingent on potential State funding and many other projects were impacted by supply chain issues.

FY2023 capital budget of \$44.3M includes deferred maintenance projects, select renovations and any local match requirements for State capital funding resources.



# **FY2023-Q1 Financial Update**



# FY2023 – Prelim Forecast as of September 30, 2022

Districtwide (\$ in millions)	FY23 Adopted Budget	FY23 Forecast	Variance
<b>Revenues</b>			
Local Government	\$140.3	\$143.8	\$3.5
PPRT	16.8	43.6	26.8
State Government	53.5	53.5	0.0
Federal Government	2.2	2.2	0.0
>> Federal HEERF	22.8	22.8	0.0
Tuition	72.5	74.3	1.8
Auxiliary/Enterprise	10.7	10.7	0.0
Facilities Rental	1.7	1.7	0.0
Investment Income	2.0	2.0	0.0
Fundraising	1.5	1.5	0.0
Net Appropriated Assets	1.8	-	(1.8)
<b>Total Revenues</b>	<b>\$325.8</b>	<b>\$356.1</b>	<b>\$30.3</b>
<b>Expenses</b>			
Salaries	\$212.6	\$210.9	(\$1.7)
Benefits	37.2	37.2	0.0
Benefits - OPEB	(5.0)	(1.2)	3.8
Contractual Services	17.3	17.3	0.0
Materials and Supplies	16.7	16.7	0.0
Travel and Conference	1.0	1.0	0.0
Fixed Charges (includes Debt Service)	24.3	24.3	0.0
Gas and Electricity	7.2	7.2	0.0
Other Utilities	1.3	1.3	0.0
Scholarships and Waivers	10.5	10.2	(0.3)
Bad Debt	1.8	1.8	0.0
Other Expenses	1.1	1.1	0.0
Net Appropriated Assets	-	20.0	20.0
<b>Total Expenses</b>	<b>\$325.8</b>	<b>\$347.6</b>	<b>\$21.8</b>
<b>Surplus/(Deficit)</b>	<b>\$0.0</b>	<b>\$8.5</b>	<b>\$8.5</b>

**FY2023 Preliminary Surplus of \$8.5M**

**\$30.3M Revenue Favorability**

- Local revenue is \$3.5M favorable to budget with TIF surplus declared by City \$2.5M higher than budget estimate and new property totaling \$1M
- PPRT allocation in FY23 continues historically high trend and nearly \$27M favorable to budget
- FY23 Tuition revenue is trending 3% higher than budget due to enrollment increases

**\$1.8M Expense Unfavorability**

- FY23 Salaries are tracking favorable to budget by \$1.7M due to salvage from vacancies.
- OPEB \$3.8M unfavorable to budget due to recent actuarial valuations
- Scholarships and waivers are tracking slightly favorable to budget
- Other expenditure categories are tracking at budgeted levels
- \$20M planned transfer to O&M Fund for Capital Projects.



# **CCC Credit Rating Update**

# CCC Credit Rating Update - Standard & Poor's (S&P) and Fitch

Rating Description	Rating/Outlook	Rating Agency
Highest Grade Credit	AAA+ AAA AAA-	
Very High Grade Credit	AA+ AA AA-	
High Grade Credit	<b>A+/Stable</b> A A-	<b>Fitch (Oct-21)</b>
Good Grade Credit	<b>BBB/Stable</b> BBB+ BBB-	<b>S&amp;P (Nov-22)</b>
Speculative Grade Credit	BB+ BB BB-	

- During 2022, S&P reaffirmed CCC's rating and outlook with CCC's strengthened financial position.
- Fitch has not conducted a review since October 2021;
  - Next review planned for January 2023



# **FY2022 Financial Audit Findings**

# FY2022 Audit Findings

## FY2022 Audit

### **Financial Statements**

No (0) material weaknesses, (0) significant deficiency or (0) control deficiency reported in Financial Audit in FY2022

### **Federal Awards**

Three (3) A-133 Audit Findings on Report of Federal Awards

## FY2021 Audit

### **Financial Statements**

No (0) material weaknesses, (0) significant deficiency or (0) control deficiency reported in Financial Audit in FY2021

### **Federal Awards**

Six (6) A-133 Audit Findings on Report of Federal Awards including Material Weakness over Internal Controls over major programs

# Management Responses to Audit Findings Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>Finding 2022-001 COVID-19 Education Stabilization Fund: Higher Education Emergency Relief Fund Reporting (partial repeat)</b></p>	<p>City Colleges did not have sufficient documentation that internal controls were in place and operating effectively relative to the following areas:</p> <p>HEERF Student Reporting: City Colleges did not have sufficient supporting evidence that review controls were performed over the July 1, 2021 – September 30, 2021 quarterly student report prior to submission.</p> <p>HEERF MSI Reporting: City Colleges did not have sufficient supporting evidence that review controls were performed over the July 1, 2021 – September 30, 2021 quarterly student report prior to submission.</p> <p>City Colleges did not publicly post certain required reports accurately. The following instance of noncompliance was identified:</p> <p>HEERF Student Portion: City Colleges posted a report on July 8, 2022 for Wilbur Wright for the period of April 1, 2022 – June 30, 2022 which did not reconcile to the underlying expense detail as of the date of the report. The difference was \$307,750.</p> <p>Student Finance and FAO created a new Review &amp; Approval Process for HEERF Reporting that was not implemented until January 2022</p> <p>There were no questioned costs with respect to this finding,</p>	<p>The Department of Ed has given the institution the authorization to amend prior quarterly and annual reports that was posted in error. SF and FAO will continue to fine-tune the Review &amp; Approval Process for all quarterly and annual reports. Project Manager for Finance will continue to monitor Dept of ED for any HEERF Updates while validating all review and approval documents.</p>	<p>Richard Hayes – Associate Vice Chancellor-Financial Aid &amp; Scholarships</p> <p>Completed November 2022.</p>

# Management Responses to Audit Findings Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>Finding 2022-002 Return of Title IV Funds Enrollment Reporting (repeat finding)</b></p>	<p>The Academic Systems &amp; Registrar Office does not have an effective system in place to ensure all official student status changes are reported to the lender in a timely manner.</p> <ul style="list-style-type: none"> <li>For two out of sixty students tested (3%) who withdrew from City Colleges, the students' withdrawal date reported to the National Student Loan Data System (NSLDS) for campus level and program level did not match the institution's records.</li> <li>For one out of sixty students tested (2%) who withdrew from City Colleges, the student's withdrawal date reported to the National Student Loan Data System (NSLDS) for campus level and program level did not match the institution's records. The student's status change at the campus level and program were not reported to the National Student Loan Data System (NSLDS) within the 60 day requirement.</li> <li>For two out of sixty students tested (3%) who withdrew from City Colleges, the students' status change at the campus level and program level were not reported to the National Student Loan Data System (NSLDS) within the 60 day requirement.</li> <li>For nine out of sixty students tested (15%) who withdrew from City Colleges, the students' status change at the campus level and program level was never reported the National Student Loan Data System (NSLDS).</li> <li>For six out of sixty students tested (10%) who withdrew from City Colleges, the students' status change at the program level was never reported the National Student Loan Data System (NSLDS).</li> <li>For one out of sixty students tested (2%) who withdrew from City Colleges, the student's status change at the program level was not reported to the National Student Loan Data System (NSLDS) within the 60 day requirement.</li> <li>For one out of sixty students tested (2%) who withdrew from City Colleges, the student's status change at the campus level was not reported to the National Student Loan Data System (NSLDS) within the 60 day requirement.</li> <li>For four out of sixty students tested (7%) who withdrew from City Colleges, the students' withdrawal status reported to the National Student Loan Data System (NSLDS) for campus level and program level did not match the institution's records.</li> </ul> <p>There were no questioned costs with respect to this finding,</p>	<p>The enrollment reporting functions are housed in the college's registrar office and separate from financial aid. An enrollment file is generated at the district level and uploaded quarterly.</p> <p>The Registrar's Office &amp; Financial Aid Office will create a weekly meeting to update its enrollment reporting procedures and create a reconciliation process to ensure all students are reported to NSLDS.</p>	<p>Laura Clark- Associate Vice Chancellor Academic Systems &amp; Richard Hayes – Associate Vice Chancellor-Financial Aid</p> <p>Anticipated completion date: January 2023</p>

# Management Responses to Audit Findings

## Financial Statement Review

<u>Finding</u>		<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p><b>Finding 2022-003 Short-Term Program Placement Rate (repeat finding)</b></p>	<p>The College cannot demonstrate compliance with the gainful employment placement rate of 70% calculation for the short-term program at a post-secondary vocational institution.</p> <p>The financial aid office did not follow-up on the gainful employment of students. Currently the FAO does not manage the Short-Term Program Gainful Employment Requirement at the campus level. That process is managed by the campus.</p> <p>City Colleges currently has two short term programs: Computer Numerical Machining (Daley College, Wright College)</p> <p>There were no questioned costs with respect to this finding</p>	<p>The Financial Aid Office will work with campus leadership to develop a gainful employment reporting process at Daley College and Wright College for short term programs. The reporting structure will include an outreach protocol to be completed and reported on currently enrolled during End of Term Processing for each semester.</p>	<p>Richard Hayes – Associate Vice Chancellor-Financial Aid &amp; Scholarships</p> <p>Anticipated completion date: January 2023</p>