

Board of Trustees

FY2024 Audit Update

December 5, 2024

CITY COLLEGES[®]
OF CHICAGO



FY2024 Financial Audit Results

Fiscal Year Ended June 30, 2024

Annual Comprehensive Financial Report (ACFR)

- The CCC FY2024 external audit was completed on November 26, 2024
 - The audit is required to be completed by December 15, 2024 per Illinois ICCB
 - CCC has received an unmodified (clean) opinion on City Colleges' June 30, 2024 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 was one (1) financial audit finding and two (2) audit findings related to Federal awards.

FY2024 Final Operating Results

Districtwide (\$ in millions)	FY24 Adopted Budget	FY24 Actuals	Variance
Revenues			
Local Government	\$149.0	\$158.5	\$9.5
PPRT	43.6	27.6	(16.0)
State Government	58.8	59.0	0.2
Federal Government	2.6	1.9	(0.7)
Tuition	78.7	81.6	2.9
Auxiliary/Enterprise	11.8	10.1	(1.7)
Facilities Rental	1.7	1.2	(0.5)
Investment Income	2.6	7.8	5.2
Fundraising	1.5	0.0	(1.5)
Net Appropriated Assets	0.2	0.0	(0.2)
Total Revenues	\$350.5	\$347.7	(\$2.8)
Expenses			
Salaries	\$231.5	\$234.6	\$3.1
Benefits	39.2	45.8	6.6
Benefits - OPEB	(2.3)	(45.5)	(43.2)
Contractual Services	18.0	12.4	(5.6)
Materials and Supplies	18.5	16.8	(1.7)
Travel and Conference	1.2	1.0	(0.2)
Fixed Charges (includes Debt Service)	19.6	23.3	3.7
Gas and Electricity	7.4	9.0	1.6
Other Utilities	1.5	0.9	(0.6)
Scholarships and Waivers	13.1	12.2	(0.9)
Bad Debt	2.5	2.2	(0.3)
Other Expenses	0.3	(1.0)	(1.3)
Total Expenses	\$350.5	\$311.7	(\$38.8)
Surplus/(Deficit)	\$0.0	\$36.0	\$36.0

FY2024 Surplus of \$36M Revenues Unfavorable by \$2.8M

- Local Government revenue is \$9.5M favorable to budget due to \$2.4M TIF favorability and \$7.1M from new property additions and other sources including collection improvements.
- PPRT revenues were unfavorable by \$16M due to State tax law changes which resulted in severe reductions to local government allocations.
- State & Federal Revenues were a combined \$0.5M under budget.
- Tuition revenue was favorable by \$2.9M from enrollment increases.
- Enterprise revenues were \$1.7M under budget primarily due to lower Washburne Catering sales and U-Pass Fees. Revenue shortfalls in Enterprise Funds are also offset by lower Enterprise expenses.
- Investment income is \$5.2M above budget due to favorable market yields.

\$38.8M FY2024 Expense Favorability

- Personnel costs are \$9.7M unfavorable to budget due to overestimates in salvage savings from vacancies and continued higher health care cost trends.
- Other Post-Employment Benefits (OPEB) were \$43.2M favorable to budget due to the impacts of plan benefit changes.
- Fixed Charges were \$3.7M unfavorable due to a timing delay in the bond refunding.
- Contractual Services, Materials & Supplies & Travel & Conference yielded a combined \$7.5M in savings vs. budget.
- Utilities were a net \$1.0M unfavorable to budget due to ComEd delivery charges outside of locked-in supply rates.
- Other Expenses were favorable by \$1.3M due to a reduction in the required tort fund (legal claim) reserves.

Change in Net Assets

Unrestricted Net Assets improved by **\$15M** to **\$51M** at 6/30/2024, which is above GFOA recommended minimum level of 5% of operating expenses, or \$16M.

Summary of Net Assets Change FY2017 to FY2024

Net Assets (\$ in millions)	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017**
Unrestricted	\$51	\$36	\$21	(\$20)	(\$53)	(\$82)	(\$79)	(\$114)
Restricted (Audit, Liability, Protection, Settlement and Agency Fund*)	1	3	4	4	2	0.4	2	1
Net Investments in Capital Assets	462	474	489	510	535	622	654	705
Total Net Assets	\$514	\$513	\$514	\$494	\$484	\$540	\$577	\$592

*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 \$1M in FY24 is largely due to the following:
 - Change in **Unrestricted Net Assets of \$15M**
 - Operating gain of \$36M
 - Other Non-Operating Funds **-\$21M**
 - Change in **Restricted Specific Purpose -\$2M**
 - Change in **Capital Assets -\$12M** due to the following:
 - Depreciation & capital related activity **-\$18M**
 - Debt Principal payments of \$6M

City Colleges Is Focused on Stabilizing its Cash Position

CCC's Operating Cash Balances
(\$ in millions)



- Upon his arrival 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 years 2021 through 2023, the stimulus funds helped CCC to preserve its cash reserves.

FY2024 Budget vs. Actual Capital Expenditures

(\$ in thousands)

Category	FY2024 Budget	FY2024 Actual	Notable Items
Information Technology	\$14,095	\$10,231	Infrastructure Upgrades/ Hardware Refresh
Information Security	2,844	\$729	HCM, Access Control, Firewall upgrades
Elevators & Escalators	1,200	1,545	Elevators modernizations & upgrades and legal fees
Campus Security	459	398	Safety equipment &, security upgrades, and repairs
Building Structure & Site Improvements	25,818	2,221	MX Stormwater Remediation, OH Roof, WR Concourse Pavers, Washburne Countertops
Mechanical Systems	5,035	1,150	Mechanical & boiler upgrades, compressor replacements
Electrical Systems	420	191	Exterior lighting & conduit replacements, electrical upgrades, & UPS replacement.
Equipment	300	431	Facility maintenance equipment and vehicles
Academic & Programmatic Enhancements	4,347	5,744	TR Biology Lab, MXC West Campus Design Fees, KKC BNA Nursing & DT Office Suite
Environmental & Compliance	375	37	Water quality testing & enhancements, & abatement
Total	\$54,935	\$22,677	

- FY2024 Capital budget included aspirational projects dependent on external sources of funding.
- Actual FY2024 spend was under budget due to multi-year project encumbrances that will continue in future years as well as controlled spending on non-critical items.



FY2025-Q1 Financial Update

FY2025 – Prelim Forecast as of September 30, 2024

Districtwide (\$ in millions)	FY25 Adopted Budget	FY25 Forecast	Variance
Revenues			
Local Government	\$165.7	\$169.3	\$3.6
PPRT	31.0	20.3	(10.6)
State Government	54.6	54.0	(0.6)
Federal Government	2.7	1.7	(1.0)
Tuition	88.3	91.6	3.3
Auxiliary/Enterprise	12.1	12.1	0.0
Facilities Rental	1.3	1.3	0.0
Investment Income	6.0	6.7	0.7
Fundraising	1.5	1.5	0.0
Other Revenues	3.5	3.5	0.0
Net Appropriated Assets	0.7	0.7	0.0
Total Revenues	\$367.3	\$362.7	(\$4.6)
Expenses			
Salaries	\$246.0	\$249.9	\$3.9
Benefits	43.5	43.5	0.0
Benefits - OPEB	(7.5)	(7.5)	0.0
Contractual Services	20.0	20.0	0.0
Materials and Supplies	21.2	21.2	0.0
Travel and Conference	1.3	1.3	0.0
Fixed Charges (includes Debt Service)	16.1	16.1	0.0
Gas and Electricity	9.0	9.0	0.0
Other Utilities	1.3	1.3	0.0
Scholarships and Waivers	12.7	12.7	0.0
Bad Debt	2.6	2.6	0.0
Other Expenses	1.1	1.1	0.0
Total Expenses	\$367.3	\$371.3	\$3.9
Surplus/(Deficit)	\$0.0	(\$8.5)	(\$8.5)

FY2025 Preliminary Deficit of \$8.5M Revenues Unfavorable by \$4.6M

- Property taxes are \$3.6M favorable based on preliminary City TIF surplus estimates.
- PPRT revenues are unfavorable by \$10.6M due to State tax law changes which resulted in severe reductions to local government allocations.
- State and Federal projections are \$1.6M unfavorable primarily due to reductions in Adult Education grant funding.
- Tuition Revenue is projected to be \$3.3M favorable to budget based on current enrollment trends.
- Investment income is favorable by \$0.7M based on current market yields.
- \$9.2M in Net Appropriated Assets (cash reserves) will be utilized in FY2025.

Expenses Unfavorable by \$3.9M

- Salaries are currently trending \$3.9M above budget primarily due to enrollment driven increases in part-time instruction salaries along with reductions in State mental health appropriations that support Wellness staff.
- All other expense categories are tracking to budget during the first quarter.



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- /Stable	Fitch (Jul-24)
High Grade Credit	A+ A A-	
Good Grade Credit	BBB+ /Stable BBB BBB-	S&P (Nov-23)
Speculative Grade Credit	BB+ BB BB-	

- Fitch upgraded CCC's rating to **AA-** from **A+** with a stable outlook.
- S&P's last rating upgraded CCC to **BBB+** from **BBB** with a stable outlook.



FY2024 Financial Audit Findings

FY2024 Audit Findings

FY2024 Audit

Financial Statements

No (0) material weakness, one (1) significant deficiency and no (0) control deficiency reported in Financial Audit in FY2024

Federal Awards

Two (2) A-133 Audit Finding on Report of Federal Awards

FY2023 Audit

Financial Statements

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

Federal Awards

Eight (8) A-133 Audit Findings on Report of Federal Awards

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>Finding 2024-001 Improper recording of grant revenue and expense</p>	<p>City Colleges improperly recognized grant revenue and expense under a four-year agreement entered into with the City Colleges of Chicago Foundation (the Foundation). The agreement states that City Colleges is to provide the Foundation \$5,000,000 to pay stipends to students as outlined in a separate partnership agreement that City Colleges has with a third-party.</p> <p>Based on the nature of the agreement, it was determined the Foundation is operating in a fiduciary capacity and is holding the funds on behalf of City Colleges. The transfer of funds between City Colleges and the Foundation would not result in the recording of revenue or expense.</p> <p>Questioned Costs: This resulted in an audit adjustment to decrease revenue by \$1.3M, decrease expense by \$4.8M and recognize an asset of \$3.6M for the amounts held on behalf of City Colleges by the Foundation.</p>	<p>CCC Finance and the Foundation will implement procedures to ensure that the terms and conditions of unique inter-agency agreements are reviewed, clearly understood and accounted for in accordance with proper accounting guidelines..</p>	<p>Jolenna Nanalig, Controller, Finance</p> <p>Marcus Hardaway, Executive Director, the Foundation</p> <p>Anticipated completion date: December 31, 2024</p>

Management Responses to Audit Findings

Single Audit Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2024-002 Enrollment Reporting (Repeat Finding)</p>	<p>City Colleges is required to notify the National Student Loan Data System (NSLDS) within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student's date of determination of withdrawal.</p> <p>The financial aid office does not have an effective system in place to ensure all official student status changes are reported to the lender accurately.</p> <ul style="list-style-type: none"> • For one out of sixty students tested (2%) who withdrew from City Colleges, the students' withdrawal date reported to the NSLDS for campus level and program level did not match the institution's records. The student's program level withdrawal was not reported to NSLDS within 60 days. • For one out of sixty students tested (2%) who withdrew from City Colleges, the student's withdrawal date reported to the NSLDS for campus level was not reported to NSLDS within 60 days. • For two out of sixty students tested (3%) who withdrew from City Colleges were not reported to NSLDS within 60 days. <p>There were no questioned costs with respect to this finding.</p>	<p>CCC sends enrollment files of all students to National Student Clearinghouse monthly, who then reports CCC enrollment data to NSLDS. CCC (Records, Financial Aid, Decision Support and OIT) continues to meet bi-weekly to review and update the enrollment reporting logic to ensure the dates for student enrollment actions align at the campus level and the program level.</p>	<p>Laura Clark, Associate Vice Chancellor, Academic Systems</p> <p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: December 20, 2024</p>

Management Responses to Audit Findings

Single Audit Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2024-003 Performance Reporting</p>	<p>City Colleges is required per the grant agreements for the Child Care and Development Block Grant and the Coronavirus State and Local Fiscal Recovery Funds, to submit quarterly reports along with a final close-out report, which are all required to be submitted within 30 days of the period end.</p> <p>2 CFR Section 200.303 requires entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure timely reporting of required reports.</p> <ul style="list-style-type: none"> • Four out of twelve reports (33.3%) tested for the Child Care and Development Block Grant program were submitted past the deadline. • Four out of fifteen (26.7%) reports for the Coronavirus State and Local Fiscal Recovery Funds were submitted past the deadline. <p>There were no questioned costs with respect to this finding.</p>	<p>Institutional Resource Development (IRD) team is fully staffed. IRD launched a comprehensive Grants Management Platform, which will assist with tasks and reporting timeline reminders. Principal Investigators (PIs) will meet with Grant Managers to finalize reports. The managers will review the reports prior to submission to the funders in a timely manner.</p>	<p>Lizz Gardner, Associate Vice Chancellor, Institutional Resource Development (IRD)</p> <p>Anticipated Completion Date: November 30, 2024</p>