NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

*In the respective opinions of Katten Muchin Rosenman LLP and Cotillas and Associates, Co–Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the 2017 Bonds will not be includable in gross income for federal income tax purposes. Interest on the 2017 Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2017 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the 2017 Bonds is not exempt from Illinois income taxes. See "**TAX MATTERS**" herein for a more complete discussion.*

$64,900,000
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2017

Dated: Date of Delivery **Due April 1, as shown on the inside cover**

The Dedicated Capital Improvement Tax Bonds, Series 2017 will be issued by the Board of Education of the City of Chicago (the "Board" or "CPS") in the aggregate principal amount of $64,900,000 (the "2017 Bonds"). The 2017 Bonds will be issued under a Master Trust Indenture dated as of December 1, 2016 (the "Master Trust Indenture"), as supplemented by a Second Supplemental Indenture dated as of November 1, 2017 (the "Second Supplemental Indenture;" the Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the Second Supplemental Indenture, being referred to as the "Indenture"), by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "Trustee"). The proceeds of the 2017 Bonds will be used as described herein. See "PLAN OF FINANCE."

The 2017 Bonds will be issued as fully registered bonds in denominations of $100,000 and any multiple of $5,000 in excess of $100,000. The 2017 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Purchasers of the 2017 Bonds will not receive certificates representing their interests in the 2017 Bonds purchased. Principal of and interest on the 2017 Bonds will be paid by the Trustee under the Indenture to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursal to the beneficial owners of the 2017 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2017 Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See APPENDIX I – "BOOK-ENTRY ONLY SYSTEM."

The 2017 Bonds are limited obligations of the Board payable from, and secured under the Indenture by a pledge of and lien on, the Trust Estate (as defined herein), including the Capital Improvement Taxes (as defined herein) and amounts on deposit in the Consolidated Debt Service Reserve Fund (as defined herein) established under the Indenture. The 2017 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2017 Bonds under the Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of debt service on the 2017 Bonds. See "SECURITY FOR THE 2017 BONDS."

The maturity dates, principal amounts, interest rates, yields, prices, and CUSIP numbers of the 2017 Bonds are set forth on the inside cover. The 2017 Bonds are subject to redemption prior to maturity as described herein. See "THE 2017 BONDS – Redemption Provisions."

INVESTMENT IN THE 2017 BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING "BONDHOLDERS' RISKS" FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY 2017 BONDS. THE 2017 BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE 2017 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2017 BONDS. SEE "BONDHOLDERS' RISKS" AND "RATINGS."

This cover page contains information for quick reference only and is not a summary of the 2017 Bonds. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2017 Bonds are being offered when, as and if issued and received by the Underwriters, subject to the delivery of the approving legal opinions of Co–Bond Counsel. In connection with the issuance of the Bonds, certain legal matters will be passed upon for the Board by its General Counsel, Ronald Marmer, by Co-Issuer's counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Mayer Brown LLP, Chicago, Illinois.

Delivery of the 2017 Bonds is expected to be made through the facilities of DTC in New York, New York, on or about November 30, 2017.

J.P. Morgan **Barclays**

Cabrera Capital Markets, LLC **Loop Capital Markets** **Morgan Stanley**

Estrada Hinojosa & Co., Inc. **IFS Securities, Inc.** **Melvin & Company** **Mesirow Financial, Inc.**

PNC Capital Markets LLC **Ramirez & Co., Inc.** **Siebert Cisneros Shank & Co., L.L.C.** **Valdés & Moreno, Inc.**

Dated: November 15, 2017

$64,900,000
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2017

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIPS†

Interest is payable on April 1 and October 1 of each year, commencing April 1, 2018

Maturity April 1	Principal Amount	Rate (%)	Yield (%)	Price (%)	CUSIP†
2033	$3,310,000	5.00	3.72	110.013*	167510AF3
2034	3,475,000	5.00	3.77	109.599*	167510AG1
2035	3,650,000	5.00	3.82	109.188*	167510AH9
2036	3,835,000	5.00	3.85	108.942*	167510AJ5
2037	4,025,000	5.00	3.87	108.778*	167510AK2

$23,355,000 5.00% Term Bonds due April 1, 2042, Yield 3.90%, Price 108.533%* CUSIP 167510AL0
$23,250,000 5.00% Term Bonds due April 1, 2046, Yield 3.94%, Price 108.208%* CUSIP 167510AM8

* Priced to the first optional redemption date of April 1, 2027

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2016 CUSIP Global Services, All rights reserved. CUSIP® data used herein is provided by CUSIP Global Services. The CUSIP numbers listed are being provided solely for the convenience of the Bondholders only at the time of issuance of the 2017 Bonds and neither the Board nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2017 Bonds.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Board or the Underwriters to give any information or to make any representation with respect to the 2017 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the 2017 Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the Board and include information from other sources that the Board believes to be reliable. Such information is not guaranteed as to accuracy, fairness or completeness, and is not to be construed as a representation by the Underwriters. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change since the date hereof. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the 2017 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy, fairness or completeness of such information.

This Official Statement should be considered in its entirety. All references herein to laws, agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the 2017 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture for the 2017 Bonds. Copies of the Indenture are available for inspection at the offices of the Board and the Trustee. The information contained herein is provided as of the date hereof and is subject to change.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

This Official Statement contains disclosures which contain *"forward-looking statements."* Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like *"may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan,"* or *"continue."* These forward-looking statements are based on the current plans and expectations of the Board and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the Board's future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which may affect the transfer of funds from the State and federal governments to the Board. As a consequence, current plans, anticipated actions and future financial positions may differ from those expressed in any forward-looking statements made by the Board herein. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE 2017 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2017 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2017 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

MEMBERS

Frank M. Clark
President

Jaime Guzman
Vice President

Mark F. Furlong
Mahalia A. Hines
Arnaldo (Arnie) Rivera
Gail D. Ward
Board Vacancy

MANAGEMENT

Forrest Claypool
Chief Executive Officer

Ronald DeNard
Senior Vice President of Finance

Jennie Huang Bennett
Chief Financial Officer

Ronald Marmer
General Counsel

Jorge Macias
Chief Administrative Officer

Katten Muchin Rosenman LLP
Cotillas and Associates
Co–Bond Counsel

Miller Canfield, Paddock and Stone P.L.C.
Pugh, Jones & Johnson, P.C.
Co-Issuer's Counsel to the Board

Thompson Coburn LLP
Burke Burns & Pinelli, Ltd.
Co–Disclosure Counsel to the Board

PFM Financial Advisors LLC
Acacia Financial Group, Inc.
Co-Financial Advisors

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$64,900,000
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2017

INTRODUCTION

General

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices hereto, is to set forth information in connection with the offering and sale by the Board of Education of the City of Chicago (the "Board" or "CPS") of its $64,900,000 principal amount of Dedicated Capital Improvement Tax Bonds, Series 2017 (the "2017 Bonds"). The 2017 Bonds, together with the Board's previously-issued Dedicated Capital Improvement Tax Bonds, Series 2016 issued and outstanding in the principal amount of $729,580,000 (the "2016 Bonds"), any Additional Bonds (as defined herein), and any Refunding Bonds (as defined herein) issued under and pursuant to the Indenture (as defined herein), are collectively referred to herein as the "Bonds." A summary of certain provisions of the Indenture and definitions of certain capitalized terms used in this Official Statement and not otherwise defined in the body of this Official Statement are set forth in APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE."

The Board

The Board is a body politic and corporate of the State of Illinois (the "State"). The Board is established under and governed by Article 34 of the School Code (105 Illinois Compiled Statutes 5) (the "School Code") of the State. The Board maintains a system of public schools within its boundaries (the "School District") for pre-kindergarten through grade twelve. The School District has boundaries coterminous with the boundaries of the City of Chicago (the "City"). The seven-member Board currently serves as the governing body of the School District. The members serve four-year terms and are appointed by the Mayor of the City (the "Mayor"). The Board operates on a fiscal year ending June 30 (the "Fiscal Year").

Authorization

The 2017 Bonds are authorized to be issued pursuant to Section 34-53.5 of the School Code (the "CIT Act") and the Local Government Debt Reform Act (30 Illinois Compiled Statutes 350) (the "Debt Reform Act"). Under the CIT Act the Board is authorized to impose an annual *ad valorem* property tax (the "Capital Improvement Tax") in specific annual amounts for the purpose of providing a source of revenue for capital improvement purposes permitted under the CIT Act (the "Permitted Projects"), including the specific capital projects to be financed with the proceeds of the 2017 Bonds pursuant to the Second Supplemental Indenture (as defined herein) and the Authorizing Resolution (as defined herein) (collectively, the "2017 Project") and for the purpose of providing security for the payment of bonds (including the 2017 Bonds) issued pursuant to the Debt Reform Act to finance the costs of Permitted Projects. See "PLAN OF FINANCE – Overview" and "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

The 2017 Bonds are further issued pursuant to a resolution adopted by the Board on October 25, 2017 (the "Bond Resolution"), authorizing the issuance of Dedicated Capital Improvement Tax Bonds payable from the Capital Improvement Taxes (as defined herein) in an amount not to exceed $75,000,000. No bonds have been issued to date pursuant to the Bond Resolution.

The 2017 Bonds and Use of Proceeds

The proceeds of the 2017 Bonds will be used to (i) finance the 2017 Project, (ii) make a deposit to the Consolidated Debt Service Reserve Fund (as defined herein) to increase the amount held therein to the Consolidated Reserve Requirement (as defined herein), (iii) fund a deposit to the Capitalized Interest Account to provide for funding of interest on the 2017 Bonds through April 1, 2019, and (iv) pay costs of issuance of the 2017 Bonds. See "PLAN OF FINANCE."

Security for the 2017 Bonds

The 2017 Bonds will be issued and secured under a Master Trust Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds dated as of December 1, 2016 (the "Master Trust Indenture"), as supplemented by a First Supplemental Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2016 dated as of December 1, 2016 (the "First Supplemental Indenture"), and a Second Supplemental Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2017 dated as of November 1, 2017 (the "Second Supplemental Indenture"), each by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "Trustee"). The Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is herein referred to as the "Indenture").

The 2017 Bonds are limited obligations of the Board payable from and secured by a pledge of, lien on, and security interest in the Trust Estate created by the Master Trust Indenture, consisting primarily of the revenues derived and to be derived by the Board from the levy of the Capital Improvement Tax, including but not limited to, regular tax receipts and late payment interest and penalties (the "Capital Improvement Taxes"). See "CAPITAL IMPROVEMENT TAX." The Bond Resolution pledges the Capital Improvement Taxes to the payment of debt service on the 2017 Bonds. The Board has levied the Capital Improvement Tax in the amount of debt service on the 2017 Bonds for each year that the 2017 Bonds are outstanding (the "Bond Resolution Series Levy"). Since the Capital Improvement Tax has been levied in the Bond Resolution authorizing the 2017 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2017 Bonds. See "CAPITAL IMPROVEMENT TAX."

Pursuant to the Indenture, the Board has covenanted, to the fullest extent permitted by applicable law, to annually impose an additional levy of the Capital Improvement Tax (the "Annual Coverage CIT Tax Levy") in an amount sufficient, together with each Bond Resolution Series Levy for Outstanding Bonds, such that the Annual Levy Amount (as defined in the Indenture) for each year, and the amount of Capital Improvement Tax extended for collection in the corresponding Tax Collection Year, will each be in an amount not less than 110% of the Annual Debt Service Requirement (as defined in the Indenture) for the Applicable Bond Year (as defined in the Indenture).

The 2017 Bonds are also payable from amounts on deposit in the Consolidated Debt Service Reserve Fund established under the Indenture (the "Consolidated Debt Service Reserve Fund") on a parity with (i) the 2016 Bonds and (ii) any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See "SECURITY FOR THE 2017 BONDS – Consolidated Debt Service Reserve Fund" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Consolidated Debt Service Reserve Fund." The 2017 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts established as security for such Bonds pursuant to the Indenture (each as defined in the Indenture). See "SECURITY FOR THE 2017 BONDS – Sources of Payment for the 2017 Bonds."

In 1995, the Board became subject to the provisions of the Property Tax Extension Limitation Law (35 Illinois Compiled Statutes 200/18-185) ("PTELL") that limits the ability of the Board to increase property taxes for operations. The restrictions of PTELL do not apply to the levy and extension of the Capital Improvement Tax.

Additional Bonds and Refunding Bonds

Pursuant to the Indenture, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding outstanding Bonds, in each case payable on a parity basis with the 2016 Bonds and the 2017 Bonds from all or any portion of the Capital Improvement Taxes. See "SECURITY FOR THE 2017 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes."

Subordinated Indebtedness and Tax Anticipation Notes Payable From Capital Improvement Taxes

In addition to Additional Bonds and Refunding Bonds, the Board is permitted under the Indenture to issue subordinated indebtedness or obligations payable as to principal and interest from Capital Improvement Taxes, but only if such indebtedness or obligation is junior and subordinate in all respects to any and all Bonds issued and Outstanding under the Indenture (collectively the "Subordinated Indebtedness"). Subordinated Indebtedness is not payable from the Debt Service Fund (as defined herein) and is not entitled to any of the benefits or security of the Indenture. For a discussion of certain provisions relating to the issuance of Subordinated Indebtedness, see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Subordinated Indebtedness."

The Board is also permitted under the Indenture to issue Tax Anticipation Notes (as defined in Appendix A) in anticipation of the collection of Capital Improvement Taxes to be collected in the current Tax Collection Year (as defined herein) or the next ensuing Tax Collection Year. Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes shall be junior and subordinate in all respects to any and all Bonds issued and outstanding under the Indenture, are not payable from the Debt Service Fund, and are not entitled to any of the benefits or security of the Indenture. For a discussion of provisions relating to the issuance of Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Tax Anticipation Notes."

Limited Obligations

The 2017 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2017 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal of or interest on the 2017 Bonds.

Bondholders' Risks and Suitability of Investment

INVESTMENT IN THE 2017 BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING "BONDHOLDERS' RISKS" FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY 2017

BONDS. THE 2017 BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE 2017 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2017 BONDS. See "BONDHOLDERS' RISKS" and "RATINGS."

Certain References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE" or, if not defined therein, in the Indenture.

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of owners of the 2017 Bonds (the "Bondholders"). There is no assurance that such information will be maintained or updated on such websites in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the Underwriters (as defined herein) take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

CAPITAL IMPROVEMENT TAX

Statutory Authority and City Council and Board Approval

The CIT Act became effective in 2002 and authorizes the imposition of the Capital Improvement Tax. The CIT Act required the initial levy of the Capital Improvement Tax made by the Board to be authorized by a one-time approval by the Chicago City Council, which approval was given by resolution of the City Council in 2015. The Board authorized the initial levy of the Capital Improvement Tax in calendar year 2015 for collection in calendar year 2016. The City Council approval included a requirement for periodic reporting regarding planned expenditures by the Board to the City Council, which reporting requirement is reflected in a covenant of the Board in the Indenture. The Board is in compliance with such reporting requirement. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE."

Capital Improvements

The CIT Act authorizes the imposition of the Capital Improvement Tax for the limited purpose of providing a source of revenue for Permitted Projects or as security for the payment of bonds (including the Bonds) issued to fund Permitted Projects in accordance with the Debt Reform Act. The Permitted Projects to be funded under the CIT Act include the construction and equipping of new school buildings, additions to existing school buildings, the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, and the rehabilitation, renovation, and equipping of existing school buildings.

CIT Act Authorized Amount of Levy and Historical Levy and Collection

The CIT Act establishes maximum authorized amounts of the Capital Improvement Tax that can be levied in each calendar year as follows:

(a) In calendar year 2003, a Capital Improvement Tax to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted ("CPI") by (2) $142,500,000. The Capital Improvement Tax was not levied by the Board in calendar year 2003.

(b) In each calendar year from 2004 through 2030, a Capital Improvement Tax to produce, when extended, an amount not to exceed the sum of (1) the maximum amount that could have been levied by the Board in the preceding calendar year pursuant to the CIT Act and (2) the product obtained by multiplying (A) the sum of (i) the maximum amount that could have been levied by the Board in the preceding calendar year pursuant to the CIT Act and (ii) $142,500,000 by (B) the percentage increase, if any, in CPI for the 12 months ending 2 months prior to the month in which the levy is adopted.

Pursuant to this authority, in calendar year 2015 the Board levied a Capital Improvement Tax to produce, when extended, an amount not to exceed $45 million and such levy was due in two installments in 2016, with the second installment due August 1, 2016. The portion of such levy extended for collection in Cook County was $44.995 million and as of November 1, 2017 approximately 99% of such levy had been collected by Cook County. See "– Illinois Real Property Tax System Overview and Tax Collection."

In calendar year 2016, the Board levied a Capital Improvement Tax to produce, when extended, an amount not to exceed $47.898 million and such levy was due in two installments in 2017, with the second installment due August 1, 2017. The portion of such levy extended for collection in Cook County was $47.893 million and as of November 1, 2017 approximately 97% of such levy had been collected by Cook County.

For calendar year 2017, the Bond Resolution Series Levy for the 2016 Bonds in the amount of $43.539 million has been levied and Board has also levied a Capital Improvement Tax to produce, when extended, an amount not to exceed $7.923 million and such levy will be collected in calendar year 2018.

(c) In calendar year 2031, a Capital Improvement Tax to produce, when extended, an amount not to exceed the sum of (1) the maximum amount that could have been levied by the Board in calendar year 2030 pursuant to the CIT Act, (2) $142,500,000, and (3) the product obtained by multiplying (A) the sum of (i) the maximum amount that could have been levied by the Board in calendar year 2030 pursuant to the CIT Act and (ii) $142,500,000 by (B) the percentage increase, if any, in CPI for the 12 months ending 2 months prior to the month in which the levy is adopted.

(d) In calendar year 2032 and each calendar year thereafter, a Capital Improvement Tax to produce, when extended, an amount not to exceed the sum of (1) the maximum amount that could have been levied by the Board in the preceding calendar year pursuant to the CIT Act and (2) the product obtained by multiplying (A) the maximum amount that could have been levied by the Board in the preceding calendar year pursuant to the CIT Act by (B) the percentage increase, if any, in CPI for the 12 months ending 2 months prior to the month in which the levy is adopted.

Capital Improvement Tax Not Limited by PTELL

In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in CPI during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. PTELL does not limit the rate or amount of the Capital Improvement Tax levy. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

The Annual Coverage CIT Tax Levy and the Annual Additional CIT Tax Levy are subject to the Illinois Truth in Taxation Law. For a description of the Illinois Truth in Taxation Law, see APPENDIX C – "THE REAL PROPERTY TAX SYSTEM – Real Property Assessment, Tax Levy and Collection Procedures – Tax Levy."

Capital Improvement Tax Levy Components

The 2017 Bonds are issued under the CIT Act and the Debt Reform Act. The Board adopted the Bond Resolution that authorizes the issuance of the 2017 Bonds payable from, and secured by, the Capital Improvement Taxes. The Bond Resolution pledges the Capital Improvement Taxes to the payment of debt service on the 2017 Bonds and the Indenture provides for the direct deposit of the Capital Improvement Tax in the Escrow Fund (as defined herein) held by the Trustee under the Indenture. See "– Direct Deposit of Capital Improvement Taxes with the Trustee."

Pursuant to the Bond Resolution, the Board has levied the Bond Resolution Series Levy of the Capital Improvement Tax in the amount of debt service on the 2017 Bonds for each year that the 2017 Bonds are outstanding. Since the Bond Resolution Series Levy of the Capital Improvement Tax has been levied in the Bond Resolution authorizing the 2017 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy of the Capital Improvement Tax to pay the 2017 Bonds.

Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy. See "SECURITY FOR THE 2017 BONDS – Levy of the Capital Improvement Tax" and "BONDHOLDERS' RISKS – Adverse Change in Laws." All collections of the Annual Coverage CIT Tax Levy will be collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

Pursuant to the CIT Act, the Board is authorized to and may impose an additional annual levy of the Capital Improvement Tax to the full amount authorized by the CIT Act (the "Annual Additional CIT Tax Levy"). See "– CIT Act Authorized Amount of Levy and Historical Levy and Collection." Such levy of the Capital Improvement Tax is in addition to the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy described above. The imposition of the Annual Additional CIT Tax Levy is subject to the annual authorization by the Board. The Board is not obligated to impose the Annual Additional CIT Tax Levy. If imposed by the Board, all collections of the Annual Additional CIT Tax Levy would be pledged to secure the Bonds, deposited into the Escrow Fund and collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

The total 2017 Annual Levy Amount is $51.463 million, consisting of (i) the 2016 Bond Resolution Series Levy for the 2016 Bonds of $43.539 million, (ii) the 2017 Annual Coverage CIT Tax

Levy of $4.354 million and (iii) the 2017 Annual Additional CIT Tax Levy of $3.570 million. In addition, pursuant to the Bond Resolution the Board has levied the Bond Resolution Series Levy for each year that the 2017 Bonds are outstanding, in amounts which, if collected in full and not delinquent, will be equal to the amount of debt service on the 2017 Bonds.

Illinois Real Property Tax System Overview and Tax Collection

The levy, extension and collection of *ad valorem* property taxes throughout Illinois, including the School District, are governed by the Illinois Property Tax Code (35 Illinois Compiled Statutes 200) (the "Property Tax Code"). A general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County") that are applicable to the Board is included in APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

Property taxes are collected by the County Collectors, who remit to each unit of government its share of the collections. As described under the subheading "– Direct Deposit of Capital Improvement Taxes with the Trustee" the CIT Tax Revenues will be remitted directly to the Trustee pursuant to the Deposit Directions (as defined herein). In Illinois, property taxes levied for a calendar year (the "Tax Year") are extended by the County for collection and are billed to property owners in the following calendar year (the "Tax Collection Year"). Currently, taxes are due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date (the "Second Installment Penalty Date" for the Tax Years 2007 to 2016; the first installment penalty date has been the first business day in March for all years.

Second Installment

Tax Year	Penalty Date
2016	August 1, 2017
2015	August 1, 2016
2014	August 3, 2015
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008

The County may provide for tax bills to be payable in four installments instead of two. Currently, the County has not determined to require payment of tax bills in four installments.

The Property Tax Code is subject to change, from time to time, by the Illinois General Assembly. Any such change could impact the levy and collection of the Capital Improvement Tax. See "BONDHOLDERS' RISKS – Adverse Change in Laws."

For a discussion of the historical and current *ad valorem* property tax rates, levies and collections of the Board and the Overlapping Taxing Districts (as defined herein) see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt" and "FINANCIAL INFORMATION – Property Tax Revenues. For a discussion of certain risks related to the Capital Improvement Taxes, see "BONDHOLDERS' RISKS – Availability of Capital Improvement Taxes" and "– Adverse Change in Laws."

Overview of Timing of Capital Improvement Tax Levy, Collection and Payment of Debt Service

In Illinois, property taxes levied in a calendar year (Tax Year) are extended by the County and are billed to property owners in the following calendar year (Tax Collection Year). Pursuant to the Indenture, Capital Improvement Taxes collected in a Tax Collection Year will be applied to pay principal and interest on the Bonds in the Bond Year commencing on April 2 of the Tax Collection Year. An overview of this three year cycle consisting of the Tax Year, Tax Collection Year and Bond Year is described below.

Year 1 – Tax Year: The Capital Improvement Tax is levied by the Board and is filed with the County for collection.

Year 2 – Tax Collection Year: The County extends the taxes levied for a Tax Year for collection in the following calendar year, referred to as the Tax Collection Year. Property taxes, including the Capital Improvement Tax, are currently due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills in each Tax Collection Year. The first installment is an estimated bill calculated at 55% of the prior year's tax extension and the second installment is for the balance of the current year's tax extension. The Capital Improvement Tax revenues collected will be deposited directly by the County Collectors with the Trustee pursuant to the Deposit Directions and the Trustee will deposit such funds in the Escrow Fund under the Indenture as described under the heading "SECURITY FOR THE 2017 BONDS – Escrow Fund."

Year 3 – Bond Year: The revenues from the Capital Improvement Tax held by the Trustee will be applied to payment of debt service due and payable on the Bonds on October 1 of the Tax Collection Year and April 1 of the next calendar year.

Direct Deposit of Capital Improvement Taxes with the Trustee

All Capital Improvement Taxes received by the Trustee shall be deposited promptly upon receipt into the Escrow Fund established under the Indenture. The Board has directed the County Treasurers of Cook County and DuPage County, each being a county in which the School District is located, acting as the collectors of property taxes in such counties (the "County Collectors" and each a "County Collector") to segregate from each distribution of property tax collections to the Board the amount of total tax collections attributable to the Capital Improvement Tax extended and collected and to directly deposit the amount so segregated with the Trustee under the Indenture (each a "Deposit Direction"). See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes." The forms of Deposit Directions executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX F.

Pursuant to the Indenture, the Board covenants that as long as any of the Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year. A violation of this covenant constitutes an Event of Default under the Indenture, for which there is no cure period, although the Board has the right to remedy such a violation and to be restored to the former position. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes" and "– Events of Default."

DEBT SERVICE SCHEDULE AND COVERAGE

Bond Debt Service Schedule and Coverage

The following table sets forth the debt service requirements on the Bonds and the debt service coverage provided by the existing Bond Resolution Series Levies for the 2016 Bonds and the 2017 Bonds and the Annual Coverage CIT Tax Levy (when imposed) of the Capital Improvement Tax. The table does not reflect debt service on the Bonds consisting of interest payable from funds deposited in the Capitalized Interest Account. Pursuant to the applicable Bond Resolution, the Board has imposed the Bond Resolution Series Levy in the amount of debt service on the 2016 Bonds and the 2017 Bonds for each year that the Bonds are outstanding. Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy for collection in each year that the Bonds are outstanding. See "SECURITY FOR THE 2017 BONDS – Indenture Covenants and Representations – Annual Levy Amount," "BONDHOLDERS' RISKS – Availability of Capital Improvement Taxes," "– Adverse Change in Laws," and "– Collection of Capital Improvement Tax."

Debt Service Schedule, Bond Resolution Series Levy, Annual Coverage CIT Tax Levy and Resultant Debt Service Coverage

Tax Levy Year Ending 12/31	Tax Collection Year Ending 12/31	Bond Year Ending 4/1	Annual Debt Service on the 2016 Bonds	Annual Debt Service on the 2017 Bonds*	Total Bond Resolution Levies for Series 2016 and 2017 Bonds*	Debt Service Coverage (x)	Total of Bond Resolution Series Levies and Annual Coverage CIT Tax Levy	Debt Service Coverage (x)
2017	2018	2019	$43,538,890		$43,538,890	1.00	$47,892,779	1.10
2018	2019	2020	43,538,890	$3,245,000	46,783,890	1.00	51,462,279	1.10
2019	2020	2021	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2020	2021	2022	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2021	2022	2023	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2022	2023	2024	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2023	2024	2025	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2024	2025	2026	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2025	2026	2027	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2026	2027	2028	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2027	2028	2029	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2028	2029	2030	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2029	2030	2031	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2030	2031	2032	43,538,890	3,245,000	46,783,890	1.00	51,462,279	1.10
2031	2032	2033	78,453,890	6,555,000	85,008,890	1.00	93,509,779	1.10
2032	2033	2034	78,451,278	6,554,500	85,005,778	1.00	93,506,356	1.10
2033	2034	2035	78,453,378	6,555,750	85,009,128	1.00	93,510,041	1.10
2034	2035	2036	78,453,290	6,558,250	85,011,540	1.00	93,512,694	1.10
2035	2036	2037	78,454,600	6,556,500	85,011,100	1.00	93,512,210	1.10
2036	2037	2038	78,451,000	6,555,250	85,006,250	1.00	93,506,875	1.10
2037	2038	2039	78,449,900	6,559,000	85,008,900	1.00	93,509,790	1.10
2038	2039	2040	78,451,700	6,557,000	85,008,700	1.00	93,509,570	1.10
2039	2040	2041	78,451,200	6,559,000	85,010,200	1.00	93,511,220	1.10
2040	2041	2042	78,452,900	6,554,250	85,007,150	1.00	93,507,865	1.10
2041	2042	2043	78,450,400	6,557,500	85,007,900	1.00	93,508,690	1.10
2042	2043	2044	78,452,000	6,557,750	85,009,750	1.00	93,510,725	1.10
2043	2044	2045	78,449,800	6,554,500	85,004,300	1.00	93,504,730	1.10
2044	2045	2046	78,450,600	6,557,250	85,007,850	1.00	93,508,635	1.10

* Net of capitalized interest.

Annual Additional CIT Tax Levy and Cap on Capital Improvement Tax Levy

The Board is authorized to annually impose the Annual Additional CIT Tax Levy for authorized purposes under the CIT Act, in addition to the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy described above. The imposition of the Annual Additional CIT Tax Levy is subject to the annual authorization by the Board. The Board is not required by the Indenture or otherwise to annually impose the Annual Additional CIT Tax Levy in any amount in any year. The imposition of the Annual Additional CIT Tax Levy is subject to the Illinois Truth in Taxation Law. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM – Real Property Assessment, Tax Levy and Collection Procedures – Tax Levy."

The maximum amount of the Capital Improvement Tax levy that can be imposed is dependent on the statutory cap on the amount of such levy imposed by the CIT Act. See "CAPITAL IMPROVEMENT TAX – CIT Act Authorized Amount of Levy and Historical Levy and Collection" and "– Capital Improvement Tax Levy Components." The amount of the cap for each Tax Year is established based on the amount of the Capital Improvement Tax levied for the preceding Tax Year increased by the annual growth in CPI.

The table below shows two pro forma scenarios for calculation of the cap on the Capital Improvement Tax that is authorized to be imposed under the CIT Act, as follows: (1) collections assuming the annual levy and collection of the Capital Improvement Tax in each year based on the amount levied in Tax Year 2017 assuming no increase in CPI, and (2) collections assuming annual levy and collection of the Capital Improvement Tax assuming an annual growth in CPI based on the 10-year average growth of 1.699% calculated from the monthly CPI-All Urban Consumers Data, January 2008 to September 2017, published by the Bureau of Labor Statistics. The amounts in the table below include the total amount of Capital Improvement Tax that can be levied under the CIT Act based on the scenarios presented, and the totals include the amount of the Bond Resolution Series Levy imposed pursuant to the Bond Resolution and the amount of the Annual Coverage CIT Tax Levy that the Board has covenanted to annually impose pursuant to the Indenture, both as set forth in the table above under the subheading "– Bond Debt Service Schedule and Coverage." The table below and the scenarios presented are for illustrative purposes only as described herein and the information presented in such table is not a projection by the Board of the future growth in CPI, the amount of the cap on the Capital Improvement Tax, or the amount of the Annual Additional CIT Tax Levy that the Board will impose in any Tax Year.

Pro Forma Cap on Amount of Capital Improvement Tax

Tax Levy Year (12/31)	Tax Collection Year (12/31)	Bond Year (4/1)	Cap on Capital Improvement Tax Levy Assuming 0% Annual CPI Growth	Cap on Capital Improvement Tax Levy Assuming 1.699% Annual CPI Growth[1]
2017	2018	2019	$51,462,600	$51,462,600
2018	2019	2020	51,462,600	54,758,025
2019	2020	2021	51,462,600	58,109,438
2020	2021	2022	51,462,600	61,517,793
2021	2022	2023	51,462,600	64,984,055
2022	2023	2024	51,462,600	68,509,209
2023	2024	2025	51,462,600	72,094,256
2024	2025	2026	51,462,600	75,740,212
2025	2026	2027	51,462,600	79,448,113
2026	2027	2028	51,462,600	83,219,012
2027	2028	2029	51,462,600	87,053,978
2028	2029	2030	51,462,600	90,954,100
2029	2030	2031	51,462,600	94,920,485
2030	2031	2032	51,462,600	98,954,259
2031	2032	2033	193,962,600	245,556,567
2032	2033	2034	193,962,600	249,728,573
2033	2034	2035	193,962,600	253,971,461
2034	2035	2036	193,962,600	258,286,436
2035	2036	2037	193,962,600	262,674,723
2036	2037	2038	193,962,600	267,137,567
2037	2038	2039	193,962,600	271,676,234
2038	2039	2040	193,962,600	276,292,013
2039	2040	2041	193,962,600	280,986,214
2040	2041	2042	193,962,600	285,760,170
2041	2042	2043	193,962,600	290,615,235
2042	2043	2044	193,962,600	295,552,788
2043	2044	2045	193,962,600	300,574,230
2044	2045	2046	193,962,600	305,680,986

[1] CPI 10-year average growth of 1.699% calculated from monthly CPI-All Urban Consumers Data, January 2008 to September 2017, published by the Bureau of Labor Statistics.

SECURITY FOR THE 2017 BONDS

Limited Obligations

The 2017 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2017 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal of or interest on the 2017 Bonds.

Sources of Payment for the 2017 Bonds

The 2017 Bonds are payable from, and secured under, the Indenture by a pledge of, lien on, and security interest in the Trust Estate, including the Capital Improvement Taxes to be levied and collected, on a parity with the 2016 Bonds and any Additional Bonds and Refunding Bonds issued under the Indenture. See "– Levy of the Capital Improvement Tax" and "INTRODUCTION – Authorization" and "– Security for the 2017 Bonds." The 2017 Bonds are also payable from amounts on deposit in the Consolidated Debt Service Reserve Fund on a parity with the 2016 Bonds and any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See "– Consolidated Debt Service Reserve Fund" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE "– Consolidated Debt Service Reserve Fund." The 2017 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2017 Bonds under the Indenture. See "– Flow of Capital Improvement Taxes Under the Indenture." For a discussion of the debt structure of the Board and property tax rates and levies of the Board and the Overlapping Taxing Districts (as defined herein) see "DEBT STRUCTURE" and "FINANCIAL INFORMATION – Property Tax Revenues." For a discussion of certain risks related to the Capital Improvement Taxes, see "BONDHOLDERS' RISKS – Limited Source of Payment and Security," "– Availability of Capital Improvement Taxes," "– Adverse Change in Laws," and "– Collection of Capital Improvement Tax."

Levy of the Capital Improvement Tax

Pursuant to the Bond Resolution, the Board has levied the Bond Resolution Series Levy for each year that the 2017 Bonds are outstanding, in amounts which, if collected in full and not delinquent, will be equal to the amount of debt service on the 2017 Bonds. Since the Bond Resolution Series Levy has been levied in the Bond Resolution authorizing the 2017 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2017 Bonds in any year.

In addition, the Board has covenanted in the Indenture, to the fullest extent permitted by applicable law, to annually impose the Annual Coverage CIT Tax Levy to provide an additional 0.10 times debt service coverage on the Bonds for collection in each year that the Bonds are outstanding.

In addition, the Board may, but is not required to, annually impose the Annual Additional CIT Tax Levy in an amount up to the maximum amount of Capital Improvement Tax authorized under the CIT Act.

The Capital Improvement Tax is an *ad valorem* tax levied against all of the taxable property in the School District and is not subject to the limitations of PTELL.

Escrow Fund

The Escrow Fund is established with the Trustee pursuant to the provisions of the Property Tax Code, the School Code, and the Indenture, as an account separate and segregated from all other funds and accounts of the Board. The Escrow Fund is established for the purpose of providing the funds required to pay the principal of, and interest on, the Bonds, including the 2017 Bonds, when due and for the payment of Capital Expenditures that are Permitted Expenditures as defined and provided in the Indenture.

Pursuant to the Indenture, all of the Capital Improvement Taxes, including collections of the Bond Resolution Series Levy, the Annual Coverage CIT Tax Levy and the Annual Additional CIT Tax Levy, are required to be paid to the Trustee for immediate deposit in the Escrow Fund. The Board has covenanted to do all acts and things necessary to cause the Capital Improvement Taxes to be deposited in the Escrow Fund and not to any other account of the Board or any other person, including without limiting the foregoing, filing Deposit Directions with the County Collectors to deposit all Capital Improvement Taxes directly in the Escrow Fund.

Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the Bonds, including the 2017 Bonds, and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders of the 2017 Bonds a first lien on, and security interest in, the Capital Improvement Taxes and the monies, securities and funds held from time to time in the Escrow Fund, on a parity basis with the 2016 Bonds, and any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

Operation of the Escrow Fund

The Indenture provides that on each Business Day, the Trustee shall first allocate all of the moneys in the Escrow Fund to the payment of debt service on the Bonds. The Indenture provides for the operation of the Escrow Fund as follows:

(A) On each Business Day the Trustee shall allocate the moneys in the Escrow Fund in the following order of priority and if the moneys deposited into the Escrow Fund are insufficient to make any required deposit, the deposit shall be made up on the next Business Day after required deposits having a higher priority shall have been made in full:

First: to each applicable Series Sub-Fund in the Debt Service Fund (as defined below), the Pro Rata Share for that Series until there is held in each such Series Sub-Fund an amount sufficient for the payment of the unpaid Series Debt Service for that Series payable on each Payment Date on or prior to April 1 of the then Applicable Bond Year.

Second: to the Consolidated Debt Service Reserve Fund, the amount, if any, required to increase the sum then held in the Consolidated Debt Service Reserve Fund, to the Consolidated Reserve Requirement.

Third: to the Debt Service Fund, to fund any other deposits required under the terms of any Supplemental Indenture.

Fourth: on any Business Day that is not a Default Day, at the direction of the Board expressed in a Certificate filed with the Trustee, the amount specified in such Certificate for the payment of Tax Anticipation Notes issued in accordance with the Indenture.

Fifth: on any Business Day that is not a Default Day, at the direction of the Board expressed in a Certificate filed with the Trustee, the amount specified in such Certificate for the payment of Subordinated Indebtedness issued in accordance with the Indenture.

Sixth: to the Permitted Expenditures Account of the Escrow Fund for disbursement in accordance with the Indenture as described in Paragraph (B) below.

(B) Amounts held in the Permitted Expenditures Account may be paid to the Board from time to time, on any Business Day that is not a Default Day, for the payment or reimbursement of Permitted Expenditures that are Capital Expenditures, but only upon the filing by the Board with the Trustee of the following items:

(1) its requisition therefor, stating in respect of each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board, and that each item thereof (i) is a proper charge against the Permitted Expenditures Account; (ii) is a proper Capital Expenditure; (iii) is a proper Permitted Expenditure and (iv) has not been paid or previously reimbursed pursuant to the Indenture as described in Paragraph (C) below or from Bond proceeds; (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

Upon receipt of each such requisition and accompanying Certificate the Trustee shall transfer from the Permitted Expenditures Account to the credit of a special Sub-Account in the Permitted Expenditures Account in the name of the Board, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts in such special Sub-Account to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying Certificate. Each such obligation shall be paid by check or wire transfer drawn on such special Sub-Account to the order of the Person named in and in accordance with the requisition. Moneys deposited to the credit of such special Sub-Account shall be deemed to be a part of the Permitted Expenditures Account until paid out as above provided.

(C) The Trustee shall pay from the Permitted Expenditures Account to the Board, upon its requisitions therefor, at one time or from time to time, on any Business Day that is not a Default Day, a sum or sums aggregating not more than $5,000,000, exclusive of and in addition to reimbursements paid pursuant to the Indenture as described in Paragraph (B) above, such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Capital Expenditures that are Permitted Expenditures that cannot conveniently be paid as otherwise provided in the Indenture as described in Paragraph (B) above. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the Permitted Expenditures Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures. Each transfer to the revolving fund maintained by the Board may not exceed the aggregate amount of the vendor invoices to be paid or reimbursed with respect to the revolving fund, and may only be made after a careful review by the Board to confirm that all transfers to the revolving fund match invoiced amounts for Capital Expenditures that are Permitted Expenditures.

(D) The Board may direct the withdrawal of moneys from the Permitted Expenditures Account for the payment on any Payment Date of principal of (including any Sinking Fund Installment) or interest on any Bonds due and payable on such Payment Date.

See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Allocation of Escrow Fund."

Debt Service Fund and Series 2017 Dedicated Sub-Fund

The Indenture also establishes with the Trustee a debt service fund for deposit of funds to provide for payment of the Bonds, including the 2017 Bonds (the "Debt Service Fund") and a separate, segregated and dedicated sub-fund within the Debt Service Fund for the 2017 Bonds (the "Series 2017 Dedicated Sub-Fund"). The Indenture provides for the establishment of separate dedicated sub-funds for any Series of Bonds issued under the Indenture, and in each case for the deposit of Capital Improvement Taxes for the payment of debt service on the applicable Series of Bonds.

Moneys on deposit in the Series 2017 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2017 Bonds and shall not be used or available for the payment of any other Bonds, except as expressly provided in the Indenture.

Further, the Indenture establishes with the Trustee separate Accounts within the Series 2017 Dedicated Sub-Fund, designated as follows: (1) 2017 Capitalized Interest Account, (2) 2017 Project Account, (3) 2017 Principal Account, and (4) 2017 Interest Account.

The Indenture provides that on each Business Day, commencing on February 1, 2019 (each such date referred to herein as the "Deposit Date") there shall be withdrawn from the Debt Service Fund and deposited into the Series 2017 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2017 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth below (such aggregate amount with respect to any Deposit Date being referred to herein as the "Series 2017 Deposit Requirement"). On each Deposit Date that moneys are available for deposit into the Series 2017 Dedicated Sub-Fund, the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2017 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

First: for deposit into the 2017 Interest Account, an amount equal to the amount required so that the sum held in the 2017 Interest Account, when added to the interest payable from the 2017 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2017 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and

Second: commencing on February 1, 2032, for deposit into the 2017 Principal Account, the amount required so that the sum then held in the 2017 Principal Account will equal the sum of the unpaid Principal due on the 2017 Bonds on the first day of April of the next calendar year.

2017 Capitalized Interest Account

Interest due on the 2017 Bonds on the April 1, 2018, October 1, 2018, and April 1, 2019 Interest Payment Dates is fully capitalized from the proceeds of the 2017 Bonds and will be deposited in the 2017 Capitalized Interest Account.

2017 Project Account

The Indenture provides for disbursements of moneys in the 2017 Project Account as described below.

(A) The Trustee shall make payment of the Costs of Construction of the 2017 Project that are both Capital Expenditures and Permitted Expenditures from the 2017 Project Account. Before any such payment shall be made, the Board shall file with the Trustee:

(1) its requisition therefor, stating in respect of each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2017 Project, and that each item thereof (i) is a proper charge against the 2017 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed from moneys in the 2017 Project Account or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

Upon receipt of each such requisition and accompanying Certificates the Trustee shall transfer from the 2017 Project Account to the credit of a special account in the name of the Board, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts in such special account to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. If for any reason the Board should decide prior to the payment of any item in a requisition to stop payment of such item, an Authorized Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the 2017 Project Account.

The Trustee shall withdraw from the 2017 Project Account and pay to the Board any balance in the 2017 Project Account on filing by the Board with the Trustee the Board's Certificate certifying: (1) that the 2017 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such 2017 Project Account to pay, all

Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2017 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2017 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2017 Project Account. Moneys so withdrawn from the 2017 Project Account (i) may be applied for the payment, purchase or redemption of 2017 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by the CIT Act and will not adversely affect the exclusion from gross income under the Code of interest on the 2017 Bonds.

(B) The Trustee shall, during construction of the 2017 Project, pay from the 2017 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than $5,000,000, exclusive of and in addition to reimbursements as described in Paragraph (A), such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid as otherwise described in Paragraph (A) above. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2017 Project Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures. Each transfer to the revolving fund maintained by the Board may not exceed the aggregate amount of the vendor invoices to be paid or reimbursed with respect to the revolving fund, and may only be made after a careful review by the Board to confirm that all transfers to the revolving fund match invoiced amounts for Capital Expenditures that are Permitted Expenditures.

Consolidated Debt Service Reserve Fund

The Indenture establishes a Consolidated Debt Service Reserve Fund, which secures the payment of debt service on all Bonds issued pursuant to the Indenture which are designated as "Consolidated Reserve Fund Bonds" thereunder. The 2016 Bonds and 2017 Bonds are Consolidated Reserve Fund Bonds. Under the Indenture, the Consolidated Debt Service Reserve Fund is required to be funded in an amount equal to fourteen percent (14%) of the largest Annual Debt Service Requirement on all Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year (the "Consolidated Reserve Requirement"). Upon the issuance of the 2017 Bonds, the amount held in the Consolidated Debt Service Reserve Fund will be not less than the Consolidated Reserve Requirement as of such issuance. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Consolidated Debt Service Reserve Fund."

Direct Deposit with Trustee

Pursuant to the Indenture, the Board has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Capital Improvement Taxes in each year directly with the Trustee for application in accordance with the provisions of the Indenture (each a "Deposit

Direction"). See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes." The forms of Deposit Directions executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX F. The Board has covenanted that as long as any of the 2017 Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided, that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year.

Indenture Covenants and Representations

Pursuant to the Indenture, the Board has made certain covenants and representations as described below.

Authority for Indenture. The Indenture is executed and delivered by the Board by virtue of and pursuant to the CIT Act, the Debt Reform Act and the Bond Resolution. The Board has ascertained, determined and declared that the execution and delivery of the Indenture is necessary to meet the public purposes and obligations of the Board, that each and every act, matter, thing or course of conduct as to which provision is made in the Indenture is necessary or convenient in order to carry out and effectuate such purposes of the Board and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement contained in the Indenture and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the Board.

Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture and any Supplemental Indenture (as defined in the Indenture) shall be a part of the contract of the Board with the owners of Bonds and shall be deemed to be and shall constitute a contract between the Board, the Trustee, and the Owners from time to time of the Bonds. The Board covenants and agrees with the Owners of Bonds and the Trustee that it will faithfully perform all of the covenants and agreements contained in the Indenture and in the Bonds.

Punctual Payment of Bonds. Subject always to the condition that any obligation of the Board under the Indenture shall only be payable from the Trust Estate, the Board shall duly and punctually pay or cause to be paid the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds. If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to payment out of the Trust Estate or Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture or moneys held by Fiduciaries or Depositaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in the Indenture shall be deemed to limit the right of the Board to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Annual Levy Amount. As authorized by Section 8 of the Debt Reform Act, the Board shall, to the fullest extent permitted by applicable law, provide for the annual levy of the Capital Improvement Tax such that the Annual Levy Amount for each year, and the amount of Capital Improvement Tax extended for collection in the corresponding Tax Collection Year, will each be in an amount not less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year.

Further Assurance. At any and all times the Board shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the Trust Estate and the rights pledged or assigned by the Indenture, or which the Board may become bound to pledge or assign. The Board and the Trustee shall take such actions as shall be necessary from time to time to preserve the priority of the Trust Estate under law of the State of Illinois.

Power to Issue Bonds and Pledge Trust Estate. The Board is duly authorized under all applicable laws to issue the Bonds and to execute and deliver the Indenture and to pledge the Trust Estate pledged by the Indenture and to grant the lien granted by the Indenture thereon in the manner and to the extent provided in the Indenture. The Trust Estate, so pledged and subject to the lien of the Indenture, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Board to that end has been and will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of the Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The Board covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State and the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under the Indenture, the rights of the Board to levy the Capital Improvement Tax and to apply the Capital Improvement Taxes in accordance with the Indenture and all the rights of the Owners under the Indenture against all claims and demands. The Board will not seek or support State legislation which, if enacted into law, could reasonably be expected to materially impair the security for the payment of the Bonds or the Board's authority to pay the Bonds from the Trust Estate.

Indebtedness and Liens. The Board shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than Subordinated Indebtedness and Tax Anticipation Notes (as defined in the Indenture), which are secured by a pledge of or lien on the Capital Improvement Taxes or the moneys, securities or funds held or set aside under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the Capital Improvement Taxes or such moneys, securities or funds; provided, however, that nothing contained in the Indenture shall prevent the Board from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn free from the lien of the Indenture pursuant to the Indenture or (b) payable from, or secured by the pledge of, Capital Improvement Taxes to be derived on and after such date as the pledge of the Trust Estate provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Covenants Regarding Capital Improvement Taxes. (A) The Board has executed and delivered a Deposit Direction to each of the County Collectors to deposit all collections of the Capital Improvement Taxes in each year, directly with the Trustee. So long as any of the Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit

Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided, that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year.

(B) The Board will take all actions necessary (i) to confirm, if needed, the annual levy and extension of the Capital Improvement Tax for collection on a timely basis in an annual amount not less than the amount required to satisfy the covenant described above under the subheading "– Annual Levy Amount" and (ii) to cause Capital Improvement Taxes, when collected, to be deposited directly with the Trustee for application in accordance with the Indenture. The Board and its officers will comply with all present and future applicable laws in order to assure that the Capital Improvement Tax is levied annually and that the Capital Improvement Taxes are collected and paid to the Trustee for application in accordance with the Indenture.

(C) Prior to the issuance of each Series of Bonds, the Board shall file with the County Clerks a certified copy of the resolution of the Board authorizing such Series of Bonds together with such other orders and directions as needed to provide for the annual levy and extension of the Bond Resolution Series Levy for each Series.

Accounts and Reports. The Board shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Capital Improvement Taxes and the Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture, and which, together with all other books and financial records of the Board, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than twenty five percent in aggregate principal amount of Outstanding Bonds or their representatives duly authorized in writing.

Reports to City Council. The Board covenants that suitable representatives of the Board will provide to the City Council of the City of Chicago periodic reports regarding expenditures planned using the Capital Improvement Taxes.

Equality of Security and of Bonds. All Bonds, regardless of Series, date of issuance or incurrence and date of sale, shall be secured by the pledge contained in the Indenture; and the security so pledged shall not be used for any other purpose except as expressly permitted by the terms of the Indenture. All Bonds issued under the Indenture shall be on a parity and rank equally without preference, priority or distinction over any other as to security, regardless of the time or times of their issue, and the provisions, covenants and agreements set forth in the Indenture to be performed by and on behalf of the Board shall be for the equal benefit, protection and security of the Owners of any and all Bonds except as expressly provided under the Indenture.

Pledge and Lien Under the Debt Reform Act

The Bonds are entitled to the benefits and security of the Debt Reform Act. Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the Bonds and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders of the 2017 Bonds a first lien on, and security interest in, the Capital Improvement Taxes and the monies, securities and funds held from time to time in the Escrow Fund, on a parity basis with the 2016 Bonds, and any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

Flow of Capital Improvement Taxes Under the Indenture

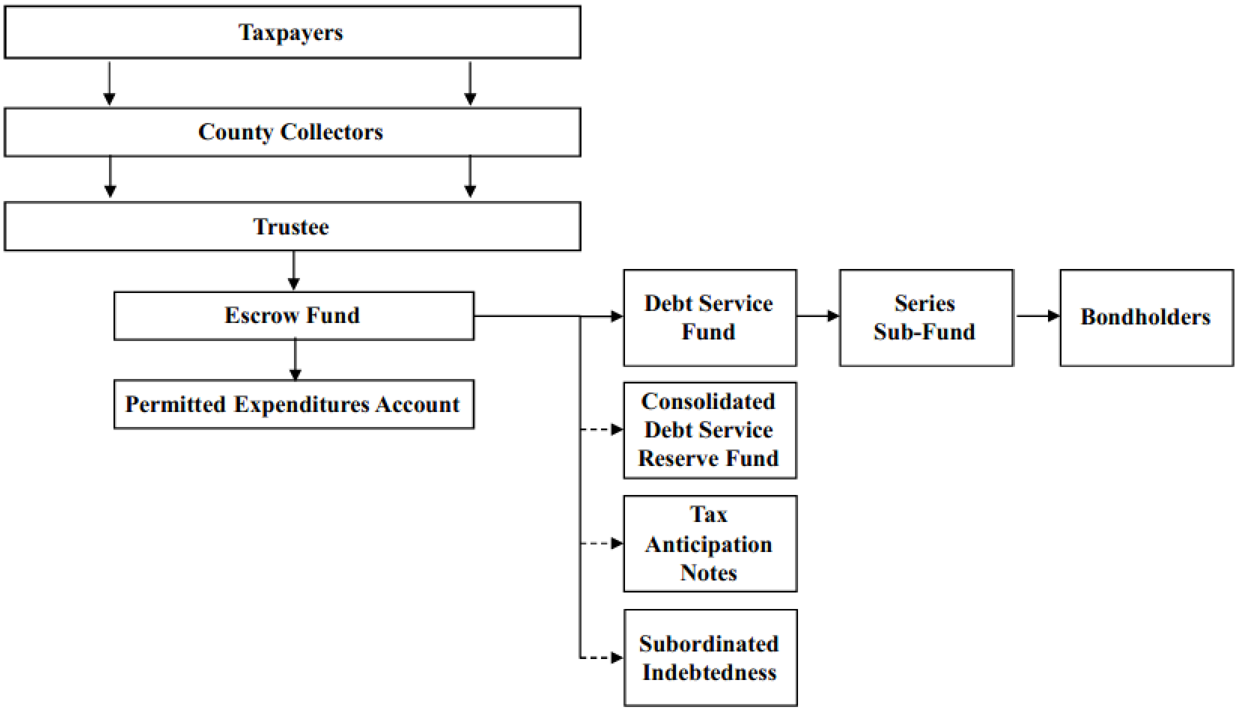
Indenture Debt Service Funds and Accounts. As described under the headings "SECURITY FOR THE 2017 BONDS – Escrow Fund" and "CAPITAL IMPROVEMENT TAX – Direct Deposit of Capital Improvement Taxes with the Trustee" herein, Capital Improvement Taxes as collected will be deposited directly with the Trustee in the Escrow Fund pursuant to the Indenture and the Deposit Directions. Pursuant to the Indenture, Capital Improvement Taxes on deposit in the Escrow Fund will be transferred to the Debt Service Fund (as defined and described below) for application as described below. See "CAPITAL IMPROVEMENT TAX" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Required Deposit of Capital Improvement Tax Receipts," "– Allocation of Escrow Fund," and "– Deposits into Series 2017 Dedicated Sub-Fund and Accounts."

The Indenture establishes the Debt Service Fund for deposit of funds to provide for payment of the Bonds, including the 2017 Bonds, and provides for the establishment of separate dedicated sub-funds for each Series of Bonds issued under the Indenture, and in each case for the deposit of Capital Improvement Taxes for the payment of debt service on the applicable Series of Bonds. The Series 2017 Dedicated Sub-Fund is established under the Second Supplemental Indenture.

Moneys in the Debt Service Fund shall be disbursed and applied by the Trustee as required to make the following deposits on the dates and in the amounts provided: (1) on any date required by the provisions of the Indenture, the Trustee shall segregate within the Debt Service Fund and credit to the Series 2017 Dedicated Sub-Fund therein such amounts as may be required to be so credited under the provisions of the Indenture to pay the principal of and interest on the 2017 Bonds; and (2) on any date required by the provisions of the Indenture for any other purpose, the Trustee shall segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as are specified in such the Indenture the amounts required so to be withdrawn and deposited by the provisions of the Indenture.

Application of Capital Improvement Taxes and Flow of Funds Diagram. The Capital Improvement Taxes received by the Trustee from the Board will be applied to the payment of debt service on the Bonds, including the 2017 Bonds in accordance with the procedures set forth in the Indenture. The diagram below describes the collection, deposit and application of Capital Improvement Taxes under the Indenture:

Flow of Capital Improvement Taxes Under the Indenture



1. Deposit Directions with the County Collectors cause all Capital Improvement Taxes to be paid to the Trustee for immediate deposit into the Escrow Fund.
2. Beginning on January 1st, on each Business Day the Trustee shall allocate the moneys in the Escrow Fund to each applicable Series Sub-Fund in the Debt Service Fund the Pro Rata Share until the amount is sufficient to pay debt service through the bond year ending April 1st of the following calendar year.
3. Once the amounts in each Series Sub-Fund are sufficient, the Trustee will deposit the amount, if any, required to increase the sum then held in the Consolidated Debt Service Reserve Fund to the Consolidated Reserve Requirement.
4. Once the deposits to the Debt Service Fund and the Consolidated Debt Service Fund have been made, the Trustee may provide payment for (1) Tax Anticipation Notes and (2) Subordinated Debt.
5. Once the above deposits are made, the Trustee will allocate the moneys in the Escrow Fund to the Permitted Expenditures Account.

Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes

Pursuant to the Indenture, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding Outstanding Bonds payable on a parity basis with the Bonds from all or any portion of the Capital Improvement Taxes.

Prior to the issuance of any Additional Bonds under the Indenture, the Board is required to file with the Trustee a Certificate of an Authorized Officer of the Board to the effect that, for each Tax Collection Year that the Capital Improvement Tax will be required to be collected to produce Capital Improvement Taxes to satisfy the Annual Debt Service Requirements for all Bond Years with respect to which Bonds will be Outstanding as of the time immediately following the issuance of the Series of Bonds proposed to be issued; (i) the amount of Capital Improvement Taxes projected to be collected in each such Tax Collection Year and (ii) the Annual Debt Service Requirement in each Applicable Bond Year and (iii) demonstrating that the amount of Capital Improvement Taxes projected to be collected in each such Tax Collection Year will not be less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year.

Prior to the issuance of any Series of Refunding Bonds under the Indenture the Board is required to file with the Trustee either (i) the Certificate of an Authorized Officer of the Board required in connection with the issuance of Additional Bonds set forth above or (ii) a Certificate of an Authorized Officer of the Board evidencing that for the then current and each future Bond Year, the Annual Debt Service Requirements for each such Bond Year on account of all Bonds Outstanding as of the time immediately after the issuance of such Refunding Bonds does not exceed the Annual Debt Service Requirements for the corresponding Bond Year on account of all the Bonds Outstanding as of the time immediately prior to the issuance of such Refunding Bonds.

For a more detailed description of the requirements of the Indenture regarding the issuance of Additional Bonds and Refunding Bonds, see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE."

Bankruptcy

General. Units of local government, such as the Board, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. However, from time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois units of local government to be a debtor in bankruptcy under the U.S. Bankruptcy Code. The Board cannot predict whether any such legislation will be enacted that would permit units of local government, such as the Board, to be a debtor in bankruptcy.

Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2017 Bonds could be stayed during the proceeding, and that the terms of the 2017 Bonds, the Bond Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with requirements of the U.S. Bankruptcy Code.

Various of the legal opinions delivered in connection with the issuance of the 2017 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles.

See "BONDHOLDERS' RISKS – Bankruptcy of the Board" and "No Acceleration and Uncertainty of Enforcement Remedies."

Counsel Opinion Regarding Certain Bankruptcy-Related Matters. Katten Muchin Rosenman LLP ("Katten"), as special bankruptcy counsel to the Board, has prepared an opinion letter for the 2017 Bonds (the "Special Revenues Opinion"), which sets forth the bases of Katten's opinion that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2017 Bonds are "special revenues" as that term is defined in Section 902(2)(E) of the U.S. Bankruptcy Code. Consequently, (i) application of the Capital Improvement Taxes by the Trustee to the payment of the 2017 Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture.

At the request of the Board and with Katten's consent, a copy of the Special Revenues Opinion is attached hereto as APPENDIX H of this Official Statement, subject to the following: (i) the Special Revenues Opinion is being issued to and may be relied upon solely by the Board and may not be relied upon, published, circulated or otherwise referred to by any other party, including Bondholders, for any purpose without Katten's express prior written consent; (ii) the opinions expressed in the Special Revenues Opinion are subject to all assumptions and qualifications set forth therein; (iii) currently, there is no State law authorizing the Board to file for protection under Chapter 9 of the U.S. Bankruptcy Code, and it is not possible to predict the impact that such a state law, if enacted, might have in connection with any Chapter 9 proceeding filed by the Board; (iv) there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in the Special Revenues Opinion; and (v) the opinions expressed in the Special Revenues Opinion are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions.

Board Intent. Although the Board can provide no assurances, and there is no binding judicial precedent dealing with facts similar to those supporting the Board's position, the Board believes that the Capital Improvement Taxes currently pledged by the Board under the Indenture constitute *"special revenues,"* as defined in Section 902(2)(E) of the U.S. Bankruptcy Code, and, as a consequence, (i) pursuant to Section 928(a) of the U.S. Bankruptcy Code, any and all of such Capital Improvement Taxes currently pledged by the Board under the Indenture collected on behalf of the Board after the commencement of a case by the Board under Chapter 9 of the U.S. Bankruptcy Code would remain subject to the lien of the Indenture and could not lawfully be used by the Board without providing the bondholders "adequate protection" (as that term is defined in Section 361 of the U.S. Bankruptcy Code) for any diminution in value of the bondholders' interest in the Capital Improvement Taxes resulting from the bankruptcy case and (ii) under Section 922(d) of the U.S. Bankruptcy Code, the application by the Trustee of the Capital Improvement Taxes under the terms of the Indenture would not be subject to stay after the commencement by the Board of a case under Chapter 9 of the U.S. Bankruptcy Code. The Board intends that the Capital Improvement Taxes be treated as *special revenues*.

BONDHOLDERS' RISKS

Investment in the 2017 Bonds involves certain risks. In evaluating an investment in the 2017 Bonds, prospective purchasers should carefully consider the risk factors set forth under this heading "BONDHOLDERS' RISKS" regarding a purchase of the 2017 Bonds, as well as all other information contained in or incorporated by reference into this Official Statement, including the appendices hereto and additional information in the form of the complete documents summarized herein and in the appendices hereto, copies of which are available as described herein. For the definitions of certain words and terms, see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE" and definitions set forth elsewhere in this Official Statement.

There follows under this heading a discussion, in no particular order of importance or priority, of some, but not necessarily all, of the possible risks and investment considerations that should be carefully evaluated prior to purchasing any of the 2017 Bonds. There may be other risk factors and investment considerations that may be material or may become material in the future to a prospective purchaser's investment decision regarding purchasing or holding any 2017 Bonds, or that may materially and adversely affect the financial condition of the Board and its ability to repay the 2017 Bonds. Moreover, any one or more of the factors discussed under this heading, and other factors not *described under this heading, could lead to a decrease in the market value and the liquidity of the 2017 Bonds.*

Suitability of Investment

The 2017 Bonds are not suitable investments for all persons. Prospective purchasers should confer with their own legal and financial advisors and should be able to bear the risks associated with the potential limited liquidity and price volatility, as well as the loss of their investment, in the 2017 Bonds before considering a purchase of the 2017 Bonds.

Limited Source of Payment and Security

The 2017 Bonds are on a parity with the 2016 Bonds. Such Bonds are limited obligations of the Board, a single revenue credit and are payable solely from, and secured solely by, the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the other Funds, Sub-Funds, Accounts and Sub-Accounts established pursuant to the Indenture. The 2017 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of the 2017 Bonds. No other source of security is pledged to, or otherwise available for, the payment of the 2017 Bonds and no other funds of the Board, the City or the State are pledged for the payment of the 2017 Bonds other than the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the funds and accounts established pursuant to the Indenture.

Availability of Capital Improvement Taxes

The availability of property tax revenues, including Capital Improvement Taxes, in amounts sufficient to pay the annual debt service on the Bonds, and the Board's general obligation bonds and to support the ongoing operating costs of the Board is dependent on the tax base of real property within the School District and the ability of this tax base to support the tax burden imposed in any year by the Board and the Overlapping Taxing Districts (as defined herein) for operations, debt service and other payment obligations, including pensions and other post-employment retirement benefits. The availability of *ad valorem* property tax revenues, is also dependent on the administration of the assessment, levy and tax collection procedures by the County Collectors. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." See "DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin."

In addition, litigation is pending in State and federal courts raising certain State and federal constitutional challenges relating to the selection of the Board by appointment of the Mayor and requesting, among other remedies, that the collection of property taxes levied by the Board be conditioned on the Illinois General Assembly putting in place or substituting an elected school board. The Board makes no assurances or predictions as to when the courts will rule on either litigation, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the Bonds. See "LITIGATION."

There are six major units of local government located in whole or in part within the boundaries of the School District (the "Overlapping Taxing Districts"). See "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt" and "FINANCIAL INFORMATION –Property Tax Revenues – *Tax Rates of the Board and Overlapping Taxing Districts – Application of PTELL to Overlapping Taxing Districts and the Board; Certain Property Tax Increases of the City and the Board*." The Overlapping Taxing Districts share, to varying degrees, a common property tax base and have the power to impose and increase property taxes on the same property tax base as the Board. Reasons for such tax increases include, but are not limited to, increased costs of operation, increased debt service requirements on new or outstanding indebtedness, increased pension funding requirements, and other increased costs. The Board does not control the amount or timing of the taxes levied by these Overlapping Taxing Districts.

In addition, the Board and certain of the Overlapping Taxing Districts have levied taxes to pay Alternate Revenue Bonds (as herein defined) and certain other general obligation bonds and such taxes are currently not extended for collection and are not reflected in the current tax rates of the Board and the Overlapping Taxing Districts. Such debt service taxes could be extended in the future resulting in an increase in the tax burden of property owners within the boundaries of the School District. The Board has never had to extend *ad valorem* property taxes for collection to provide sufficient revenues for payment of its Alternate Revenue Bonds. See "DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin." Such increased burden could potentially be harmful to the local economy and may impact the value of property in the region and lead to population migration, delayed payments of taxes, lower tax collection rates and other factors that may result in a decrease in the rate and amount of tax collections received by the Board. As described above and in "SECURITY FOR THE 2017 BONDS – Levy of the Capital Improvement Tax," several factors impact whether Capital Improvement Taxes will be collected in amounts sufficient to make timely debt service payments on the Bonds.

Adverse Change in Laws

As discussed under the heading "CAPITAL IMPROVEMENT TAX," the Board has imposed the Bond Resolution Series Levy of the Capital Improvement Tax in the amount of debt service on the Bonds for each year that the Bonds are outstanding. In addition, pursuant to the Indenture the Board has covenanted, to the fullest extent permitted by applicable law, to provide for the annual levy of the Capital Improvement Tax such that the Annual Levy Amount for each year, and the amount of Capital Improvement Tax extended for collection in the corresponding Tax Collection Year, will each be in an amount not less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year. See "CAPITAL IMPROVEMENT TAX – Capital Improvement Tax Levy Components." The imposition of the Annual Coverage CIT Tax Levy is subject to the annual authorization by the Board. The Debt Reform Act provides that the Board can pledge as security to Bondholders "amounts sufficient to provide for the prompt payment of debt service and to provide an additional amount of money as coverage computed as a percentage of the amount of debt service scheduled to be payable in any given year."

Changes in law relating to the Capital Improvement Tax, including the authorized amount of the levy of the Capital Improvement Tax, collection and authorized uses of such tax; changes in the Debt Reform Act, including without limitation changes in the authorization of additional coverage or the amount thereof; changes or repeal of the ad valorem property tax system of the State generally, including the levy and collection of such taxes, could impact the amount of the Capital Improvement Tax levy, the amount and timing of the receipt of Capital Improvement Taxes, and the collection of Capital Improvement Taxes in each year that the 2017 Bonds are Outstanding in amounts sufficient to pay debt service on the 2017 Bonds when due.

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the Board, including the Board's ability to raise taxes and other revenues, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, change in the interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, change in interpretation, or addition may have a material adverse effect, either directly or indirectly, on the Board or the taxing authority of the Board, which could materially adversely affect the Board's operations or financial condition. In addition, since there is no contractual relationship between any Bondholder and the State and there is no contractual promise from the State not to alter the Debt Reform Act, the Property Tax Code and/or the School Code including without limitation the CIT Act in ways that may be adverse to the interests of the Bondholders, the State may amend the Debt Reform Act, the

Property Tax Code and/or the School Code including without limitation the CIT Act at any time and such action may have a material adverse effect on the Bondholders. See "SECURITY FOR THE 2017 BONDS – Levy of the Capital Improvement Tax."

The School Code provides for the Board, as the governing body of the School District, to be appointed by the Mayor and with no required approval by the City Council. From time to time, legislation has been introduced in the Illinois General Assembly, to provide for election of the Board by the voters within the School District. In addition under the School Code, the Board is currently exempted from State statutes that authorize ISBE under certain extraordinary circumstances including "financial difficulty" to remove the governing body of a school district, and replace the governing body with an "independent authority" appointed by the State Superintendent to operate the school district until the next election at which a governing board would be elected. The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

Collection of Capital Improvement Tax

In the event that there is a decline in the amount of the Capital Improvement Tax collected, the Capital Improvement Taxes collected may be insufficient to pay the principal of and interest due on the Bonds. Notwithstanding the foregoing, the Bonds also have the benefit of the amounts in the Consolidated Debt Service Reserve Fund. However, if there is a material decline in the amount of the Capital Improvement Tax collected the amounts in the Consolidated Debt Service Reserve Fund may be insufficient to pay the principal of and interest due on the Bonds.

In addition, although the Second Installment Penalty Date established by Cook County has been August 1-3 for Tax Collection Years 2013-2017, in Tax Collection Years 2007 through 2012, and in some prior years, the Second Installment Penalty Date has been delayed as late as December 13. See "CAPITAL IMPROVEMENT TAX – Illinois Real Property Tax System Overview and Tax Collection" and APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." Delays in the Second Installment Penalty Date impact the timing of receipt of Capital Improvement Taxes to pay debt service on the Bonds. Notwithstanding the foregoing, the risk that the Board does not have Capital Improvement Taxes on hand to make timely payments on the Bonds, including delays in the Second Installment Penalty Date, has been mitigated by setting the related interest payment date on the Bonds in April, eight months after the expected Second Installment Penalty Date. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

No Acceleration and Uncertainty of Enforcement Remedies

The maturity of the Bonds cannot be accelerated in the event that the Board defaults in the payment of any installment of principal of or interest due on the Bonds, or otherwise fails to comply with any covenant set forth in the Bonds, the Indenture or any other agreement.

The opinions of Co-Bond Counsel and the Board's General Counsel as to the enforceability of the Board's obligations pursuant to the Indenture and to make payments on the 2017 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See "SECURITY FOR THE 2017 BONDS – Bankruptcy," and "BONDHOLDERS' RISKS – Bankruptcy of the Board."

The remedies available to Bondholders under the Indenture may be dependent upon discretionary judicial actions. See APPENDIX A — "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN

PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE ― Events of Default.”

Credit Ratings of 2017 Bonds, Investment Illiquidity and Market Prices

As discussed herein, the 2017 Bonds are limited obligations of the Board secured by the Capital Improvement Taxes and certain funds held under the Indenture. Kroll Bond Rating Agency, Inc. and Fitch Ratings have each provided ratings with respect to the 2017 Bonds. For a description of such ratings, see “RATINGS” herein.

Each rating of the 2017 Bonds does not constitute a recommendation to purchase, hold or sell the 2017 Bonds and such rating does not address the marketability of the 2017 Bonds, any market price or suitability for a particular investor. There is no assurance that any such rating will remain for any given period of time or that any such rating will not be downgraded, suspended or withdrawn entirely by the respective Rating Agency if, in such Rating Agency’s judgment, circumstances so warrant based on factors prevailing at the time. Any such downgrade, suspension or withdrawal of any such rating, if it were to occur, could adversely affect the existence of a market or the market price of the 2017 Bonds.

Beginning in 2012, the Board’s credit ratings were downgraded pursuant to various rating actions from investment grade to below investment grade by each of Moody’s Investors Service, S&P Global Ratings (formerly known as Standard & Poor’s Ratings Services), and Fitch Ratings. Kroll Bond Rating Agency first rated the Board’s credit in 2015. The interest rates the Board pays on new issuances of long and short–term debt are heavily impacted by the Board’s credit ratings, and downward changes in the Board’s ratings have resulted and may continue to result in higher interest rates payable by the Board on bond issuances and other borrowings. In connection with the issuance of the Board’s 2017 Alternate Revenue Bonds (as herein defined) and the 2017 Bonds, the Board’s credit rating issued by Fitch Ratings was upgraded, and the ‘outlook’ assigned by each of S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency was modified upward from negative to stable in the cases of S&P Global Ratings and Fitch Ratings and from stable to positive in the case of Kroll Bond Rating Agency.

Numerous factors may impact the liquidity of the 2017 Bonds, including any loss of value of the 2017 Bonds as a result of downgrades to the credit ratings of the 2017 Bonds or the debt of the Board, additional downgrades to the credit ratings of the City or State, any deterioration of the Board’s financial condition, or as a result of market or other factors. There is no assurance that the secondary market for the 2017 Bonds will provide the Bondholders with sufficient liquidity for their investment or that such secondary market will continue through the final maturity of the 2017 Bonds. The Underwriters are not obligated under the Bond Purchase Agreement with the Board or otherwise to make a market for the 2017 Bonds. Such market–making by the Underwriters, if any, may be discontinued at any time at the sole discretion of the Underwriters.

The secondary market for the 2017 Bonds may be limited and the market prices of the 2017 Bonds will be determined by factors including relative supply of, and demand for, the 2017 Bonds and other debt obligations of the Board, general market and economic conditions in the School District, the Overlapping Taxing Districts, the State, the United States and globally, and other factors beyond the Board’s control. Market price risk may increase as a result of downgrades to the credit ratings of the Board.

Bankruptcy of the Board

As described herein, the Bonds are secured by a dedicated *ad valorem* property tax, the Capital Improvement Tax. Units of local government, such as the Board, cannot file for protection under the

U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2017 Bonds could be stayed during the proceeding, and that the terms of the 2017 Bonds, the Bond Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the U.S. Bankruptcy Code. While the Special Revenues Opinion sets forth reasoned opinions that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2017 Bonds are "special revenues" as that term is defined in the U.S. Bankruptcy Code and, consequently, (i) application of the Capital Improvement Taxes by the Trustee to the payment of the 2017 Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture, there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in the Special Revenues Opinion and the opinions expressed in the Special Revenues Opinion are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions. See "SECURITY FOR THE 2017 BONDS -- Bankruptcy."

The Board has experienced budget deficits, rating declines and borrowings for cash flow and liquidity. Set forth below, in no particular order of importance or priority, are some, but not necessarily all, of the possible factors that may impact the Board's financial condition and could lead to a bankruptcy of the Board. See also APPENDIX E – "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS," and "CASH FLOW AND LIQUIDITY."

Structural Deficit, Cash Flow and Liquidity. The Board has experienced structural operating deficits for the past five Fiscal Years that have ranged from approximately \$500 to \$1,100 million annually, which have been mitigated by the use of non–recurring revenue, expenditure of operating reserves, debt restructuring to extend maturities, short-term borrowings, and reduction of operating expenses. The Board's financial outlook for Fiscal Years 2018 and beyond is improved based in part on the increased State funding and authorized Pension Property Tax provided by Public Act 100-465 ("P.A. 100-465"). The Board's ongoing financial outlook will continue to be determined by factors such as labor, pension and debt service costs as well as the ability of the Board to raise revenues and reduce certain expenditures.

Certain factors that control a substantial portion of the operating revenues and the operating expenses of the Board are largely outside of its control, limiting the ability of the Board to adjust its expenses in relation to its revenues. The liquidity position of the Board's operating funds has deteriorated during recent Fiscal Years primarily as a result of operating expenses consistently exceeding operating revenues and the Board's use of its operating reserve funds to fund the shortfalls. The liquidity position of the Board's operating funds has deteriorated during recent Fiscal Years primarily as a result of operating expenses consistently exceeding operating revenues and the Board's use of its operating reserve funds to fund the shortfalls. The Board's operating fund balance has declined over recent Fiscal Years from approximately $1.08 billion at the beginning of Fiscal Year 2015 to a negative approximately $126.6 million at the beginning of Fiscal Year 2017. The Board expects a negative fund balance to total approximately negative $271.3 million at the end of Fiscal Year 2017. With its operating reserve funds depleted, the Board has addressed its negative cash flow position largely through short–term borrowing. See "CASH FLOW AND LIQUIDITY." The Board's available revenues to address its current structural budget deficit are largely dependent on State funding and operating expense reductions, and, to the extent such actions are not sufficient, additional borrowing. State Aid Revenues and federal revenues make up a substantial portion of the available operating revenues of the Board and are largely outside of its control. See "FINANCIAL INFORMATION – Historical Financial Performance and Structural Deficit (Fiscal Years 2015-2017)" and "—Board's Fiscal Year 2018 Budget."

Unfunded Pensions and Required Statutory Contributions. Pension payments have been and are expected to continue to be a significant budget pressure for the Board. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State (the "Statutory Contributions"). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. As of June 30, 2016 the Funded Ratio of the Pension Fund was 52.4% and the Unfunded Actuarial Accrued Liability was approximately $9.6 billion. To the extent that the funded ratio of the Pension Fund continues to decline, this would contribute to increased required Statutory Contributions by the Board and put further pressure on the Board's annual operating budgets. The Board's required Statutory Contributions to the Pension Fund are projected to increase annually through 2059 (the actuarial projection period). In addition, the Pension Fund's actuaries, from time to time, may change the assumptions that are the basis of their actuarial valuations, including mortality rates and investment returns, and such changes may result in increased required Statutory Contributions of the Board. See APPENDIX E – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS."

Local, City and State Economy. The financial health of the Board is in part dependent on the strength of the local economy, which in turn is a component of the City and State economy. Many factors affect all of the economies, including rates of employment and economic growth and the level of residential and commercial development. Actions of local governments, the City and the State may also have an economic impact to the extent such actions foster or impede economic growth and development. The State has experienced and continues to experience a structural deficit and pension obligations that result annually in significant shortfalls between the State's general fund revenues and spending demands. There can be no certainty as to if or when the State will resolve its structural deficit. The State's inability to adopt a budget for Fiscal Years 2016 and 2017 resulted in economic uncertainty and disruptions in the distribution of State revenues and the payment of State contracts. The City has experienced structural deficits in recent years. As part of its process to address such ongoing structural budget deficits, the City adopted a substantial increase in property taxes that began in Tax Year 2015 and will continue through Tax Year 2018. In addition, the City may increase property taxes in the future to address budget needs and the City is not currently subject to the PTELL limit on property tax increases. In addition, financial difficulties experienced by the State, the City and other Overlapping Taxing Districts may place stress on the same sources of revenue from which the Board derives the funds for its operations and debt service. It is not possible to predict whether any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur or to quantify what impact such changes would have on the finances of the Board. See APPENDIX D – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

Non-Compliance with Continuing Disclosure Obligations

The Board filed its Annual Financial Information later than 210 days after the last day of the Board's 2013 and 2014 Fiscal Years as required by its undertakings. In each case such late filing was due to the fact that its Annual Financial Statements were not yet available. Although the Board has implemented certain procedures to ensure timely compliance going forward with its continuing disclosure obligations, there is no assurance that these procedures will be effective in ensuring timely compliance. Moreover, the Board's failure to comply with its continuing disclosure obligations on a timely basis could limit its access to the capital markets because underwriters for the Board's bonds must be able to reasonably determine that the Board will comply with its continuing disclosure obligations before underwriting any future offerings of Board debt. Moreover, a failure by the Board to comply with its continuing disclosure obligations must also be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2017 Bonds in the secondary market. Any failure to comply with its continuing disclosure obligations could, therefore, affect the transferability and liquidity of the 2017 Bonds and their market price. See "CONTINUING DISCLOSURE UNDERTAKING."

Forward-Looking Statements

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are *"forward-looking statements"* within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and reflect current expectations, hopes, intentions or strategies regarding the future. Such statements may be identifiable by the terminology used such as *"may," "believe," "will," "project," "plan," "expect," "estimate," "budget," "intend," "anticipate," "continue"* or other similar words (such statements are referred to herein as "Forward–Looking Statements").

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (I) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (II) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (III) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, USERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, IT IS LIKELY THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE INACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL

STATEMENT ARE BASED ON INFORMATION AVAILABLE ON THE DATE HEREOF, AND THE BOARD ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION "CONTINUING DISCLOSURE UNDERTAKING."

PLAN OF FINANCE

Overview

The proceeds of the 2017 Bonds will be used for the purposes described below and in the table entitled "Sources and Uses of Funds." A portion of the proceeds will be used to pay for Permitted Projects in accordance with the provisions of the Bond Resolution and the CIT Act. In addition, the proceeds of the 2017 Bonds will also be used to make a deposit to the Consolidated Debt Service Reserve Fund in the amount required to increase the amount held in the Consolidated Debt Service Reserve Fund to the Consolidated Reserve Requirement of $11,901,615.60, to make a deposit to the 2017 Capitalized Interest Account, and to pay costs of issuance of the 2017 Bonds.

Sources and Uses of Funds

The following table shows the sources and uses of funds in connection with the issuance of the 2017 Bonds:

SOURCES:	
Principal Amount	$64,900,000.00
Original Issue Premium	5,597,839.90
Total Sources of Funds	$70,497,839.90
USES:	
Deposit to 2017 Project Account	$64,231,490.14
Deposit to Consolidated Debt Service Reserve Fund	852,597.45
Deposit to 2017 Capitalized Interest Account	4,335,680.56
Pay Costs of Issuance(1)	1,078,071.75
Total Uses of Funds	$70,497,839.90

(1) Includes Underwriters' fees and expenses.

Contemporaneous and Future Financings

Contemporaneous Financings. Contemporaneously with the issuance of the 2017 Bonds, the Board will issue $1.025 billion of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017C-H (the "2017 Alternate Revenue Bonds") for various purposes pursuant to separate indentures. The proceeds of the 2017 Alternate Revenue Bonds will be used to: (i) refund certain outstanding bonds of the Board for savings, including certain variable rate bonds as described under the heading "—Board's Variable Rate Bonds," (ii) restructure a portion of the Board's outstanding debt by refunding certain bonds maturing on or prior to December 1, 2020, and financing the payment of "Existing Debt Service" consisting of certain interest payments due on or before December 1, 2019 on other outstanding bonds of the Board; (iii) pay certain costs of implementing the Board's Capital Improvement Program (as defined herein); (iv) fund capitalized interest on a portion of such bonds; and

(v) pay the costs of issuance of such bonds. The bonds being refunded with the proceeds of the 2017 Alternate Revenue Bonds are referred to herein as the "2017 Alternate Revenue Refunded Bonds."

Future Short-Term Borrowing. The Board relied on short-term borrowing to fund liquidity and cash flow in Fiscal Years 2016 and 2017. The Board has levied in calendar year 2017 for collection in calendar year 2018, approximately $2.34 billion of ad valorem property taxes for educational purposes (the "2017 Tax Levy") and has authorized the issuance of up to $1.55 billion of tax anticipation notes in anticipation of the collection of the 2017 Tax Levy (the "2017 TANs"). As of November 1, 2017, the Board has issued the first tranches of 2017 TANs in the aggregate amount of $550 million and expects to issue an additional $50 million of 2017 TANs in calendar year 2017. The Board expects to issue additional TANs throughout Fiscal Year 2018 to fund its cash flow needs in an amount up to the authorized amount of $1.55 billion. See "DEBT STRUCTURE – Tax Anticipation Notes."

Future Long-Term Borrowing. The Board's variable rate Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013A-3, outstanding in the principal amount of $157,055,000, are scheduled for remarketing June 1, 2018 and the Board expects to remarket or issue bonds to refund such bonds to fix the interest rate on such bonds. See "DEBT STRUCTURE – Board's Variable Rate Bonds."

The Board expects to continue to review its capital needs and the use of additional bond financings in the future. See "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program." In addition, the Board expects to issue additional short-term and long-term obligations, from time to time, to address its liquidity needs and may refinance and restructure debt service for budgetary relief or convert variable rate bonds to a fixed rate. See "FINANCIAL INFORMATION – Fiscal Year 2018 Budget," "CASH FLOW AND LIQUIDITY," "BONDHOLDERS' RISKS – Cash Flow and Liquidity and Future Borrowings."

THE 2017 BONDS

General

The 2017 Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the 2017 Bonds and the book-entry only system are described in APPENDIX I – "BOOK-ENTRY ONLY SYSTEM." Except as described APPENDIX I – "BOOK-ENTRY ONLY SYSTEM," beneficial owners of the 2017 Bonds will not receive or have the right to receive physical delivery of the 2017 Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC "*Participant*" (as defined in APPENDIX I), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal, redemption price of, premium, if any, and interest on the 2017 Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner's Participant, to evidence its beneficial ownership of the 2017 Bonds. So long as DTC or its nominee is the registered owner of the 2017 Bonds, references herein to Bondholders or registered owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

The 2017 Bonds shall be issued only in fully registered form without coupons and shall be dated the date of issuance. The 2017 Bonds shall mature on the dates and in the principal amounts shown on the inside cover page hereof. The 2017 Bonds shall be issued in the denomination of $100,000 and any integral multiple of $5,000 in excess of $100,000 (the "Authorized Denominations"), but no single Bond shall represent principal maturing on more than one date. See APPENDIX A – "CERTAIN

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE."

Interest on the 2017 Bonds

The 2017 Bonds shall bear interest at the respective rates shown on the inside cover page hereof. Each 2017 Bond shall bear interest from the Interest Payment Date to which interest has been paid or as of the date on which it is authenticated prior to the first date on which interest is to be paid. Interest on the 2017 Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2018. Interest on each Bond will be payable on each Interest Payment Date to the person in whose name the Bond is registered at the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date. Interest on the 2017 Bonds is computed on the basis of a 360-day year consisting of 12 months of 30 days each.

Redemption Provisions

Optional Redemption. The 2017 Bonds are subject to redemption prior to maturity at the option of the Board, as a whole, or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Board shall determine, and within any maturity by lot, on April 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount of the 2017 Bonds to be redeemed, plus accrued interest on the 2017 Bonds being redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2017 Bonds maturing on April 1, 2042 and April 1, 2046 (the "Term Bonds"), are term bonds subject to mandatory redemption prior to maturity, in part and selected as described below under "–Redemption Provisions – Redemption Procedures – *Selection of Bonds for Redemption*," at a redemption price equal to the principal amount thereof, plus accrued interest, on April 1 of the years and in the aggregate principal amounts set forth in the following tables:

Term Bonds
Maturing April 1, 2042

Redemption Dates (April 1)	Principal Amount
2038	$4,225,000
2039	4,440,000
2040	4,660,000
2041	4,895,000
2042*	5,135,000

Term Bonds
Maturing April 1, 2046

Redemption Dates (April 1)	Principal Amount
2043	$5,395,000
2044	5,665,000
2045	5,945,000
2046*	6,245,000

* Final Maturity

Purchase of 2017 Bonds In Lieu of Mandatory Sinking Fund Redemption. Amounts deposited to the credit of the 2017 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on or prior to the 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2017 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund redemption price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2017 Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2017 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes in a Certificate signed by an Authorized Officer and delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

Reduction of Mandatory Redemption Amounts. In the event of the optional redemption by the Board of less than all of the Term Bonds of the same maturity, the principal amount so redeemed shall be credited against the unsatisfied balance of future Sinking Fund Installments and the final maturity amount established with respect to such Term Bonds as shall be determined by the Board in a Certificate of an Authorized Officer filed with the Trustee or, in the absence of such determination, shall be credited pro-rata against the applicable Sinking Fund Installments and final maturity amount.

Redemption Procedures.

General. In the case of any redemption of 2017 Bonds at the election or direction of the Board, the Board shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts and interest rates of the 2017 Bonds of each maturity to be redeemed. Such notice shall be given at least 35 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the Indenture, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the 2017 Bonds to be redeemed on the specified redemption date at their redemption price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the 2017 Bonds so called for redemption.

Whenever by the terms of the Indenture the Trustee is required or authorized to redeem 2017 Bonds otherwise than at the election or direction of the Board, the Trustee shall select the 2017 Bonds to be redeemed in accordance with the Indenture, give the notice of redemption and pay the redemption price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of the Indenture, without further direction from the Board.

Selection of Bonds for Redemption. If less than all the 2017 Bonds of the same maturity are called for redemption, the particular 2017 Bonds or portion of 2017 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any 2017 Bond of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such 2017 Bonds for redemption, the Trustee shall treat each such 2017 Bond as representing that number of 2017 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such 2017 Bond to be redeemed in part by said minimum Authorized Denomination. If all 2017 Bonds are held in book-entry only form, the particular 2017 Bonds or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine, provided, however, that in no event shall any redemption result in unrefunded 2017 Bonds of a denomination less than $100,000.

Notice of Redemption. For a description of the giving of notices while the 2017 Bonds are in the book-entry only system, see APPENDIX I – "BOOK-ENTRY ONLY SYSTEM." When the Trustee shall receive notice from the Board of its election or direction to redeem 2017 Bonds pursuant to the Indenture, and when redemption of 2017 Bonds is authorized or required pursuant to the Indenture, the Trustee shall give notice, in the name of the Board, of the redemption of such 2017 Bonds, which notice shall specify the maturities and interest rates of the 2017 Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the 2017 Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such 2017 Bonds so to be redeemed, and, in the case of 2017 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the redemption price of each 2017 Bond to be redeemed, or the redemption price of the specified portions of the principal thereof in the case of 2017 Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 30 days before the date fixed for redemption, to the Owners of the 2017 Bonds to be redeemed at their addresses as shown on the registration books of the Board maintained by the Registrar; *provided*, that if all Bonds are held in book-entry only form, such notice may be given pursuant to the then-existing agreement with the securities depository for the 2017 Bonds. If the Trustee mails notices of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any 2017 Bonds, unless moneys sufficient to pay the redemption price of, and interest on the 2017 Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Board, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Board shall not redeem such 2017 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such 2017 Bonds will not be redeemed.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond of either Series while in the book-entry only system, see APPENDIX I – "BOOK-ENTRY ONLY SYSTEM." Subject to the limitations described below, the 2017 Bonds are transferable upon the registration books of the Board, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Subject to the limitations described below, any Bond may be exchanged upon surrender at the corporate trust office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of fully registered Bonds of the same Series, maturity, and interest rate and tenor of any other Authorized Denominations. The Trustee and the Board may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Bond.

Defeasance

The 2017 Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the Indenture and the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Board thereunder shall be discharged and satisfied with respect to such 2017 Bonds if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said 2017 Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any 2017 Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or redemption price, if applicable, and interest due and to become due on said 2017 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said 2017 Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said 2017 Bonds a notice that such deposit has been made with the Trustee and that said 2017 Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, of said 2017 Bonds, (v) if any of said 2017 Bonds are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or redemption price, if applicable, and interest due and to become due on said 2017 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said 2017 Bonds are no longer Outstanding under the Indenture. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Defeasance."

BOARD OF EDUCATION OF THE CITY OF CHICAGO

General

The Board is a body politic and corporate of the State. The Board is established under and governed by the School Code and is a non–home rule unit of government. The Board maintains a system of public schools within the boundaries of the School District for pre–kindergarten through grade twelve and is the third largest school district in the nation.

The School District has boundaries coterminous with the boundaries of the City. Chicago has a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, has a large and diverse economy that contributed to a gross regional product of more than $651 billion in 2016. Trade, transportation and utilities, government, education and health service and professional and business services are among the Chicago region's largest industry sectors. The City's Chicago O'Hare International Airport is ranked sixth worldwide and third in the United States in 2016 in terms of total passengers. Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.75 million tons of freight, mail, and goods annually. See APPENDIX D -- "ECONOMIC AND DEMOGRAPHIC INFORMATION."

Governing Body

The seven-member Board currently serves as the governing body of the School District. The members serve four-year terms and are appointed by the Mayor. The appointments do not require approval of the City Council. In addition to its Board, elected local school councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools in the public school system, including selection of principals.

Mayor Rahm Emanuel took office on May 16, 2011 and subsequently appointed an entirely new Board to govern the School District. Mayor Emanuel was elected to a second four-year term as Mayor in April 2015 and subsequently appointed five new members to the Board following his re-election.

Under the School Code, the Board is responsible for approving the annual budget, approving contracts (including collective bargaining agreements), levying real property taxes and establishing general policies of the Board. The Board has one vacancy and the current members of the Board are as follows:

Frank M. Clark is President of the Chicago Board of Education and was appointed to the Board by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark was elected President of the Chicago Board of Education on August 26, 2015. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of the Chicago Symphony Orchestra, DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is Chairman of the Executive Committee of The Chicago Community Trust, trustee of The Lincoln Academy of Illinois, and a member of the RAND Advisory Board. Mr. Clark also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Jane Addams Hull House, and past President of the Chicago Chapter of American Association of Blacks in Energy. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. Mr. Clark is Chairman of the Board of Directors for BMO Financial Corporation. He also serves on the board of directors for Aetna Inc. and Waste Management Inc. Mr. Clark received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He also has received numerous awards, including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by Fortune magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

Jaime Guzman was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016. Mr. Guzman was elected Vice President of the Board on January 27, 2016. Mr. Guzman is the Director of Local Programs at My Brother's Keeper Alliance (MBKA). MBKA is an independent, nonpartisan 501(c)(3) born out of President Obama's call to action to ensure all of our nation's young people have the opportunity to live up to their full potential. MBKA is leading a collaborative, cross-sectoral movement to break down barriers to success that boys and young men of color (BYMOC) disproportionately face along the life path. He has more than 15 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of

New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

Mark F. Furlong was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007-2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

Dr. Mahalia Hines was appointed to the Chicago Board of Education in May of 2011 by Mayor Rahm Emanuel. She is currently the CEO of Think COMMON Entertainment, President of the COMMON Ground Foundation and Hip Hop Schoolhouse Publishing Company. Dr. Hines has worked in the educational field for more than 35 years as a teacher and principal. During her 15 year stint as a principal she serviced grade levels from elementary through high school in the Chicagoland area. Dr. Hines also worked as a coach for first-year principals, a mentor for current principals and prospective principals in Chicago and other parts of the country. Dr. Hines continues to work with school leaders of public and charter schools in urban areas throughout the country in order to develop effective school leaders who will guide others to provide the best possible education for the children least likely to receive it. In addition to working with schools and school leaders, she travels the country speaking to single mothers on raising successful sons. Dr. Hines received her doctorate from the University of Illinois, Masters from Northeastern University and bachelor's degree from Central State University.

Arnaldo (Arnie) Rivera was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 25, 2017. Mr. Rivera serves as Senior Strategic Advisor for After School Matters and has extensive experience in public education in the City of Chicago. Mr. Rivera began his career in education as a first grade teacher at Walt Disney Magnet School on Chicago's north side. After his years of teaching, he worked in a number of different roles in the Office of Management and Budget at CPS, including serving as the District's Budget Director. In this role, he was responsible for developing and maintaining the operating budget for CPS, totaling more than $5 billion in spending annually. He also led an effort to drive evidence-based decision making across the entire District budget and he helped enhance school improvement plans to assist principals track progress and resource allocations toward school-based goals. Mr. Rivera then spent two years as Deputy Chief of Staff in the CPS CEO's office, where he was responsible for the planning and execution of the Full School Day outreach strategy and the expansion of the International Baccalaureate programs in Chicago's high schools. He was also part of the district's contract negotiations team that helped secure a collective bargaining agreement with the Chicago Teacher's Union in 2012. Mr. Rivera left CPS and served as Chief Operating Officer for The Chicago Public Education Fund. In this role, he was responsible for the organization's financial and operations management, as well as overseeing its communications and development strategies. In 2014, he was appointed Deputy Chief of Staff for Education by Mayor Emanuel, where he coordinated the administration's education policy agenda for the City of Chicago from early childhood through community college. Mr. Rivera returned to CPS in 2015 as Chief Officer of Public Policy. Mr. Rivera earned a Bachelor's Degree in Economics and a Master's Degree in Education and Social Policy, both from Northwestern University.

Gail D. Ward was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the City's most accomplished selective enrollment high schools. Ms. Ward served in that role for seven years, a period when Payton ranked first in the State in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40% of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations, streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

The Board has one vacancy.

The members of the Board have been appointed to serve terms ending as follows:

Member	**Term Expires**
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Arnaldo (Arnie) Rivera	June 30, 2019
Gail D. Ward	June 30, 2019
Vacancy	June 30, 2019

At the expiration of the term of each member, the Mayor shall appoint a successor for a four-year term from July 1 of the year in which the term commences. Any vacancy shall be filled by appointment of the Mayor for the unexpired term. The Board elects annually from its members a president and vice president in such manner as the Board determines.

CHICAGO PUBLIC SCHOOLS

School System and Enrollment

The following table presents the number of schools and the enrollment for the Board for Fiscal Years 2013 through 2018. Enrollment has declined since 2013, with one driver of this enrollment change being a decades-long decline in the number of children born in the City. The Board's Fall 2017 (occurring in Fiscal Year 2018) school enrollment was 371,382 students and reflects a 9,967 student decrease (approximately negative 2.61%) from the Fall enrollment for 2016 based on numerous factors including, but not limited to, a decline in the birth rate and migration of students to private schools and suburban districts. The Board cannot project enrollment beyond Fiscal Year 2018 and declines in enrollment may continue and may be greater than historical trends. See "BONDHOLDERS' RISKS – Enrollment Declines, Budget Actions, Spending Cuts, Staff Reductions." For a discussion of school year 2017-2018 school actions see "—School Year 2017-2018 School Actions."

Chicago Board of Education
Number of Schools and School Enrollment

Number of Schools	**Fiscal Year 2013**	**Fiscal Year 2014**	**Fiscal Year 2015**	**Fiscal Year 2016**	**Fiscal Year 2017**	**Fiscal Year 2018 (estimated)**
Elementary [1]	468	422	426	425	423	422
Special [4]	12	5	-	-	-	-
High School	98	109	121	122	113	108
Vocational/Technical [4]	8	-	-	-	-	-
Charter Schools	95	126	131	129	134	131
Kindergarten to H.S. [3] [4]	-	5	-	-	-	-
Total Schools	681	667	678	676	670	661
School Enrollment [2]						
Elementary [1]	261,638	254,864	251,554	247,487	238,793	230,718
Special [4]	1,961	907	-	-	-	-
High School	81,735	86,184	88,183	86,208	81,854	80,699
Vocational/Technical [4]	7,927	-	-	-	-	-
Charter Schools	50,200	54,572	56,946	58,590	60,702	59,965
Kindergarten to H.S. [3] [4]	-	4,018	-	-	-	-
Total School Enrollment	403,461	400,545	396,683	392,285	381,349	371,382

Source: Chicago Public Schools. Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs).
[1] Elementary schools include the traditional classification of middle schools.
[2] Includes the number of students in each type of school regardless of the students' grades.
[3] The Kindergarten to High School (K-12) school was a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in prior years.
[4] The governance and school types were changed in Fiscal Year 2014. As a result, there is no longer a category for "*Vocational/Technical*" and beginning in Fiscal Year 2015 there is no longer a category for "*Special*" or *"Kindergarten to H.S."*

Central Administration

As authorized under the School Code, the Board has established the following offices and appointed the following individuals to serve in the capacities indicated. In 2015 the Board created the office of Senior Vice President of Finance and granted such officer powers including those of the Chief Financial Officer of the Board. The Senior Vice President of Finance oversees treasury management, budget, payroll, accounting, risk management, information technology, shared services and the Office of Business Diversity.

Chief Executive Officer..................................	Forrest Claypool
Senior Vice President of Finance	Ronald DeNard
Chief Financial Officer...................................	Jennie Huang Bennett
General Counsel	Ronald Marmer
Chief Administrative Officer...........................	Jorge Macias

Chief Executive Officer. **Forrest Claypool** was appointed CEO of Chicago Public Schools in July 2015. Before joining CPS, Mr. Claypool served briefly as Mayor Rahm Emanuel's chief of staff, and previously served two stints as Chief of Staff to Mayor Richard M. Daley. Prior to joining Mayor Emanuel's leadership team at City Hall, Mr. Claypool served as President of the Chicago Transit Authority (CTA) from 2011–2015, where he closed a $308 million budget gap, negotiated a historic new labor agreement, and launched the most ambitious infrastructure modernization campaign in CTA history, all while improving bus and rail service throughout Chicago. Mr. Claypool served as Superintendent of the Chicago Park District in the 1990s, eliminating serious budget deficits while rehabbing long neglected facilities and making unprecedented investments in neighborhood parks. He was twice elected to the Cook County Board of Commissioners, where he helped expand public–private partnerships for health care for low–income citizens and passed anti–corruption legislation. Mr. Claypool is a graduate of Southern Illinois University and the University of Illinois College of Law, where he was editor–in–chief of the law review.

Senior Vice President of Finance. **Ronald DeNard** is the Senior Vice President of Finance of the Board and oversees treasury management, budget, payroll, grants, accounting, risk management, information technology, shared services and the Office of Business Diversity. Previously, he served as Chief Financial Officer for Chicago Transit Authority where he managed the agency finances to a budget surplus. Preceding CTA, he was Chief Financial Officer for Johnson Publishing Company, he led the effort for the company's first external audit in 70 year history which received an unqualified opinion. Prior to that he was the Director of Finance for the shared service company of Exelon Corporation. Earlier Mr. DeNard was Vice President of Finance and Administration for Soft Sheen Products a division of L'Oreal USA. Prior to that he was the Chief Financial Officer of the Chicago Park District where he led the financial team to a rating agency upgrade from A to AA. He also held various positions at the Aluminum Company of America in accounting, cash management, corporate finance and credit and collections. Mr. DeNard holds a Bachelor of Science in Accounting from Florida A&M University and an MBA – Finance from the University of Chicago. Additionally, he has passed the U.S. Certified Public Accountants (CPA) exam.

Chief Financial Officer. **Jennie Huang Bennett** is Chief Financial Officer of the Board and has oversight over Treasury management, budget, shared services and risk management. She was appointed on September 28, 2016. She has also been the Treasurer of the Board since December 2012 and manages the District's debt and investment portfolio, cash forecasting and operations as well as banking accounts of all the schools. Previous to CPS, she was an Executive Director at Morgan Stanley. She has over 17 years of municipal finance experience. She has also served on the board of directors for a number of non–profit organizations. She holds a Bachelor of Arts in Economics and Political Science from the University of Pennsylvania.

General Counsel. **Ronald Marmer** is General Counsel of the Board, appointed on November 2, 2015. Mr. Marmer was a partner in the Chicago office of Jenner & Block LLP until starting his own law firm in January 2014. He is a past Chair of the American Bar Association Section of Litigation, a member of the American Law Institute, and is licensed to practice law in Illinois and New York.

Mr. Marmer is a graduate of Northwestern University, where he received a Bachelor of Science and Master of Arts in Communication Studies. He also is a graduate of the University of Virginia School of Law, where he was a member of the Virginia Law Review and the Order of the Coif.

Chief Administrative Officer. **Jorge Macias** is the Chief Administrative Officer of the Board and oversee all operations of Chicago Public Schools including; Capital Planning, Facility Operations, Transportation, Safety and Security, Nutrition, and Procurement. He was appointed on August 28, 2017. Jorge previously served as the Chief of the Office of Language and Cultural Education. Under his leadership, the achievement gap for English Learners was closed by 48% in Math and 28% in Reading. CPS increased the number of Dual Language programs from 15 to 27, as well as increasing bilingual education funding by $13 million in FY 18. When he was principal of Galileo Scholastic Academy, the school was consistently named to the Illinois Honor Roll. He has also served on district leadership committees related to school budgeting and grant administration for Chicago Public Schools. Jorge holds a Bachelor of Arts from DePaul University, Master's Degree from Saint Xavier University, School Principal graduate endorsement from Lewis University, and Superintendent graduate endorsement from Concordia University.

Capital Improvement Program

The "Capital Budget" is assembled as part of the Board's Five-Year Capital Plan and Ten-Year Master Education Facility Plan pursuant to State law. In Fiscal Year 2018, the Board approved a Capital Plan in conjunction with the release and approval of the Board's Fiscal Year 2018 proposed budget. The Board's Fiscal Year 2018 Capital Plan includes $136 million of capital project investments in school buildings, technology, and equipment. The overall plan includes: (i) $79 million for facility needs of priority maintenance and mechanical projects, (ii) $30 million for contingencies for emergency repairs that may arise throughout the course of the year, (iii) $5.3 million for information technology investments, (iv) $2 million for security equipment, (v) $12.9 million for capital project support services, and (vi) $7 million for potential projects funded by outside sources. Funding for these projects will come from the sale of real estate as well as prior year bond funding. The Board intends to use a portion of the proceeds from sale of the 2017 Alternate Revenue Bonds to fund costs of the Fiscal Year 2018 Capital Plan projects.

The Fiscal Year 2017 Capital Plan totaled $938 million and was funded with prior bond financings, funding provided by the City, federal grants, revenues from the Capital Improvement Tax (CIT) and proceeds of the 2016 Bonds. An original budget was passed for $337.5 million and followed with a supplemental capital plan of $600.3 million. Of the $938 million in the Fiscal Year 2017 capital plan over $700 million in capital projects are underway at over 142 schools, each supporting the Board's vision of expanding high-quality academic options for families across the city. Some projects have been completed and work on others will be beginning soon.

School Year 2017–2018 School Actions

A State–mandated process governs the annual timing for school action proposals, including co–locations, re–assignment boundary changes, consolidations and closures. Pursuant to this process, by October 1st each year the Board creates and releases any updated Guidelines for School Actions ("Guidelines") that outline the academic and non–academic criteria for a school action. All proposed school actions to be taken at the close of a current academic year must be consistent with the Guidelines and must be announced by the following December 1st. These proposals are also subject to requirements of notice, two community meetings, and one public hearing prior to being put to a vote by the Board. Proposed school actions are typically voted on by the Board in the February–May timeframe.

Over the last several years, the Board's school actions have begun to reduce the overall school count. This reduction is the net result of lower enrollment figures, consolidating several Board–operated schools that were located in the same building as other Board–operated schools, closing of other Board–operated schools, and the opening of several new charter schools.

The Board currently expects to close three additional schools during the 2017-18 academic year that currently have no enrollment. One such closure of a middle school would result from transitioning such students to a nearby high school. In September 2017, the Board released its new draft of Guidelines for School Actions. These are expected to be finalized in the upcoming months in order to formerly announce all 2017-18 academic year actions by December 1st as required by State law. These actions would then only take place after the proposals are discussed at multiple public hearings and vote of the Board. Any effected school would then be closed when the school year ends in June 2018.

After continuous declining enrollment, four Englewood high schools will merge into one new $75 million facility in the same neighborhood, with community leaders involved in the planning and development process. Four Englewood neighborhood high schools have seen an average enrollment decline of 26.8 percent since last school year. Englewood has the sixth largest community population in the City and has had 41 percent of its students traveling four miles or more to go to schools outside the community. The new building will be on the site of Robeson High School and will welcome its first freshmen class in 2019. The Board has formed a 13-person steering committee of local leaders to provide input on potential curriculum, staff recommendations, recruitment strategies and safety strategies with help from the local police district.

Educational Highlights

In 2017, the University of Chicago's "UChicago Consortium on School Research" released reports on college enrollment and college degree attainment for CPS graduates. The number of CPS graduates who enrolled in either a 2- or 4-year college immediately after high school increased, from 50 percent in 2006 to 63 percent in 2015, and three in four CPS graduates enrolled in college within six years of graduating from high school. The reports also show college graduation rates have remained fairly flat over the last seven years, and college degree attainment gaps by race, gender, and disability status persist. The UChicago Consortium also studied the educational attainment of students with disabilities, which varies by disability category. In 2015, 68 percent of students with learning disabilities graduated from high school in six years, a significant increase from 50 percent in 2006. Rates of six-year high school graduation for students with physical and cognitive disabilities remained relatively consistent between 2006 and 2015. However, across all disability categories, 2015 high school graduates were much more likely to enroll in college than 2006 high school graduates.

In addition in recent years, the Board has experienced improved academic results on multiple measures and across multiple age categories as described below. The following is not intended to be a comprehensive description of the Board's educational results or comparison of the performance of the Board's schools with other educational institutions.

- *Math and Reading Gains*: In recent years CPS students achieved record scores on the Northwest Evaluation Association Measure of Academic Progress (NWEA-MAP). In 2017, a record 61.4 percent of students met or exceeded the national testing average in reading and 55.9 percent of students met or exceeded the average in math. For the fifth year in a row, CPS students have outscored national averages for all test takers in both subjects.

- *Freshman-on-Track Rates*: The University of Chicago developed a system to measure course grades and credits of students in the first year of high school to predict their likelihood to graduate from high school in four years. The freshmen on-track rate is highly correlated to graduation rates. The Board began tracking the freshman on-track to graduate rate in 2008. The 2016-17 school year's rate of freshmen on-track to graduate is the highest measure on record at 88.7 percent, up more than 28 percent since 2011.

- *ACT scores*: The average ACT score of CPS students has improved over the past five years and was the highest measure on record for the Board in the 2015-16 school year with an 18.4 composite score.

- *Graduation rates:* The percentage of students graduating achieved an all-time high of 77.5 percent in 2017 – a 4-point improvement from the previous year. This is CPS' highest graduation rate on record and the highest year-over-year improvement in memory. The graduation rate has steadily risen over the past six years, growing from 56.9 percent in 2011 to 77.5 percent – a 36 percent increase.

- *First Day of School Attendance:* The 2017-18 school year recorded a first day of attendance for grades K-12 of 94.7%. This marked the fourth consecutive year of first day attendance over 93%.

- *Scholarship Dollars Earned:* The class of 2017 earned more than $1.24 billion in scholarship offers – $80 million more than 2016 and triple the amount of scholarship dollars earned in 2013.

- *CPS School Rankings*. Several Board high schools are locally and nationally ranked by US News and World Report, recognizing academic performance on state assessments and student preparation for college as measured by Advanced Placement tests. In 2017, out of the 107 Board high schools analyzed in the report, 24 received a gold, silver or bronze achievement level, and seven Board schools were ranked among the "Top 10" schools in the State. Also in 2017, out of more than 21,000 high schools nationally surveyed, the Board's Northside College Prep, Walter Payton College Prep and Jones College Prep were ranked among the "Top 100" schools nationally.

Educational Initiatives

Since 2014, the Board has implemented a series of educational initiatives to support student learning, including the following:

- Expansion of kindergarten from half-day to full day in every public school.

- Schools and community-based provider locations were funded to provide high-quality early-learning programs with the ability to serve approximately 44,600 children 5 years of age or younger.

- Funding of pre-K education over four years through innovative financing under a $16 million Social Impact Bond issued by the City that provides early childhood education through a half-day Child-Parent Center (CPC) model, a program that works with both students and their parents to improve educational outcomes.

- The Office of Early Childhood Education (OECE), in collaboration with the City and Department of Family Support Services (DFSS), started a new and innovative universal online application process for preschool parents to apply for the 2016-2017 school year. During the first year of implementation, over 11,000 families applied and were placed through the universal application process across school and community-based programs.

- Since 2011, CPS added more than 100 schools to the Safe Passage program to help ensure that more than 75,000 CPS students from 145 schools are able to travel safely to and from school every day. To date, there have been no serious incidents involving a student during operational hours while Safe Passage workers are present, and crime along these routes has decreased 32 percent since 2012.

- U.S. Department of Health and Human Services (HHS) renewed Chicago's Head Start Funding providing $600 million for early childhood education programming over five years.

- More than $10 million in City funding for arts education for the 2015-2016 school year.

- CPS has improved its social and emotional learning programming, training and initiatives in recent years to better support the needs of our students. As part of these efforts, CPS created the supportive schools certification to recognize schools have prioritized supportive school environments. In 2017, 335 schools earned the supportive school certification – an increase of more than one-third since 2016.

- The Board is refining its recognition platform for top performers in school leadership and teacher quality, tying rewards and recognition to performance.

- In addition to implementing Common Core State standards, the Board has implemented reforms designed to make students college-ready including: (i) expanding college/dual enrollment programs that give high school juniors and seniors exposure to college-level courses; (ii) expanding high school options that have a strong track record of college readiness and persistence; (iii) establishing the award of a State Seal of Biliteracy to graduating seniors who demonstrate proficiency in English and in a secondary language; (iv) partnering with leaders in higher education to form the Chicago Higher Education Compact, a collaboration dedicated to developing solutions to increase college enrollment and success; and (v) expanding student awareness of the Chicago Star Scholarship program, which provides eligible CPS students with a free education at City Colleges of Chicago.

- The Board has adopted a single streamlined application process for eighth grade students to evaluate available high school options and to be matched to the school that fits their needs known as "GoCPS." GoCPS provides a one-stop source of information on available options, as well as housing the application system to Chicago schools, and it has improved equity for disadvantaged students providing access to school options.

Chicago Teachers Union and Other Employee Groups

Overview. The Board currently employs approximately 36,196 persons. Approximately 93.0% of the Board's employees are represented by six unions that engage in collective bargaining with the Board. As of June 13, 2017, approximately 67% of the Board's employees were represented by the Chicago Teacher's Union ("CTU") and approximately 26% were represented by other unions. The unions, percentage of employees represented and effective dates of the Board's most recent collective bargaining agreements are as follows:

Labor Organization	Number of Covered Employees	Agreement Start Date	Agreement End Date
CTU	24,269	July 1, 2015	June 30, 2019
IUOE Local 143 and 143B	454	July 1, 2016	June 30, 2021
SEIU Local 1	377	July 1, 2016	June 30, 2020
UNITE-HERE Local 1	2,264	July 1, 2012	June 30, 2017
IB of T Local 700	23	July 1, 2012	June 30, 2017
SEIU Local 73	6,225	July 1, 2015	June 30, 2018

CTU. The Board's agreement with CTU expired on June 30, 2015 and a new agreement was entered into in December 2016 (retroactive to July 1, 2015) following extended negotiations and a threatened teacher's strike. The agreement covers the terms and conditions of employment for teachers, school clerks, teacher assistants and other paraprofessionals and provides for the following:

- Changes in employee benefits that will increase employee costs for deductibles, co-pays and contributions.

- Automatic salary increases for a teacher's years of service and education level, also known as "*Steps and Lanes*," will not be paid retroactively for Fiscal Year 2016 but will be restored in Fiscal Year 2017 for the contract term. There are no cost of living adjustment (COLA) salary increases for Fiscal Years 2016 and 2017. COLA salary increases of 2.0% and 2.5% will be paid for Fiscal Years 2018 and 2019, respectively.

- The Board has historically funded a portion (7% of salary) of a teacher's required contribution (9% of salary) to the Pension Fund, known as "pension pickup." This Board funding is eliminated effective January 1, 2017 for new employees who will receive salary increases of 3.5% effective January 1, 2017 and 3.5% effective July 1, 2017 as an offset. This "pension pickup" will be retained for existing employees.

- The Board offered a one-time, non-pensionable lump sum payment to non-teacher members of CTU (with 10 or more years of service) and retirement eligible teachers who resigned by June 30, 2017. This retirement incentive was $1,500 and $750 for each year of service, for teachers and non-teacher members of CTU, respectively. The offer was conditioned on the resignation of a minimum of 1,500 teachers and 600 non-teacher members of CTU. This level of resignations was not achieved. The Board estimates CTU retirements in Fiscal Year 2017 to be consistent with retirements in prior years.

IUOE Local 143 and IUOE Local 143B. The Board reached new agreements with IUOE Local 143 (covering building engineers) and IUOE Local 143B (covering payroll and finance employees) in December 2016, retroactive to July 1, 2016. These agreements include the same employee benefit structure, cost of living adjustments and "pension pickup" provisions as the CTU Agreement. Cost of living adjustments to bargaining units' respective salary schedules for Fiscal Year 2020 and Fiscal Year 2021 are left to future negotiation. Additionally, Local 143 agreed to a program whereby all Board building engineering services will be provided through vendor services in a privatized integrated facilities management model by the start of Fiscal Year 2019.

SEIU Local 1. The Board reached a new agreement with the SEIU Local 1 (covering lunchroom managers) which became effective in January 2017, retroactive to July 1, 2016. The labor costs associated with the agreement are paid exclusively from grant funds generated from the U.S. Department of Agriculture's nutrition grant.

SEIU Local 73. The Board's agreement with SEIU Local 73 (covering custodians, security officers, special education classroom assistants and bus aides) became effective July 1, 2015 and provides a 2% salary increase each year, but in two of those years the increases are contingent on the Board's ability to balance its budget. Additionally, the Board agreed to a "me-too" provision that gives employees the same general wage increase as CTU and also agreed to maintain the same staffing level of public custodians and agreed not to subcontract certain bargaining unit work. Pursuant to the agreement, SEIU Local 73 did not receive the scheduled 2% salary increase in Fiscal Year 2017 is scheduled to receive a 2% cost of living adjustment in Fiscal Year 2018. These employees also receive the same revised benefit structure as CTU effective January 1, 2017.

Other Employee Groups. The Board's agreements with Unite Here Local 1 (covering lunchroom workers) and IB of T Local 700 (covering truck drivers) expired June 30, 2017 and the Board is currently in the process of negotiations for new contracts, but cannot predict the timing of renewal or terms of such contracts.

Pensions and Other Post–Employment Obligations

Employees of the Board participate in one of two defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State. The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. The two Retirement Funds are: (i) the Public School Teachers' Pension and Retirement Fund of Chicago (the "Pension Fund"), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Annuity Fund"), which covers non–teacher employees of the Board and most civil servant employees of the City.

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees and in certain instances the Board, the City and the State make contributions to the Retirement Funds. The Retirement Funds invest these contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds.

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds and may change from time to time.

In 2016, Public Act 099–0521 became effective and authorized the Board to annually levy a new property tax on all real property within the boundaries of the School District to be paid directly to the Pension Fund and to be credited to the Board's annual required contribution. The Board authorized the levy of this Pension Fund Property Tax in 2016. On August 31, 2017, P.A. 100-465 became effective that authorized the Board to increase the annual Pension Property Tax Levy to a maximum rate of 0.567% and the Board authorized the increase of the levy to the maximum rate for Tax Year 2017 which is expected to increase revenues by approximately $130 million in Collection Year 2018.

The Pension Fund certifies the amount of the Board's Statutory Contribution to the Board annually. For Fiscal Years 2015 through 2017, the amount certified reflected an offset of the State Statutory Contribution. In addition, the amount of the property tax levies to be credited to the Board's annual contribution include the amounts collected pursuant to the collection of the second installment of property taxes, due on August 1 in the past several years. The receipt of those amounts therefore occurs after the June 30 date on which the Board is required to make its annual contribution. The Board and the Pension Fund have been in discussions since the summer of 2016 regarding the mechanisms by which the amounts of the tax levy attributable to the second installment may be credited to the Board's annual contribution due on June 30 of the year in which the tax is collected. The mutual objective is to enter an agreement under which addresses this aspect of the determination of the Board's annual contribution as well as the Pension Fund's position that the State Statutory Contribution should be treated as an offset to the amount certified to the Board as its required contribution. As part of those negotiations, the Pension Fund is proposing to amend the certifications for Fiscal Years 2015 and 2016 retroactively to reflect an offset of the State Statutory Contribution. The Board disputes the ability of the Pension Fund to retroactively amend such certifications under the Pension Code. Negotiations on the proposed agreement continue and in the interim, the Pension Fund has not formally taken any position on whether the Board has satisfied its contribution requirement in the Fiscal Years at issue.

In addition, P.A. 100-465 provides for an increase in the required State Contribution to the Pension Fund in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to $233 million.

For a discussion of the Board's employee retirement funds and plans, including specifically the Board's Pension Fund, Annuity Fund and other post–employment obligations, and the Board's required contributions see APPENDIX E – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS." For a discussion of certain risks related to the Board's pension and other post–employment obligations see "BONDHOLDERS' RISKS – Unfunded Pensions and Required Statutory Contributions." For a discussion of the timing of pension contributions and the availability of certain revenue sources therefor, see "CASH FLOW AND LIQUIDITY – Timing of Expenditures – Pension Contributions."

DEBT STRUCTURE

Existing Long–Term General Obligation Debt

As of November 1, 2017, the Board has approximately $7.1 billion aggregate principal amount of outstanding long–term general obligation debt, consisting of approximately $6.1 billion aggregate principal amount of fixed rate debt and approximately $1.0 billion of variable rate debt. Contemporaneously with the issuance of the 2017 Bonds, the Board will issue $1.025 billion of Unlimited Tax General Obligation Bonds of the Board for various purposes pursuant to separate indentures the proceeds of which will be used to refund certain outstanding bonds of the Board for savings, refund and restructure Existing Debt Service, and fund certain costs of implementing the Board's Capital

Improvement Program and to fund certain capitalized interest and costs of issuance of such Bonds. See "PLAN OF FINANCE – Contemporaneous and Future Financings" and see "– Board's Long-Term General Obligation Debt Service Schedule" and "– Board's Variable Rate Bonds."

Additionally, the $7.1 billion aggregate principal amount of outstanding long–term general obligation debt consists of approximately $7.0 billion aggregate principal amount of Alternate Revenue Bonds (as defined herein) and approximately $117 million aggregate principal amount of leases with the Public Building Commission (the "PBC Leases"). See "– Board's Long–Term General Obligation Debt Service Schedule."

The "*alternate bonds*" ("Alternate Revenue Bonds") are issued under the School Code and the Debt Reform Act payable from a dedicated revenue source. The Alternate Revenue Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Alternate Revenue Bonds.

The lease rentals due under the PBC Leases are supported by separate unlimited property tax levies of the Board. For additional information on the Public Building Commission, see "– Overlapping Taxing Districts and Overlapping Debt." To provide for payment of the lease rentals under the PBC Leases, the Board has established lease payment debt service fund accounts with a lease payment trustee. Under the School Code and resolutions of the Board establishing those trust accounts, the Board has levied a separate tax unlimited as to rate or amount on real property within the School District to pay the lease rentals under the PBC Leases. Tax receipts of the Board attributable to the Board's PBC Leases are required to be paid by the County Collectors directly to the lease payment trustee and deposited in a fund account to be used for the payment of the applicable lease rentals under the PBC Leases when due. Investment income on deposits in the fund accounts established to make lease rentals under the PBC Leases is paid to the Board to the extent not needed to meet the lease obligations for which the particular fund account is established.

Board's Dedicated Capital Improvement Tax Bonds

The 2017 Bonds are long-term debt obligations of the Board that are not general obligations. See "SECURITY FOR THE 2017 BONDS." The debt service schedule for the 2016 Bonds and the 2017 Bonds is set forth under the heading "DEBT SERVICE SCHEDULE AND COVERAGE – Bond Debt Service Schedule and Coverage."

The Board may issue Additional Bonds and Refunding Bonds secured by the Capital Improvement Taxes on a parity basis with the 2016 Bonds and the 2017 Bonds in accordance with the provisions of the Indenture, the School Code and the Debt Reform Act. See "SECURITY FOR THE 2017 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE – Additional Bonds."

Board's Long-Term General Obligation Debt Service Schedule

The following table sets forth the debt service requirements on the Board's long–term general obligation debt secured by *ad valorem* property tax levies, including Outstanding Alternate Revenue Bonds. The table includes debt service on the 2017 Alternate Revenue Bonds and the refunding of the 2017 Alternate Revenue Refunded Bonds. See "PLAN OF FINANCE – Contemporaneous and Future Financings." Debt service is shown on a calendar year basis (rather than on the basis of the Board's Fiscal Year) to be consistent with the tax year used for the levy and collection of the taxes that secure the

2017 Bonds. The table does not include any obligations of the Board which are not general obligations and are not secured by the unlimited taxing power of the Board, including the 2016 Bonds and 2017 Bonds, or any tax anticipation notes or grant anticipation notes. See "– Tax Anticipation Notes" and "– Grant Anticipation Notes."

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Board's Long–Term General Obligation Debt Service Schedule[(1)]

(Dollars in Thousands)

Calendar Year	Outstanding Alternate Revenue Bonds[(1)]	PBC Leases	2017 Alternate Revenue Bonds	(Less 2017 Alternate Revenue Refunded Bonds)	Total Annual Debt Service on Long-Term General Obligations
2018	$ 515,195	$ 51,954	$37,938	$52,017	$553,070
2019	599,843	29,877	82,596	176,836	535,480
2020	655,315	28,505	102,102	116,631	669,291
2021	672,944	-	123,440	116,362	680,022
2022	666,620	-	99,212	91,499	674,333
2023	652,413	-	111,499	95,672	668,240
2024	658,626	-	109,949	102,061	666,514
2025	712,562	-	66,416	62,125	716,853
2026	710,579	-	59,256	56,043	713,792
2027	647,413	-	58,348	47,388	658,373
2028	678,595	-	57,189	46,340	689,444
2029	669,569	-	56,125	45,135	680,559
2030	643,002	-	64,721	43,919	663,804
2031	614,488	-	84,052	42,650	655,890
2032	377,920	-	64,316	39,195	403,041
2033	352,736	-	63,794	14,506	402,024
2034	367,194	-	63,232	13,936	416,490
2035	364,794	-	34,031	13,334	385,491
2036	370,197	-	33,906	-	404,103
2037	371,766	-	10,543	-	382,309
2038	372,127	-	10,543	-	382,670
2039	372,438	-	10,543	-	382,981
2040	373,253	-	10,543	-	383,796
2041	373,257	-	10,543	-	383,800
2042	373,647	-	10,543	-	384,190
2043	207,750	-	72,718	-	280,468
2044	207,340	-	72,225	-	279,565
2045	172,505	-	45,120	-	217,625
2046	172,584	-	45,124	-	217,708
Totals	$13,926,665	$110,336	$1,670,565	$1,175,651	$14,531,926

Source: Chicago Public Schools.

(1) Reflects bonds outstanding as of November 1, 2017, prior to the issuance of the 2017 Alternate Revenue Bonds and the refunding of the 2017 Alternate Revenue Refunded Bonds and the restructuring of Existing Debt Service, and includes approximately $1.0 billion of variable rate bonds (a portion of which are 2017 Alternate Revenue Refunded Bonds) and interest on such bonds is calculated at 4.5%, 5%, 7.5% or 9% depending on the applicable requirements of the indenture securing such bonds; actual rates may vary. Certain of such variable rate bonds are being refunded with the proceeds of the 2017 Alternate Revenue Bonds. See "PLAN OF FINANCE – Contemporaneous and Future Financings." The calculation of debt service on variable rate bonds includes assumptions regarding the increase in interest rates based on the expected Board election not to remarket such bonds. See "– Board's Variable Rate Bonds" for a discussion of the interest rate assumptions used to calculate debt service.

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Board's Variable Rate Bonds

Prior to the issuance of the 2017 Alternate Revenue Bonds and the refunding of the 2017 Alternate Revenue Refunded Bonds, as of November 1, 2017 the Board has approximately $1.0 billion in outstanding general obligation bonds or other borrowings that are structured in a variable rate mode. Contemporaneously with the issuance of the 2017 Bonds, the Board will refund the 2017 Alternate Revenue Refunded Bonds (including the bonds as shown below) with a portion of the proceeds of its 2017 Alternate Revenue Bonds and following such refunding only the 2008A, 2008B and 2013A-3 Bonds will remain outstanding. Certain of such obligations are in short-term rate modes which are established by remarketing of such bonds based on interest rates established pursuant to an index on fixed rollover dates. Beginning in 2016 the Board elected not to reoffer certain of such bonds for remarketing and as a result the interest rate on such bonds increased to a fixed rate. None of these variable rate bonds have acceleration rights or immediate tender rights for the holders of such variable rate bonds. The following table sets forth the outstanding principal amount, interest rate index, the fixed rate at which such bonds are currently accruing interest, if applicable, and the maturity or next remarketing date for each series of the Board's variable rate bonds. See "PLAN OF FINANCE – Contemporaneous and Future Financings."

Series	Outstanding Principal	Variable Rate Index	Expiration / Remarketing Date	Fixed Interest Rate Currently Applicable
2008 A	$ 262,785,000	LIBOR-based	3/01/2034 maturity	Not Applicable
2008 B	169,425,000	LIBOR-based	3/01/2031 maturity	Not Applicable
2011 C–1	40,300,000*	SIFMA-based	2/29/2016(1)	9.0%
2011 C–2	39,700,000*	SIFMA-based	2/28/2017(1)	9.0%
2013 A–1	71,685,000*	LIBOR-based	6/01/2016(1)	9.0%
2013 A–2	124,320,000*	SIFMA-based	6/01/2017(1)	9.0%
2013 A–3	157,055,000	SIFMA-based	6/01/2018	Not Applicable(2)
2015 A	80,300,000*	SIFMA-based	3/01/2017(1)	9.0%
2015 G	79,800,000*	SIFMA-based	3/01/2017(1)	9.0%
Total	**$1,025,370,000**			

Source: Chicago Public Schools.
*2017 Alternate Revenue Refunded Bonds.
(1) The bonds were not remarketed on this remarketing date.
(2) On the remarketing date for the 2013A-3 Bonds, if the Board does not offer the 2013A-3 Bonds for remarketing the bonds will accrue interest at the fixed rate of 7.5% beginning June 1, 2018, increasing to 9% September 1, 2018.

Debt Management Policy

The Board has adopted a Debt Management Policy ("Debt Policy") to provide guidance for debt management and capital planning and to enhance the Board's ability to manage its debt.

Board's Borrowing Authority and Legal Debt Margin

As a non–home rule governmental entity, the Board's authority to borrow is limited to authority granted under State statutes. These legislative authorizations set forth the terms and conditions under which the Board issues its short–term and long–term debt, the security the Board can pledge to the repayment of such debt, and the procedures the Board must follow in exercising its borrowing authority, including, in certain circumstances, a requirement of voter approval for the issuance of general obligation bonds payable from unlimited ad valorem taxes.

Pursuant to Illinois law, the statutory "Debt Limit" for general obligation debt of the Board is 13.80% of the equalized assessed value of real property within the School District. The Board's Alternate Revenue Bonds do not count against the Debt Limit so long as the ad valorem property tax levy to pay debt service on such bonds is abated annually and not extended for collection. In the event the sources of Pledged Revenues securing Alternate Revenue Bonds in any year are not sufficient to pay debt service on such bonds, and as a result the tax levy to pay debt service is extended for collection in the amount of such shortfall, such Alternate Revenue Bonds would count against the Debt Limit. The following table sets forth the calculation of the debt margin of the Board for the last five Fiscal Years.

Legal Debt Margin Information of the Board
Last Five Available Fiscal Years
(Dollars in Thousands)
As of Fiscal Years Ending June 30th

	2013	2014	2015	2016	2017
Equalized Assessed Value[1]	$65,257,093	$62,370,205	$64,913,774	$70,968,533	$74,020,998
Debt Limit (13.80% of EAV)	$ 9,005,479	$ 8,607,088	$ 8,958,101	$ 9,793,658	$ 10,214,898
General Obligation Debt[2]	$ 342,830	$ 290,849	$ 238,820	$ 186,823	$ 134,803
Less: Amount set aside for repayment of debt[2]	(34,790)	(35,201)	(34,684)	(34,885)	(32,761)
Total Net Applicable Debt[2]	$ 308,040	$ 255,648	$ 204,136	$ 151,938	$ 102,042
Legal Debt Margin	$ 8,697,439	$ 8,351,440	$ 8,753,965	$ 9,641,720	$ 10,112,856
Total Net Applicable Debt as a percentage of Debt Limit	3.42%	2.97%	2.28%	1.55%	1.00%

Source: Chicago Public Schools.
(1) Includes taxable property within the School District located in Cook County and DuPage County.
(2) Includes only PBC Lease obligations that are secured by and payable from property taxes. Does not include the Board's Outstanding Alternate Revenue Bonds or the Bonds. Alternate Revenue Bonds would be included and would reduce the Board's borrowing capacity under the Legal Debt Margin if the Pledged Taxes were extended for collection to pay such bonds as the result of the unavailability of sufficient Alternate Revenues (including State Aid Revenues) to abate such taxes.

Bond Issue Notification Act

The Bond Issue Notification Act (30 ILCS 352) requires a public hearing to be held by any non–home rule governmental unit, including the Board, proposing to sell non–referendum general obligation bonds or limited bonds (other than refunding bonds) subject to backdoor referendum. The public hearing is intended to require the governing body approving the bond issue to explain the reasons for the proposed issuance and allow persons desiring to be heard an opportunity to present written or oral testimony. Since the 2017 Bonds are not bonds of the type described in the Bond Issue Notification Act, the 2017 Bonds are not subject thereto.

Overlapping Taxing Districts and Overlapping Debt

There are six major units of local government located in whole or in part within the boundaries of the School District, each of which (i) is separately incorporated under the laws of the State, (ii) has an independent tax levy, (iii) derives its power and authority under the laws of the State, (iv) maintains its own financial records and accounts, and (v) is authorized to issue debt obligations. These Overlapping

Taxing Districts are: the City; the Chicago Park District; Community College District Number 508; Cook County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago. Each of the Overlapping Taxing District shares, to varying degrees, a common property tax base with the Board. Each of the Overlapping Taxing Districts levies taxes upon property located in the School District, and, in some cases, in other parts of Cook County. See APPENDIX E – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS – Overlapping Taxing Districts," "FINANCIAL INFORMATION – Property Tax Revenues" and "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues." However, the Overlapping Taxing Districts are all separate legal and financial units, and the financial conditions or circumstances of any one unit do not necessarily imply similar financial conditions or circumstances for the Board. Information about these Overlapping Taxing Districts is set forth below and additional information may be obtained on their respective websites.

The **City of Chicago** is a home rule unit of government under the Illinois Constitution and was incorporated in 1837. The City is governed by a Mayor, elected at–large for a four–year term, and the City Council. The City Council consists of 50 members elected for four–year terms and each representing one of the City's 50 wards.

The **Chicago Park District** (the "Park District") is responsible for the maintenance and operation of parks, boulevards, marinas and certain other public property within the City. The Park District is governed by a seven–member board, appointed by the Mayor with the approval of the City Council.

Community College District Number 508 (the "Community College District") maintains a system of community colleges within the City. The Community College District is governed by a seven–member board, appointed by the Mayor with the approval of the City Council.

Cook County is a home rule unit of government under the Illinois Constitution, and includes virtually all of the City, plus numerous surrounding suburbs and unincorporated areas. The County is governed by a seventeen–member Board of Commissioners, each elected for four–year terms from one of 17 districts. The voters of the entire County elect a number of County officials, including the President of the Board of Commissioners, the County Sheriff, the County Assessor, the County Clerk, the State's Attorney and the County Treasurer.

The **Forest Preserve District of Cook County** (the "Forest Preserve District") has boundaries coterminous with the County. The Forest Preserve District creates, maintains and operates forest preserves within the County. The Forest Preserve District is governed by a seventeen–member board composed of the members of the County Board of Commissioners.

The **Metropolitan Water Reclamation District of Greater Chicago** (the "Water Reclamation District" or "MWRD") includes virtually all of the City and most of the County. The Water Reclamation District constructs, maintains and operates sewage treatment plants and certain sanitary sewers and constructs and maintains drainage outlets. The Water Reclamation District is governed by a nine–member board elected at–large by the voters of the Water Reclamation District.

In addition to the Overlapping Taxing Districts, there are also other governmental bodies in the geographical boundaries of the School District that are authorized to issue debt obligations, but which are not authorized to levy real property taxes and as such do not share an overlapping tax base with the Board. Among such other public bodies, the Public Building Commission of Chicago (the "PBC") is a municipal corporation authorized to acquire, construct and improve public buildings and facilities for use by one or more of the local governmental units. The PBC issues bonds to finance its various projects and then leases its facilities to certain governmental units, including the Board. See the table "Board's

Overlapping Debt Schedule." Other such public bodies include the Chicago Transit Authority (the "CTA"), is a municipal corporation which owns, operates and maintains a public mass transportation system in the City and portions of the County; the Regional Transportation Authority (the "RTA"), a municipal corporation which provides planning, funding, coordination and fiscal oversight of separately governed operating entities, including the CTA, which provide public mass transportation services in a six–county area of northeastern Illinois, including Cook County; and the Metropolitan Pier and Exposition Authority (the "MPEA"), a municipal corporation which owns the McCormick Place convention and exposition facilities and Navy Pier, both located in the City.

The following table sets forth the Board's long-term debt secured by ad valorem property taxes of the Board and that of the Overlapping Taxing Districts as of November 1, 2017 adjusted to reflect the refunding of the Board's 2017 Alternate Revenue Refunded Bonds, and the Board's 2017 Alternate Revenue Bonds and the 2017 Bonds.

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Board's Overlapping Debt Schedule
(Dollars in Thousands)

Direct Debt	
2017 Bonds	$ 64,900
2016 Bonds	729,580
Total Outstanding General Obligation Bonds	7,345,939*
PBC Leases (principal component)	116,850
Total Direct Debt[1]	$8,257,269

Overlapping Debt[1][2]	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Overlapping Debt**
City of Chicago	$9,805,104	100.00%	$9,805,104
Community College District[3]	241,830	100.00%	241,830
Chicago Park District[4]	822,045	100.00%	822,045
Cook County[5]	3,213,142	53.47%	1,718,067
Forest Preserve District	159,440	53.47%	85,253
MWRD	2,750,357	54.46%	1,497,844
Total Overlapping Debt			$ 14,170,143
Total Direct and Overlapping Debt			$ 22,427,412

Population (2016 estimate)	2,704,958[6]
Equalized Assessed Valuation (2016)	$ 74,020,998[7]
Estimated Fair Market Value (2015)	$278,076,449[8]

	Per Capita[9]	% EAV	% FMV
Direct Debt	$ 3,052.64	11.16%	2.97%
Total Direct and Overlapping Debt	$ 8,291.12	30.30%	8.07%

Source: Chicago Public Schools.

(1) Excludes outstanding tax and grant anticipation notes and warrants.

(2) Debt of Overlapping Taxing Districts.

(3) All $241,830,000 of outstanding general obligation bonds were issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is tuition, fees and State grant revenues.

(4) Includes $289,490,000 of outstanding general obligation bonds issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is personal property replacement tax revenues, harbor fees and other specific revenues.

(5) Excludes outstanding sales tax-backed bonds.

(6) Source: United States Census Bureau.

(7) Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions and includes assessment of pollution control facilities. Includes Equalized Assessed Value of property in DuPage County.

(8) Source: The Civic Federation Report September 20, 2017.

(9) Per Capita amounts are not expressed as dollars in thousands.

* Reflects the issuance of the $1.025 billion 2017 Alternate Revenue Bonds and refunding of the 2017 Alternate Revenue Refunded Bonds.

Tax Anticipation Notes

To finance cash flow in Fiscal Years 2015, 2016 and 2017, the Board relied on short-term borrowing to fund operations and liquidity. The Board is authorized to issue its tax anticipation notes in an amount equal to 85% of its operating tax levy. The Board anticipates that it will continue to borrow in subsequent Fiscal Years, including in Fiscal Year 2018, to fund operations and annual cash flow. For Fiscal Year 2018, the Board levied in calendar year 2017 for collection in calendar year 2018 ad valorem property taxes of approximately $2.42 billion for educational purposes (the "2017 Tax Levy") and authorized the issuance of not to exceed $1.55 billion principal amount of 2017 TANs in anticipation of the collection of the 2017 Tax Levy in calendar year 2018. See "PLAN OF FINANCE – Contemporaneous and Future Financings," "FINANCIAL INFORMATION–Fiscal Year 2018 Budget" and "CASH FLOW AND LIQUIDITY."

Grant Anticipation Notes

To finance cash flow in Fiscal Years 2017, the Board issued its Grant Anticipation Notes (the "2017 GANs") in the aggregate principal amount of $387 million payable from State Grants for Fiscal Year 2017. For a discussion of delays in receipt of State Grant payments see "CASH FLOW AND LIQUIDITY." The 2017 GANs have been paid in full. The Board may issue grant anticipation notes, from time to time, in the future to address its cash flow needs. See "PLAN OF FINANCE – Contemporaneous and Future Financings" and "FINANCIAL INFORMATION–Fiscal Year 2018 Budget."

FINANCIAL INFORMATION

Accounting and Financial Statements

The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance–related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All Board funds are reported in the governmental funds consisting of the General Operating Fund, Capital Project Fund, and Debt Service Fund. The General Operating Fund includes the General and Special Revenue Programs.

The Board's fund financial statements provide detailed information about the most significant funds. The Board's governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of the Board's services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year–end that are available for spending. The governmental fund statements provide a detailed short–term view of the Board's operations and the services it provides. The Board maintains three governmental funds: General Operating (the "General Operating Fund"), Capital Projects, and Debt Service.

See APPENDIX B – "Comprehensive Annual Financial Report of the Board for the year ended June 30, 2016."

Recent Developments: State Funding of the Board Under Public Act 100-465

On August 31, 2017, P.A. 100-465 became effective that provides a significant revision to the State's funding of the Board. Under P.A. 100-465, the Board expects to receive approximately $450 million of additional revenue in Fiscal Year 2018, which is comprised of $221 million in State funding of the Board's annual pension contribution, $76 million in additional State Aid Revenues, increased Pension

Property Tax (as herein defined) revenues of approximately $130 million, $19 million in State Grants (as herein defined) and $4 million of other additional State revenues. In addition, the new EBF Formula (as herein defined) used to calculate State Aid under P.A. 100-465 provides the Board credit for its annual payment of Pension Fund (as herein defined) accrued liability not funded by the State as an allowable reduction of the Board's financial capacity to fund schools.

The primary components of P.A. 100-465 include the following:

1. New State Aid Evidence-Based Funding Formula. Establishes a new State Aid funding formula for school districts throughout the State, including the Board. The new "Evidence-Based Funding" formula (the "EBF" or "EBF Formula") replaces the prior school funding formula (the "Historical State Aid Formula") that provided State Aid to school districts using a "Foundation Formula Grant" and "Poverty Grant" funding formula that had resulted in historically flat or declining operating funds and State Aid Revenues for the Board. The new EBF Formula ties school district funding to 27 evidence-based best practices shown to enhance student achievement in the classroom and sets a target funding level ("Adequacy Target") based on a school district's demographics and Local Capacity (as herein defined) to fund schools. For a discussion of the EBF Formula, the new calculation of State Aid under the EBF Formula and its projected impact on the Board, see "—State Aid Revenues."

The EBF Formula achieves the following:

(a) Protects school districts from a decrease in State funding resulting from declining enrollment such as that experienced by the Board

(b) Establishes a Base Funding Minimum (as defined herein) in every Fiscal Year to hold harmless all school districts, including the Board, to previous year funding levels. This hold harmless is a part of the EBF Formula and continues annually.

(c) Removes earmarking of $261 million of State Aid received by the Board known as "Supplemental General State Aid" for programs for children from low-income families to provide more general unrestricted operating funds to the Board

(d) Prioritizes State funding to school districts with high poverty and other specific demographics, such as the Board, that are the least adequately funded

(e) The formula includes an adjustment for school districts that have to pay their own pension payments, such as the Board, and provides the Board with more parity in pension funding.

2. Change in State Aid Revenues related to Security for Alternate Revenue Bonds. The EBF Formula is expected to increase the State Aid Revenues of the Board paid under Article 18 of the School Code that are available for its general operations including to be pledged as Pledged Revenues to secure Alternate Revenue Bonds of the Board. Such State Aid Revenues are expected to increase by at least $456 million as compared to the State Aid calculated under the Historical State Aid Formula (the "Historical State Aid Revenues"). This increase is comprised largely of a $203 million hold harmless on State Block Grant (as herein defined) funding which is now included in State Aid Revenues due to the application of the EBF Formula changes, and the availability of $261 million of formerly restricted Supplemental General State Aid (as herein defined) which was not available for debt service, less an anticipated $8 million deduction for charter schools.

3. Change in State Grants to the Board. Prior to P.A. 100-465 the Board received certain grants from the State ("State Grants") on a "block grant" basis ("State Block Grants") which were fixed amounts and differed from State grant funding for such grants to other school districts which was based on each school districts "claim" based on a demonstration of need. The State's Block Grant funding of

the Board included the Chicago General Education Block Grant and Chicago Educational Services Block Grant that consisted of twelve smaller grants. These State Block Grants were allocated to the Board each Fiscal Year based on a statutorily-defined percentage (percentage of appropriation received by the Board for each grant in Fiscal Year 1995) of the annual Statewide appropriation for such grants to the Board and other school districts.

P.A. 100-465 changes the State's grant funding of the Board in two major ways:

(a) It includes four previous grants included in State Block Grants (Special Education – Personnel, Special Education – Funding for Children Requiring Special Education, Special Education – Summer School, and Bilingual – T.B.I. & T.B.E), into the EBF formula. This change is revenue neutral to the Board but increases the Board's Base Funding Minimum (as herein defined) by approximately $201 million. In addition, the EBF Formula includes the special education and bilingual demographics of the Board's students as key metrics for determining its State Aid Revenues under the EBF Formula and is expected to increase the Board's State Aid Revenues for Fiscal Year 2018 by an estimated $76 million over what it would have received under the Historical State Aid Formula.

(b) The historical State Block Grant protection for the remaining grants (with the exception of Early Childhood) is eliminated and the Board will receive these grants based on the submittal of grant claims like other school districts. This change results in the Board's loss of approximately $203 million annually in these State Block Grants. However, under the EBF Formula this $203 million is included in the Board's Base Funding Minimum as a means to hold the Board harmless on these grants. This shift is revenue neutral to the Board and has the effect of moving this $203 million in State funding from grant funding to State Aid Revenues.

3. Increase in the Cap on the Board's Pension Property Tax Levy. P.A. 100-465 authorizes the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in Tax Year 2017 and thereafter from 0.383% in Tax Year 2016. The Board increased such levy to the maximum rate for Tax Year 2017 which is expected to increase revenues by approximately $130 million in Collection Year 2018 specifically as a result of the 0.184% increase. In addition to the increase as a result of the additional Pension Property Tax Levy approved under P.A. 100-465, the Board expects a $24 million increase in revenue from the 0.383% component of the Pension Property Tax Levy for an aggregate of a $154 million increase in the Pension Property Tax Levy.

4. Requires State Contribution to the Board's Pension Fund to the Level of Other School Districts in the State. Provides for an increase in the required annual State Contribution (as herein defined) to the Board's Pension Fund in the amount of approximately $221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. This $221 million will increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions which have historically been capped at $65 million. See "CHICAGO PUBLIC SCHOOLS – Pension and Other Post-Employment Obligations.

Property Tax Revenues

Overview. Revenues from *ad valorem* property taxes are estimated to be approximately $2.6 billion and make up approximately 54.6% of the General Operating Fund revenues of the Board in Fiscal Year 2017. The Board's educational fund property tax levy has had a compounded annual growth rate of approximately 4% per year. For Fiscal Year 2018 the Board estimates the tax revenue to be $2.8 billion and accounts for 49.8% of the General Operating Fund revenues of the Board. The new operating tax revenues for pensions are described below. As a part of its Fiscal Year 2018 Budget, the Board increased its property tax levy in two categories: (1) the maximum levy allowable under PTELL (increased revenues of approximately $45 million are estimated for Fiscal Year 2018), and (2) the Pension Property Tax Levy (as defined herein) was implemented in the amount of $425.8 million, from which the Board anticipates collecting approximately $405 million. In addition to the operating property tax revenues described above, the Board also recently levied taxes for capital improvements as described under Capital Improvement Tax Levy below. In Tax Year 2017, this Capital Improvement Tax Levy was increased by $3.6 million. For a discussion of the real property tax system see APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." For an overview of the historic and budgeted property tax revenues, see the tables under the subheadings "– General Operating Fund" and "—Board's Fiscal Year 2018 Budget." For a discussion of the timing of receipt of property tax revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues" and APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

Capital Improvement Tax Levy. In August 2015, the Board approved for the first time the Capital Improvement Tax levy in the initial amount of $45 million to be applied to funding permitted capital improvement projects. The Capital Improvement Tax is not subject to PTELL. For a discussion of the Capital Improvement Tax levy see "CAPITAL IMPROVEMENT TAX."

Pension Property Tax Levy. In 2016, Public Act 099–0521 became effective that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% to be paid directly to the Pension Fund to be credited to the Board's annual required contribution (the "Pension Property Tax Levy"). This tax is not subject to PTELL. The Board authorized the levy of this additional tax for Tax Year 2016. On August 31, 2017, P.A. 100-465 became effective that authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% and the Board authorized the increase of the levy to the maximum rate for Tax Year 2017. The increase from 0.383% to 0.567% is expected to increase revenues by approximately $130 million in Collection Year 2018. In addition, the 0.383% levy is expected to increase by $24 million from Collection Year 2017 for a total of $154 million total increase in the Pension Property Tax Levy.

Property Tax Base, Tax Extensions and Collections. The tables on the following pages provide statistical data regarding the property tax base of the Board, the City and the other Overlapping Taxing Districts and the tax rates, tax levies and tax collections (for the Education Fund) for the Board. The tables reflect the tax levy year and such taxes are extended for collection in the following calendar year.

Assessed, Equalized Assessed and Estimated Value of All Taxable Property of the Board Tax Levy 2006–2016

(Dollars in Thousands)

Tax Year Levy[1]	Assessed Values					State Equalization Factor	Total Equalized Assessed Value	Total Estimated Fair Cash Value	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
	Class 2[2]	Class 3[3]	Class 5[4]	Other[5]	Total				%
2006	$18,521,873	$2,006,898	$12,157,199	$688,818	$33,374,788	2.7076	$69,511,192	$329,770,733	21.08
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,537	693,240	33,995,120	2.9786	80,977,543	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,365	31,437,440	3.3701	84,592,286	280,288,730	30.18
2010	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	231,986,396	35.38
2011	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	222,856,064	33.71
2012	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	206,915,723	31.53
2013	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	236,695,475	26.35
2014	15,416,908	1,345,482	10,096,651	467,529	27,326,570	2.7253	64,908,057	255,639,792	25.39
2015	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	278,076,449	25.52
2016	Not Available	Not Available	Not Available	Not Available	Not Available	2.8032	74,016,506[6]	Not Available	Not Available

Source: Chicago Public Schools.

(1) Triennial updates of assessed valuation occurred in years 2006, 2009, 2012 and 2015.
(2) Residential, six units and under.
(3) Residential, seven units and over and mixed–use.
(4) Industrial/Commercial.
(5) Vacant, not–for–profit and industrial/commercial incentive classes.
(6) Source: Cook County Clerk's Offices. Calculation is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.

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The table below sets forth the Board's *ad valorem* property tax extensions and collections for the Education Fund for Tax Collection Years 2012 – 2017, as of October 27, 2017.

Board of Education of City of Chicago Education Fund Property Tax Collections
(As of October 27, 2017)
(Dollars in Thousands)

			Amounts Collected within the Collection Year of Extension[1]				All Collections to Date[1]	
Tax Levy Year	Collection Year	Education Fund Total Tax Extension	1/1 to 6/30	7/1 to 12/31	1/1 to 12/31	Percentage of Extension	Amount[2]	Percentage of Extension
2011	2012	$2,006,181	$1,009,917	$916,526	$1,926,443	96%	$1,964,515	98%
2012	2013	2,159,263	1,057,494	993,986	2,051,480	95%	2,076,552	96%
2013	2014	2,193,826	1,096,823	1,018,120	2,114,943	96%	2,148,923	98%
2014	2015	2,212,422	1,096,988	1,040,217	2,137,205	97%	2,178,518	98%
2015	2016	2,274,161	1,148,340	1,063,987	2,212,327	97%	2,254,997	99%
2016	2017	2,305,534	1,174,181	1,059,763	2,233,945	97%	2,233,945	97%

Source: Chicago Public Schools and Cook Country Treasurer. Only Education Fund extensions and collections are included in the figures shown above. Excludes all other property tax levies of the Board.
(1) All collections are net of refunds.
(2) Includes all amounts including those received during and after the calendar year of the extension.

Tax Rates of the Board and Overlapping Taxing Districts. The following table sets forth the tax rates that were extended by the Board and the Overlapping Taxing Districts for collection in calendar years 2007–2016. For a discussion of these Overlapping Taxing Districts see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt." These Overlapping Taxing Districts share in varying degrees a common property tax base with the Board.

In addition to the tax rates extended (as reflected in the table below), the Board and certain of the Overlapping Taxing Districts have levied taxes to secure long–term general obligation bonds (including the Board's Alternate Revenue Bonds) which have not been extended because the debt service on such bonds has been paid from other sources. In the event in any year the debt service on the Alternate Revenue Bonds of the Board or any of the Overlapping Taxing Districts was not fully funded by the dedicated revenue source securing such bonds, and as a result the taxes levied to secure such bonds were extended for collection in the amount of such shortfall, the tax rates of the Board or the Overlapping Taxing Districts would be increased by the amount extended for collection. See "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues." The tax rates in the table below do not reflect taxes that have been levied to pay such debt but have not been extended. For a discussion of the outstanding long–term general obligation bonds of the Board and the Overlapping Taxing Districts, see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt."

Real Property Tax Rates of Overlapping Major Units of Government
2007–2016 Tax Levy Year
(per $100 equalized assessed valuation)

Year of Levy (Taxes Extended for Collection in Following Calendar Year)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Tax Rates by Board Fund:										
Educational[1]	$2.377	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205	$3.115
Workers' and Unemployment Compensation Tort Immunity	0.190	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111	0.107
PBC Operation and Maintenance [1]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PBC Lease Rentals	0.016	0.015	0.014	0.065	0.071	0.081	0.085	0.082	0.075	0.072
Capital Improvement Tax[3]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064	0.065
Teacher Pension[4]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.367
Board Subtotal	$2.583	$2.472	$2.366	$2.581	$2.875	$3.421	$3.671	$3.660	$3.455	$3.726
Other Major Government Units:										
City of Chicago	$1.044	$1.147	$1.098	$1.132	$1.229	1.425	1.496	1.473	$1.806	$1.880
Community College District	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177	0.169
School Finance Authority[2]	0.091	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Chicago Park District	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.362
Water Reclamation District	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406
Cook County	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533
Cook County Forest Preserve	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063
Other Unit Subtotal	$2.411	$2.344	$2.260	$2.350	$2.580	$2.974	$3.161	$3.148	$3.412	$3.413
TOTAL	$4.994	$4.816	$4.630	$4.931	$5.455	$6.395	$6.832	$6.808	$6.867	$7.139

Source: Cook County Clerk's Office – tax rates by levy year.

(1) Beginning Fiscal Year 2007, the tax levy for PBC Operations & Maintenance has been consolidated with the Educational tax rate.
(2) Beginning Fiscal Year 2008, the School Finance Authority was no longer in existence.
(3) The Capital Improvement Tax was levied for the first time in 2015.
(4) The Pension Property Tax was levied for the first time in 2016.

Application of PTELL to Overlapping Taxing Districts and the Board. In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. PTELL does not limit the rate or amount of the Capital Improvement Tax levy or the Pledged Taxes extended by the Board with respect to its Alternate Revenue Bonds, including the Bonds. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

PTELL specifically limits the annual growth in certain property tax extensions for certain of the Overlapping Taxing Districts. The City is not subject to the restrictions of PTELL and can impose property taxes without limit as to rate or amount for its governmental purposes.

Certain Property Tax Increases of the City. The City's Fiscal Year 2016 budget called for a phased–in property tax increase starting in Tax Year 2015 through 2018 of $543 million to fund the City's Police and Fire pensions. Property taxes were increased by $318 million in Tax Year 2015, $109 million in Tax Year 2016, $53 million in Tax Year 2017 and are expected to increase an additional $63 million in Tax Year 2018. See "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues."

State Aid Revenues

"State Aid Revenues" consist of a portion of the State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement act as may be enacted from time to time and are estimated to be approximately $1.57 billion in Fiscal Year 2018. This increase in State Aid Revenues over prior Fiscal Years is primarily the result of the State's enactment of P.A. 100-465.

Public Act 100-465. On July 6, 2017, the Illinois General Assembly enacted a budget for the State Fiscal Year ending June 30, 2018 (the "State Fiscal Year 2018 Budget"), ending a two-year budget stalemate. The State Fiscal Year 2018 Budget contains an appropriation for State Aid that was contingent upon State Aid being allocated among school districts in accordance with a new "Evidence-Based Funding Formula." P.A. 100-465 establishes the EBF Formula for allocating State Aid to school districts, beginning with the 2017-2018 school year, and replaces the Historical State Aid Formula. In the current veto session of the Illinois General Assembly, legislation has been introduced that would make technical changes to certain elements of P.A. 100-465, including clarification that "English Learner" students include such students enrolled in Pre-K through 12th grade and technical amendments relating to calculation methodologies for equalized assessed valuation and PTELL equalized assessed valuation to be used in the computation of "Local Capacity." The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

Background Overview of Historical State Aid Formula. Through Fiscal Year 2017, Historical State Aid was allocated to each Illinois school district based on the "Foundation Formula Grant" which was the difference between available local resources per pupil (calculated based on a number of factors, including a school district's equalized assessed valuation ("EAV"), the number of students in attendance in the school district and the school district's PPRT Revenues) and a foundation level established annually by the State's budget representing the minimum level of per pupil financial support that was to be available to provide for the basic education of each pupil. In addition to "general" Historical State Aid, the Board and other school districts with specified levels or concentrations of pupils from low-income households were eligible to receive supplemental financial grants known as the "Poverty Grant" that was distributed to districts pursuant to a statutory formula based upon the number of low-income pupils in the school district. The amount of the Poverty Grant received by a school district increased as the ratio of low-income pupils to the average daily attendance in the school district increased.

In addition, in Fiscal Year 2010 through 2016 the State appropriation for Historical State Aid did not fully fund the amounts determined under the Historical State Aid Formula and the amount each school district received was prorated. For Fiscal Year 2017, the State appropriation included a $361 million increase over the Fiscal Year 2016 appropriation and included $250 million in equity grants directed at school districts with a high concentration of poverty students, of which the Board received $102 million. Additionally, the Board received a hold harmless in Fiscal Year 2017 for $74 million and a $28 million increase in early childhood education. The Board was held harmless for this $204 million increase in Fiscal Year 2017 State funding in the Fiscal Year 2018 appropriation.

Evidence-Based Funding Formula. The State's Fiscal Year 2018 Budget appropriates State Aid in an amount $350 million greater Statewide than the appropriation for fiscal year 2017 and requires such additional funds to be distributed to school districts under the EBF Formula which ties individual school district funding to 27 evidence-based best practices that certain research shows enhance student achievement in the classroom. Under the EBF Formula, the Illinois State Board of Education ("ISBE") will calculate an "Adequacy Target" (or "AT") each year for each school district based upon its unique student population, regional wage differences and best practices. Each school district will be placed in one of four tiers depending on how close its local resources available to support education (based on certain State resources and its expected property tax collections, its "Local Capacity" or "LC") are to its Adequacy Target.

ISBE administers the calculation and distribution of State Aid under the EBF and is moving forward to implement EBF, including verifying the necessary data elements with school districts that go into the calculation of EBF. ISBE does not yet have final EBF calculations and until those final EBF calculations are completed, Illinois school districts will receive payments based on their preliminary Base Funding Minimum which for the Board is $1.29 billion. Once the EBF calculations are finalized, the Board anticipates its final Base Funding Minimum will be $1.49 billion which reflects the $201 million shift in State Block Grants to State Aid. P.A. 100-465 provides that each school district will be allocated at least as much in State Aid in future years as it received in school year 2016-2017 (such amount being that school district's "Base Funding Minimum" for school year 2017-2018). This Base Funding Minimum for the Board includes the total amount allocated to the Board in the prior school year for Historical State Aid Revenues and certain historical State Grant funding. See the discussion under the heading "—Recent Developments: State Funding of the Board Under Public Act 100-465."

For each school year, all State funds appropriated for State Aid in excess of the amount needed to fund the Base Funding Minimum for all school districts ("New State Funds") will be distributed to school districts based on "Tier" placement. "Tier 1" and "Tier 2" are those school districts that are the furthest away from their Adequacy Targets and "Tier 3" and "Tier 4" are those school districts that are the closest to (or above) their Adequacy Targets. Of any New State Funds available, Tier 1 receives 50%, Tier 2 receives 49%, Tier 3 receives 0.9%, and Tier 4 receives 0.1%. Tier 2 includes all Tier 1 school districts for the purpose of the allocation percentages for New State Funds.

Under the EBF Formula, the Base Funding Minimum is designed to provide that in any school year no school district receive less State Aid funding than it received the prior year since all New State Funds received by a school district in a year become part of its Base Funding Minimum in the following year. If the State appropriates insufficient funds to cover the cost of the Base Funding Minimum, reductions will be made first to the Base Funding Minimum for all Tier 3 and Tier 4 school districts on a per pupil basis; *provided, however*, that such reductions may not reduce State funding for such school districts below the Base Funding Minimum for school year 2017-2018 ($1.29 billion for the Board). If funds are still insufficient, then further reductions are to be done on a per pupil basis for all school districts. Consequently, reduced appropriations for State Aid in future years could result in the Board receiving less in a future Fiscal Year than its Base Funding Minimum.

For school year 2017-2018, the Board understands (based on publicly available information) that ISBE may assign the Board a Local Capacity Target equal to approximately 44.4% of its Adequacy Target and that it will be placed in Tier One. For school year 2017-2018, the Board believes that it will receive approximately $76 million of New State Funds for a total State Aid Revenues claim of $1.57 billion, representing the $76 million increase in State Aid due to the application of the EBF Formula and $201 million shift in State Block Grants into State Aid above the preliminary Base Funding Minimum of $1.29 billion. Until the Board is formally notified by ISBE of its Adequacy Target, Local Capacity Target and Tier placement, no assurance can be given that the Adequacy Target, Local Capacity Target, Tier placement and expected New State Funds above the Final Base Funding Minimum for school year 2017-2018 will not be materially different than as indicated in this paragraph.

State Grant Revenues

For Fiscal Year 2018 the State's grant funding for the Board has changed as a result of P.A. 100-465. See "—Recent Developments: State Funding of the Board Under Public Act 100-465." For Fiscal Year 2018, Board revenues from State Grants are budgeted to be approximately $287 million and make up approximately 5.1% of the budgeted General Operating Fund Revenues. See the discussion under the heading "CASH FLOW AND LIQUIDITY – Timing of Receipt of Revenues" for a discussion of historical and expected receipt of State Grant revenues.

PPRT Revenues

The Illinois Personal Property Replacement Tax is a revenue source for the Board and other local governments that was created by the Illinois General Assembly in 1979 to replace a tax on the personal property of businesses that was abolished pursuant to the 1970 Illinois Constitution Article IX section 5. Although its name refers to the tax it replaces, the PPRT includes an income tax on the federal taxable income of corporations, business partnerships, trusts and Subchapter S corporations as well as a tax on public utilities. The rates established by the State include a 2.5% tax on income for corporations; a 1.5% tax on income for partnerships, trusts, and S corporations; and a 0.8% tax on invested capital for public utilities. The Board's share of PPRT is statutorily fixed at 14% of the Statewide total, while total PPRT Statewide collections vary from year to year based on corporate income and utility invested capital and the business climate in general. Pursuant to Illinois law, PPRT Revenues are automatically paid to the Board and are not subject to appropriation by the Illinois General Assembly. These funds are distributed pursuant to a continuing appropriation and as a result such distributions continue regardless of the State's adoption of an annual budget.

Corporate income taxpayers submit their PPRT payments along with their state income tax payments. Estimated payments are made quarterly. A final return is due two and one half months after the close of their taxable year. Partnerships, trusts, and S corporations pay PPRT payments on an annual basis. No estimated payments are required. Utilities pay the PPRT payments by the fifteenth day of March, June, September, and December. A final return is due by the fifteenth day of March after the close of their taxable year. The PPRT payments are collected by the Department of Revenue of the State and are deposited into the Personal Property Replacement Tax Fund to be distributed to local taxing districts. Payments to local taxing districts are made in January, March, April, May, July, August, October, and December.

The Board's PPRT Revenues are estimated to be $149 million in Fiscal Year 2018, reflecting the State's expected decrease from Fiscal Year 2017 by approximately 2% due to weak domestic profits. The PPRT Revenues received by the Board in Fiscal Years 2016 and 2017 decreased from Fiscal Year 2015 as a result of reduced collections.

Total Statewide PPRT collections vary from year to year based on corporate income and utility invested capital and the business climate in general, resulting in part from economic conditions in the State. In addition, in Fiscal Year 2016, the State announced that an error was made in the distribution of PPRT revenues to various local entities, including the Board. As a result of this error, the Board realized a $23 million offset to its PPRT Revenue distribution in Fiscal Year 2016. In addition, the State enacted Public Acts 99-524 (June 2016) and 100-21 (July 2017) which appropriated funds to community college districts out of the Personal Property Replacement Tax Fund in lieu of recouping the overpayment of PPRT monies. Also in Fiscal Year 2016, the State informed the Board that the recent years' PPRT distributions Statewide were artificially high due to an error in the State's calculation of corporate income tax payments.

Federal Revenues

For Fiscal Year 2018, revenues from federal grants are budgeted to be approximately $773.0 million and make up approximately 13.7% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. The Board receives Federal Revenue in the form of grants that are dedicated to specific purposes and may not be used for other expenditures. Grants are linked to overarching federal programs including the Elementary and Secondary Education Act (also referred to as No Child Left Behind), the largest of which is geared toward a district's poverty count, or Title 1–A; the Individuals with Disabilities Education Act; the National School Lunch Program and Child and Adult Care Food Program; Medicaid Reimbursement; and other federal competitive grants such as Head Start (the largest competitive program), Carl D. Perkins (job training), and Race to the Top funds. In Fiscal Year 2018, Title 1–A is funded at $283 million, the Individuals with Disabilities Education Act is funded at $96.5 million, the National School Lunch Program and Child and Adult Care Food Program is funded at $206 million, and Head Start is funded at $41 million. In addition to these federal grants, the Board receives federal subsidies on debt service related to its Build America Bonds and Qualified School Construction Bonds. For an overview of the historical and budgeted Federal Revenues, see the tables under the subheadings "– General Operating Fund." A decline in total receipts of Federal Revenues by year-end typically indicates offsetting expenditures that were less than expected. For a discussion of the timing of receipt of Federal Revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues."

The State administers federal grants to the Board on behalf of the federal government and federal grant revenues are distributed to the Board only after the grants for these funds have been approved by the State. Upon this approval, the Board submits for reimbursement of qualified expenditures which drives the timing of Federal Revenues for cash flow purposes.

Investment Policy

The Board has adopted an Investment Policy (the "Investment Policy"). The objectives of the Investment Policy are to invest public funds in a manner which is consistent with all State and local statutes governing the investment of public funds and which will provide for the safety of principal, diversification and maximization of the rate of return. The Investment Policy specifically prohibits any purchase of financial futures, any leveraged investment lending securities and any collateralized mortgage obligations. All investments of the moneys on deposit in the Funds and Accounts established under each Indenture are subject to the provisions of the Investment Policy as in effect from time to time. A copy of the Investment Policy is available on the Board's website. The Investment Policy may be subsequently amended or modified by the Board, without notice to or consent of the registered owners of the Bonds subject, in all respects, to the provisions of the Public Funds Investment Act of the State of Illinois, as amended.

Budgeting and Auditing Procedures

By law, the Board must adopt a budget no later than 60 days after the beginning of its Fiscal Year July 1. In addition, the Board is required to have an annual independent audit of its financial statements. The Comprehensive Annual Financial Report of the Board for the year ended June 30, 2016 is attached hereto as APPENDIX B.

Financial Forecasting and Projections

From time to time, including in Fiscal Years 2016 - 2017, the Board has retained independent consultants to review the Board's overall financial situation, major revenue sources, expenditure categories, and to provide projections with respect thereto. The purpose of such engagements is to help the Board provide independent verification of the magnitude of the Board's structural deficit and the main drivers thereof, and discuss factors which might exacerbate or mitigate present and future deficits. Such reviews have assisted the Board in providing a more in depth cash flow forecasting model. See "CASH FLOW AND LIQUIDITY."

Historical Financial Performance and Structural Deficit (Fiscal Years 2015–2017)

For Fiscal Years 2015 through 2016, the Board experienced General Operating Fund structural deficits, with expenditures exceeding revenues and drawing from and depleting the Board's General Operating Fund reserves. See "BONDHOLDERS' RISKS – Structural Deficit" and "– Bankruptcy of the Board."

Fiscal Year 2015. The Board reported General Operating Fund revenues of approximately $4.91 billion and expenses and net transfers in of approximately $5.62 billion, resulting in a shortfall of approximately $723 million. The Board adopted a change in its revenue recognition policy in Fiscal Year 2015, which changed the revenue recognition period from 30 days to 60 days. This change resulted in a restatement of the General Operating Fund balance in Fiscal Year 2014 from $436 million to $1.08 billion due to a one–time increase of $648 million. The General Operating Fund deficit of approximately $711 million resulted in a decline in the General Operating Fund balance from approximately $1.08 billion at the beginning of Fiscal Year 2015 to approximately $360 million at the end of the Fiscal Year 2015. Approximately $102 million of the $360 million General Operating Fund balance is unassigned fund balance, representing the improved financial performance in Fiscal Year 2015 as compared to budget projections at the time of the development of the Fiscal Year 2016 budget. General Operating Fund revenues decreased by approximately $32 million in Fiscal Year 2015. This decrease was the net result of an approximately $102 million increase in property taxes, an approximately $100 million decrease due to the timing of the receipt of federal aid, an approximately $51 million decrease in State Aid and an approximately $10 million increase in other revenues due largely to increased surplus tax increment financing (TIF) funds. Overall General Operating Fund expenses increased in Fiscal Year 2015 by approximately $170 million over Fiscal Year 2014, largely due to an approximately $34 million increase in salaries due to cost of living increases, an approximately $152 million increase in benefits due to increasing pension contributions and an approximately $57 million increase in the Student–Based Budgeting Rate as well as charter school funding.

Fiscal Year 2016. The Board reported General Operating Fund revenues of approximately $4.88 billion and expenses of approximately $5.41 billion, resulting in an operating deficit of approximately $537 million. The Board utilized transfers into the General Operating Fund of $50.2 million as a result of debt restructuring and decreased its General Operating Fund balance by $486.9 million to reconcile the deficit. This resulted in a decline in the General Operating Fund balance from $360.3 million at the beginning of Fiscal Year 2016 to negative $126.6 million at the end of the Fiscal Year. Operating revenues decreased slightly by approximately $31.8 million in Fiscal Year 2016. The decrease was largely driven by a decline in State revenues available for operations which was $180.5 million lower than the prior year, due primarily to a delay in the payment of State Grants offset by an increase in property tax and tax increment financing revenues. Operating expenses were approximately $5.41 billion and represented a decrease of $206 million versus Fiscal Year 2015 expenses, despite the $42 million increase in the statutorily–required Board Pension Fund contribution, largely due to budget cuts and central office layoffs and a $66 million non-personnel spending freeze.

Fiscal Year 2017. The Board estimates it will report General Operating Fund revenues of approximately $5.13 billion and expenses of approximately $5.33 billion, resulting in an operating deficit of approximately $203 million. In order to address the Fiscal Year 2017 budget gap, the Board implemented approximately $200 million in management efficiencies and expenditure reductions. The Board estimates transfers into the General Operating Fund of $58.4 million from debt service funds, primarily as a result of a termination of investment agreements and excess budgeted debt service, and a decrease to its General Operating Fund balance by $144.7 million to reconcile the deficit. This will result in a decline in the General Operating Fund balance from negative $126.6 million at the beginning of Fiscal Year 2017 to negative $271.3 million at the end of the Fiscal Year. Operating revenues are estimated to increase by approximately $249.7 million in Fiscal Year 2017. The increase was largely due to an increase in property tax revenues over the prior year. Operating expenses estimated at approximately $5.33 billion represent a decrease of $84.3 million versus Fiscal Year 2016 expenses. See "CASH FLOW AND LIQUIDITY."

Overview of Board's Budget Process

The Board is required by the School Code to adopt an annual balanced budget for each Fiscal Year no later than 60 days after the beginning of the Fiscal Year on July 1. The Board's budget process is nearly a year long and includes the preparation of projected revenues and expenditures, strategic planning with departments at the central office to develop preliminary budgets based on critical initiatives identified by senior leadership and the Board, preparation of initiatives and proposed budgets by each school, and the preparation of a proposed budget for presentation to the public and for consideration by the Board. Under the School Code, a proposed budget must be prepared and made available for public review at least 15 days prior to its finalization and the Board is required to advertise notice of and hold at least two public hearings at least five days after copies of the proposed budget are made available for review and not less than five days prior to the Board action.

In Fiscal Year 2014, the Board introduced "student–based budgeting" ("SBB"), a funding model that allocates core instructional funds to schools on a per–pupil basis. SBB replaced the quota formulas that were used by the Board in the past to allocate teachers and school administrative positions to most schools. However, SBB does not affect how schools receive Supplemental General State Aid, Title I funds, special education resources, early childhood programs, supplemental bilingual/ELL funding, and positions for magnet, selective enrollment, International Baccalaureate, or STEM programs. "Student–based budgeting" creates greater consistency in funding to schools across the School District, ensuring that funding is equitable. Additionally, schools are given more autonomy to decide where the dollars are applied within the school and how the school manages the total level of educational funding.

P.A. 100-465 requires the Board to set charter tuition rates between 97 and 103 percent of the Board's per capital tuition charge (or "PCTC"). Before this change, the range was between 75 and 125 percent of PCTC. The Board previously used a student based budgeting model where charters received funding at a per-pupil rate equivalent to district schools. Charters also received non-SBB funding based on the funding for services provided to district schools, such as operations and maintenance, security and central offices services. The change in funding will increase charter school funding by an estimated $37 million for the change in funding methodology for Fiscal Year 2018. Charter schools also receive an equitable share of categorical funding sources, including State grant payments and federal grant revenues.

Board's Fiscal Year 2018 Budget

The Fiscal Year 2018 deficit was addressed in the Fiscal Year 2018 budget primarily through approximately $450 million of additional revenue that results from the implementation of P.A. 100-465 as described below in this section. In addition, the Board anticipates approximately $55 million in savings from debt refunding, as well as $80 million in additional City funding for school security and student safety costs. The enactment of P.A. 100-465 and other events described herein assisted in providing revenues to greatly reduce the Board's structural deficit.

In August 2017, the Board adopted its Fiscal Year 2018 budget to provide the framework for funding the District's operations (the "Original Budget"). Subsequent to the enactment of P.A. 100-465, providing the Board with the more than $450 million in new State and local resources to further support the Fiscal Year 2018 Budget, the Board adopted an amended Fiscal Year 2018 budget in October 2017 to include these changes (the "Amended Budget"). The Amended Budget includes approximately $5.64

billion in revenues and $5.70 billion in expenditures. New resources available in the Amended Budget were a major step to significantly address and close the structural budget deficit. The Board projects a negative fund balance of approximately $2 million assuming the Amended Budget which is a $239 million improvement from Fiscal Year 2017. With the return to timely payment of all State Block Grants, fund balance would improve by an additional $180 million for a projected ending fund balance of $178 million.

Taken collectively, the increased revenues made available to the Board together with expense management efficiencies undertaken by the Board have resulted in an estimated approximately $1.1 billion reduction in the Board's structural deficit over the course of Fiscal Years 2017 and 2018, including (1) approximately $454 million in new recurring revenues during Fiscal Year 2017, comprised of $250 million from a new pension property tax levy, $102 million from a State equity grant, $74 million from a State agreement to hold State Aid harmless to the previous Fiscal Year, and $28 million from a State early childhood grant; (2) approximately $450 million in new recurring revenues, incremental to Fiscal Year 2017, during Fiscal Year 2018 due to the adoption of P.A. 100-465, comprised of $221 million in State funding of the Board's annual pension contribution, $76 million in additional State Aid Revenues, increased Pension Property Tax revenues of approximately $130 million, $19 million in State Grants and $4 million of other additional State revenues; and (3) approximately $200 million of expense management efficiencies achieved during Fiscal Year 2017.

General Operating Fund

The following table presents a summary of the General Operating Fund for the Fiscal Years ending June 30, 2012 to June 30, 2016. The table depicts the amount of revenues versus expenditures, other financing resources and changes in fund balance to prior years.

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General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[1]

(Dollars in Thousands)

Fiscal Years	2012	2013	Restated 2014[2]	2015	2016
Revenue:					
Property Taxes	$ 2,295,178	$ 2,157,777	$ 2,152,753	$ 2,252,828	$ 2,313,469
Replacement Taxes (PPRT)	126,786	128,212	131,075	143,867	115,961
State Aid	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855
Federal Aid	890,987	805,983	867,512	767,548	776,277
Interest and investment income	4,363	2,207	4,458	198	1,347
Other	142,160	132,717	156,115	165,819	271,858
Total Revenue	$ 5,216,640	$ 4,826,320	$ 4,941,805	4,909,584	$ 4,877,767
Expenditures:					
Salaries:					
Teachers	$ 2,026,832	$ 1,942,007	$ 1,921,969	1,953,938	$ 1,869,683
Career Services / Education Services Personnel	618,265	633,489	619,462	622,591	605,817
Commodities:					
Energy	73,409	76,559	87,547	74,516	70,227
Food	104,245	106,650	96,816	99,573	98,777
Other Commodities	95,251	122,302	108,742	106,299	102,235
Services:					
Professional Services	412,072	398,064	441,667	395,221	314,732
Charter schools	424,423	498,162	580,652	662,553	704,981
Transportation	109,368	106,861	104,430	103,891	104,450
Other	130,400	150,360	173,576	194,057	147,485
Building and sites	33,955	26,524	31,679	27,296	19,988
Fixed Charges:					
Teachers' pension	335,657	374,567	740,419	826,304	811,051
Career Services / Education Services Personnel pension	100,026	102,342	101,885	102,012	102,762
Hospitalization and dental insurance	324,918	319,792	343,308	357,124	348,083
Other Benefits	78,083	69,505	78,023	70,621	64,599
Other Fixed Charges	21,424	19,186	19,956	24,370	49,497
Total Expenditures	$ 4,888,328	$ 4,946,370	$ 5,450,131	$ 5,620,366	$ 5,414,846
Revenue (less than) Expenditure	328,374	$ (120,050)	$ (508,326)	(710,782)	$ (537,079)
Transfers in	0	439	161	(12,915)	50,162
Net Change in Fund Balance	328,374	(119,611)	(508,165)	(723,697)	(486,917)
Fund Balance, beginning of period	740,380	1,068,754	1,592,147	1,083,982	360,285
Fund Balance, end of period	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285	$ (126,632)
Composition of Fund Balance					
Non–Spendable	$ 3,329	$ 1,720	$ 429	$ 429	$ 429
Restricted	162,553	128,419	80,860	105,528	99,970
Assigned for educational services	–		–		
Assigned for appropriated fund balance	348,900	562,682	861,952	79,225	-
Assigned for encumbrances	110,397	105,664	140,741	73,101	-
Unassigned	443,575	150,658	–	102,002	(227,031)
Total Ending Fund Balance	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285	$ (126,632)

Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2016. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016."

(1) The Board reports its financial activities through the use of fund accounting and follows the modified accrual basis of accounting for its Governmental Funds. See the subheading "–Accounting and Financial Statements" and APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016."

(2) Fiscal Year 2014 includes $648 million of restated fund balance for use in Fiscal Year 2015 resulting from a 30 day increase in the period of revenue recognition for accounting purposes. This results in a restated Fiscal Year 2014 "Fund Balance, end of period" of $1,084 million.

The following table presents a summary of the General Operating Fund for the Fiscal Year ending June 30, 2017 showing the final Fiscal Year 2017 Amended Budget amounts, estimated year-end Fiscal Year 2017 totals, and the variance between such budgeted and year-end totals and the Amended Budget for Fiscal Year 2018.

Fiscal Year 2017 Budgeted and Year-end Estimated with Fiscal Year 2018 Amended Budgeted General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[(1)]

(Dollars in Thousands) (as of June 30)

	Amended Budget 2017	Estimated Year-end 2017[(2)]	Variance Estimated vs. Amended Budget	Amended Budget 2018[(3)]
Revenues:				
Property Taxes	$ 2,607,809	$ 2,613,890	$ 6,081	2,808,707
Replacement Taxes (PPRT)	130,531	169,637	39,106	90,438
State Aid [(4)]	1,498,897	1,316,100	(182,797)	1,699,411
Federal Aid	829,839	761,800	(68,039)	772,979
Other	263,148	266,068	2,920	270,500
Total Revenue	$5,330,224	$5,127,495	(202,729)	5,642,035
Expenditures:				
Salaries	2,349,877	2,398,543	48,666	2,409,267
Benefits	1,361,218	1,367,408	6,190	1,399,989
Contracts	1,129,334	1,123,799	(5,535)	1,220,759
Commodities	248,867	273,619	24,752	242,823
Equipment	24,451	30,534	6,083	17,061
Transportation	98,439	98,811	372	106,681
Contingencies/Other	198,889	37,801	(161,088)	302,712
Total Expenditures	$5,411,075	$5,330,515	$ (80,560)	$5,699,293
Revenue (less Than) Expenditure	(80,851)	(203,020)	(122,169)	(57,257)
Other Financing Sources[(4)]	0	58,350	58,350	326,600
Estimated Fund Balance Use	80,851	144,670	$ (63,819)	$ 0
Fund Balance, beginning of period[(5)]	6,900	(126,632)	$ (133,532)	$ (271,302)
Fund Balance, end of period[(5)]	$ (73,951)	$ (271,302)	$ (197,351)	$ (1,959)
Composition of Fund Balance[(5)]				
Restricted	20,700	64,854	44,154	64,854
Unassigned	$ (94,651)	$ (336,156)	$ (241,505)	$ (1,959)

Source: Chicago Public Schools.

(1) The Board reports its financial activities through the use of fund accounting and follows the modified accrual basis of accounting for its Governmental Funds.

(2) Unaudited.

(3) To the extent the State returns to timely payment of Fiscal Year 2018 State Grants, Fiscal Year 2018 year end fund balance would improve by $180 million.

(4) In Fiscal Year 2018, the Board issued its Series 2017AB Alternate Revenue Bonds. $326.6 million of net proceeds from the transaction are expected to be recorded as an Other Financing Source in the Board's operating fund in Fiscal Year 2018.

(5) Updated based on Fiscal Year 2017 Year End Estimate.

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CASH FLOW AND LIQUIDITY

Overview

The Board's cash flow experiences peaks and valleys throughout the year depending on when revenues are received and expenditures paid. Most revenues are received in the second half of the Fiscal Year and most expenditures, largely payroll and vendor expenses, are paid equally throughout the Fiscal Year. Also, the Board's required annual debt service deposit and large pension payment are each made immediately prior to the receipt of an installment of property tax revenues, the largest revenue source of the Board. The impact of these patterns in revenues and expenditures creates natural cash flow pressures for the Board within the Fiscal Year.

The liquidity position of the Board's operating funds has also declined during recent Fiscal Years because operating expenses have exceeded operating revenues. The Board's operating fund balance has declined over recent Fiscal Years from approximately $1.08 billion at the beginning of Fiscal Year 2015 to approximately negative $126.6 million at the beginning of Fiscal Year 2017. The Board expects a negative fund balance to total approximately negative $271 million at the end of Fiscal Year 2017. For Fiscal Year 2018, as a result of the funds made available in P.A. 100-465, certain additional local resources and other debt refunding and purchasing savings identified in the Fiscal Year 2018 Budget, the Board estimates that the operating fund balance will end at negative $2 million. Additionally, to the extent there is no delay in the collection of State Grants, revenues would increase by up to $180 million and the operating fund balance at the end of Fiscal Year 2018 would be approximately $178 million as a result. See "BONDHOLDERS' RISKS – Structural Deficit" and "FINANCIAL INFORMATION – General Operating Fund" and "—Board's Fiscal Year 2018 Budget." With its operating reserves depleted, the Board spent the majority of Fiscal Years 2015, 2016 and 2017 in a negative cash flow position. In order to address these liquidity issues, the Board has issued from time to time, tax anticipation notes and grant anticipation notes to provide needed operating funds. See "DEBT STRUCTURE – Tax Anticipation Notes" and "– Grant Anticipation Notes."

Timing of Receipt of Revenues

The paragraphs below describe the timing of receipt of the Board's three main sources of operating revenues: property taxes, State revenues and Federal revenues.

<u>Property Taxes</u>. Property taxes historically make up approximately 50% of budgeted operating revenues and are predominantly received in two installments. The first installment is typically received in late February and March. Receipt of the second installment revenues depends on the due date established by the County, which has been on or about August 1 since 2012, and are expected to be received by the Board in the July and August timeframe assuming an August 1 second installment due date. See "FINANCIAL INFORMATION – Property Tax Revenues."

<u>State Revenues</u>. State revenues are largely made up of State Aid Revenues and State Grant revenues. On August 31, 2017, P.A. 100-465 became effective and replaced the State's previous method of allocating operating dollars to schools in Illinois. Prior to P.A. 100-465, State Aid Revenues were historically 18% of budgeted operating revenues and received from August through June in equal semi-monthly installments. P.A. 100-465 is expected to provide over $450 million in new revenue to the Board for Fiscal Year 2018, including $320 million in new State Aid Revenues and State Grant revenues, as well as $130 million in increased Pension Property Tax revenues. The timing of the Board's receipt of State Grant payments (historically approximately 12% of budgeted operating revenues) varied and was often dependent on the State's financial condition and cash flow. In Fiscal Year 2017, the amount of

State Grants appropriated but unpaid by June 30 was $330.4 million, the highest amount delayed since the inception of the State Grants payments to the Board. Prior to Fiscal Year 2017, the unpaid but appropriated State Grants by June 30 was $129.1 million and $158.0 million for Fiscal Year 2015 and 2016 respectively. The State is currently delayed $15 million in Fiscal Year 2017 State Block Grants. From a cash flow perspective, the Board expects significantly more State revenue to flow through as State Aid Revenues, as described herein, which will be paid to the Board on a more timely basis twice a month similar to the former Historical State Aid Revenues and improve cash flows. This has the impact of improving the Board's overall cash position as compared to Fiscal Year 2017.

Federal Revenues. Federal revenues are historically approximately 15% of total budgeted operating revenues. The State administers federal grants to the Board on behalf of the federal government and federal grant revenues are distributed to the Board only after the grants for these funds have been approved by the State. Upon this approval, which historically occurs approximately half way through the Fiscal Year, the Board submits for reimbursement of qualified expenditures which drives the timing of Federal revenues for cash flow purposes. A decline in total receipts of Federal Revenues by year-end typically indicates offsetting expenditures were also less than expected. See "FINANCIAL INFORMATION – Federal Revenues."

Timing of Expenditures

The timing of the Board's expenditures is relatively stable and can be broken down into three categories: payroll and vendor, debt service and pensions.

Payroll and Vendor Expenses. Historically, approximately 44% of the Board's budgeted expenditures are for payroll and associated taxes, withholding and employee contributions. These payments occur every other week and occur primarily during the school year from September through June. In addition, the Board's recurring expenses for textbooks, educational materials, charter school payments, healthcare, transportation, facilities and commodities total approximately 39% of the Board's budgeted expenditures, the timing of such payments is relatively predictable and spread throughout the Fiscal Year.

Debt Service Deposits. Debt service payments on the Board's Alternate Revenue Bonds backed by State Aid are deposited into debt service funds once a year by February 15, prior to when the Board receives the first installment of property tax revenues. In Fiscal Year 2018, the budgeted debt service deposit in February 2018 relative to the Outstanding State Aid Revenue Bonds is approximately $395 million. Deposits for debt service paid by PPRT in Fiscal Year 2018 are budgeted at approximately $58.2 million.

Pension Contributions. In Fiscal Year 2018, the Board expects total pension contributions to be approximately $784 million, as certified by the Pension Fund as the necessary contribution to achieve 90% funded status by 2059 as prescribed by statute. See "CHICAGO PUBLIC SCHOOLS – Pensions and Other Post-Employment Obligations" herein. In Fiscal Year 2018, approximately $405 million of this pension contribution will be funded through the Pension Property Tax Levy and $233 million will be funded by the State contribution, as provided for under P.A. 100-465. These funds are directly intercepted to the Pension Fund. In the aggregate, $638 million or 81% will be funded by a dedicated revenue source other than the Board's unrestricted general operating funds, and is credited against the Board's required pension contribution. The remaining contribution by the Board is projected to be approximately $146 million. The historical annual growth in equalized assessed valuation of property within the School District for the period 1997-2016 has averaged approximately 4% based upon Cook County Clerk records. The Board's required pension contribution is currently projected by the Pension Fund's actuaries to grow by an average of approximately 2% annually through 2059. The majority of the

Board's required contributions to the Retirement Funds are required to be made in late June, before the Board receives the distribution of the second installment of property tax revenues in July and August. Prior to this, periodically, during the Fiscal Year, the Board will make smaller pension contributions that coincide with the payroll for employees paid with federal funds totaling approximately $13 million.

In Fiscal Year 2017, the State made an approximately $12 million pension contribution in Fiscal Year 2017. The remaining amount of the required Pension Fund Statutory Contribution for Fiscal Year 2017 was $458 million net of the $250 million credit for the Pension Property Tax levy to be collected in the second installment of tax-year 2016.

Fiscal Years 2016 to 2018 Short-Term Borrowing to Fund Liquidity

The Board's overall trend of declining liquidity reflects a continued draw-down of general fund balances to fund recurring structural budget deficits. Continued structural budget deficits would create further downward pressures on cash flow. For Fiscal Years 2016 and 2017, the Board relied on short-term borrowing to fund liquidity. In Fiscal Year 2016, the Board spent most of the year in a negative cash flow position. To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.07 billion principal amount of 2015 TANs in anticipation of the collection of the 2015 tax levy in the amount of approximately $2.31 billion. The Board repaid the 2015 TANs. In Fiscal Year 2017, the Board issued $1.55 billion principal amount of 2016 TANs in anticipation of the collection of the 2016 tax levy in the amount of approximately $2.34 billion. The Board has repaid the 2016 TANs.

For Fiscal Year 2018, the Board has levied in Tax Year 2017, for collection in calendar year 2018, the 2017 tax levy and the Board has authorized the issuance of its 2017 TANs to be issued in tranches to fund its cash flow needs. As of November 1, 2017, the Board has issued the first tranches of 2017 TANs in the aggregate amount of $550 million and expects to issue an additional $50 million of 2017 TANs in calendar year 2017. The Board expects to issue additional TANs throughout Fiscal Year 2018 to fund its cash flow needs in an amount up to the authorized amount of $1.55 billion. The maximum amount of TANs outstanding in Fiscal Year 2018 is projected to be $1.3 billion, or a $250 million reduction from the Fiscal Year 2017 amount of $1.55 billion. See "PROJECTED CASH FLOW TABLE."

The Board issued its 2017 GANs in the aggregate principal amount of $387 million, payable from State Grants for Fiscal Year 2017. The Board has repaid the 2017 GANs.

For a description of the 2017 TANs and the 2017 GANs see "DEBT STRUCTURE – Tax Anticipation Notes" and "- Grant Anticipation Notes." In addition, depending on the timing of State Grants, the Board may determine to authorize and issue GANs.

Forecasted Liquidity

The following table reflects the Board's forecasted liquidity profile by month from July 2017 to August 2018. The table shows the use of proceeds of the 2017 TANs to provide needed operating funds. Financings in addition to the 2017 TANs are expected to be issued during Fiscal Year 2018. Forecasting future results is inherently subject to uncertainty. The forecasts in the table below are based upon various judgments (many of which are subjective), estimates and assumptions relating to the timing and amount of revenues and expenses of the Board, many of which are outside the control of the Board and may not materialize. These assumptions include (but are not limited to) the following: (i) the timing and amount of revenues and expenses of the Board will be consistent with current expectations for its Fiscal Year 2018 in consideration of the adoption of P.A. 100-465, and (ii) the issuance of the 2017 TANs providing net funding to the Board of up to the authorized $1.55 billion. The following table also assumes a delay in the receipt of $287 million of State Grants, which would be addressed through the issuance of up to $244 million of GANs. If the State Grants are received on a timely basis, the GANs will not be issued and the resulting cash balance will be higher than forecast. The Board could also address any shortfall in State Grant receipts through the issuance of TANs, and the inclusion of GANs in the following table is not meant to create an implication that the Board will issue GANs. The Board expects that the proceeds of other financings, not reflected in the table below, may further improve the Board's projected cash flows and the Board may have other options for addressing cash flow needs.

There can be no assurance that the assumptions, estimates and judgments made in preparing the forecasts will prove accurate or that any of the forecasts will be realized. The inclusion of the forecasts in this document should not be regarded as an indication that the Board considered or considers the forecasts to be a prediction of actual future events, and the forecasts should not be relied upon as such.

Throughout this Official Statement are discussions of various matters that may impact the realization of the assumptions and estimates underlying the forecasts, and investors should read this entire Official Statement. The information under this heading constitutes Forward-Looking Statements. Accordingly, investors are cautioned not to place undue reliance upon the following forecasts. See "BONDHOLDERS' RISKS – Cash Flow and Liquidity and Future Borrowings." The forecasts also were not prepared in compliance with generally accepted accounting principles or the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants, including guidelines regarding projections or forecasts. The Board's independent registered public accounting firm has not examined, compiled or otherwise applied procedures to the forecasts and, accordingly, assumes no responsibility for them.

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Projected Cash Flow Table
($ in millions)

		Fiscal Year 2018												Total Fiscal Year 2018	Fiscal Year 2019	
		Jul-17	**Aug-17**	**Sep-17**	**Oct-17**	**Nov-17**	**Dec-17**	**Jan-18**	**Feb-18**	**Mar-18**	**Apr-18**	**May-18**	**Jun-18**		**Jul-18**	**Aug-18**
Beginning cash balance	**A**	$188.1	$299.7	$169.9	$196.0	$415.5	$361.1	$368.6	$262.1	$219.2	$737.5	$449.2	$279.7	$188.1	$307.5	$176.1
Operating receipts																
Property taxes		$236.3	$838.6	$7.6	$(10.9)	$25.8	$14.5	$8.8	$514.5	$692.4	$12.7	$21.7	$0.0	$2,361.9	$234.8	$832.7
TIF		-	-	12.9	-	-	-	-	22.3	-	-	-	-	35.1	66.0	-
Other local revenue		36.9	20.6	10.8	28.6	32.2	10.0	6.6	5.4	5.5	28.8	25.2	5.3	215.7	35.6	6.9
State block grants		25.9	134.0	4.1	148.9	-	-	26.5	-	-	-	-	-	339.4	-	-
General State Aid		-	-	228.3	114.1	114.1	152.8	169.1	152.8	152.8	152.8	152.8	156.3	1,545.8	-	139.0
Federal revenue		56.5	23.0	10.8	24.5	40.9	42.7	85.8	181.5	56.0	63.7	75.2	94.5	755.2	55.2	12.1
Total operating receipts		355.6	1,016.2	274.3	305.2	212.9	220.0	296.8	876.4	906.7	258.1	274.9	256.1	5,253.2	391.6	990.7
Operating expenditures																
Payroll		(104.2)	(68.0)	(138.9)	(221.5)	(252.9)	(225.8)	(257.5)	(225.5)	(226.4)	(225.1)	(252.8)	(225.0)	(2,423.6)	(114.5)	(79.3)
Health Insurance		(87.4)	(29.9)	(34.7)	(34.2)	(35.1)	(34.1)	(35.1)	(34.1)	(34.1)	(34.1)	(35.1)	(34.1)	(461.7)	(34.1)	(35.2)
Employer pension payment		-	-	-	(0.3)	-	(4.6)	(2.0)	(1.5)	(2.7)	(1.9)	(2.0)	(135.6)	(150.7)	-	-
Pension Pick-up		(5.3)	(1.4)	(4.4)	(14.0)	(20.6)	(12.2)	(11.8)	(13.3)	(13.3)	(13.4)	(20.0)	(13.3)	(143.1)	(5.8)	(1.8)
Charter School		(68.9)	(51.1)	(55.5)	(151.5)	(2.8)	(10.8)	(175.7)	(3.4)	(8.7)	(172.4)	(8.4)	(4.5)	(713.7)	(61.0)	(59.2)
AP disbursements		(74.2)	(92.3)	(63.5)	(67.9)	(154.6)	(108.8)	(76.3)	(79.5)	(90.8)	(97.0)	(126.4)	(58.0)	(1,089.5)	(74.3)	(81.7)
Total operating expenditures		(340.0)	(242.7)	(297.1)	(489.4)	(466.0)	(396.3)	(558.4)	(357.3)	(376.0)	(543.8)	(444.7)	(470.6)	(4,982.2)	(289.8)	(257.2)
Net operating cash flows		**15.6**	**773.5**	**(22.8)**	**(184.2)**	**(253.0)**	**(176.3)**	**(261.6)**	**519.1**	**530.7**	**(285.7)**	**(169.8)**	**(214.5)**	**271.0**	**101.8**	**733.5**
Financing cash flows																
TANs drawdown / (repayment)		(228.3)	(721.7)	149.3	399.8	199.8	199.8	174.8	(175.2)	-	-	-	-	(1.7)	(234.8)	(715.2)
GAN Drawdown / (repayment)		(25.9)	(134.0)	(91.0)	-	-	-	-	-	-	-	-	244.0	(6.9)	-	-
Debt service and transfers		348.9	(28.0)	(6.6)	-	25.6	-	-	(383.4)	(6.0)	-	-	-	(75.1)	-	(37.0)
Financing cash flows		94.6	(883.8)	51.8	399.8	225.4	199.8	174.8	(558.6)	(6.0)	-	-	244.0	(83.7)	(234.8)	(752.2)
Capital cash flows																
Capital reimbursements		14.1	12.2	36.2	35.5	29.0	12.2	16.4	31.9	33.1	33.9	33.8	33.3	321.8	34.8	30.6
Capital expenditures		(12.8)	(31.7)	(39.1)	(31.7)	(30.2)	(28.2)	(36.2)	(38.1)	(39.5)	(36.4)	(33.5)	(35.0)	(392.5)	(33.3)	(30.1)
Net capital cash flows		1.3	(19.5)	(2.9)	3.8	(1.1)	(15.9)	(19.8)	(6.2)	(6.4)	(2.5)	0.3	(1.7)	(70.7)	1.5	0.5
Net cash flows	**B**	**$111.6**	**$(129.8)**	**$26.1**	**$219.4**	**$(54.4)**	**$7.5**	**$(106.5)**	**$(42.9)**	**$518.3**	**$(288.2)**	**$(169.5)**	**$27.8**	**$119.4**	**$(131.4)**	**$(18.2)**
Ending cash balance	**A+B=C**	**$299.7**	**$169.9**	**$196.0**	**$415.5**	**$361.1**	**$368.6**	**$262.1**	**$219.2**	**$737.5**	**$449.2**	**$279.7**	**$307.5**	**$307.5**	**$176.1**	**$157.9**
Minimum cash balance		*$87.1*	*$165.6*	*$149.3*	*$152.1*	*$253.7*	*$281.5*	*$115.7*	*$68.9*	*$180.1*	*$398.2*	*$266.4*	*$188.6*	*$188.6*	*$173.6*	*$129.2*
Maximum TANs Outstanding		1,200.1	421.6	150.0	550.0	750.0	950.0	1,125.0	1,300.0	1,073.1	950.0	950.0	1,194.0	1,194.0	1,194.0	948.5

TAX MATTERS

Summary of Co-Bond Counsel Opinions. Katten Muchin Rosenman LLP and Cotillas and Associates, Co–Bond Counsel, are of the opinion that under existing law, interest on the 2017 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Co–Bond Counsel are of the opinion that interest on the 2017 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the 2017 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the 2017 Bonds is not exempt from Illinois income taxes.

Exclusion from Gross Income: Requirements. The Code contains certain requirements that must be satisfied from and after the date of issuance of the 2017 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the 2017 Bonds. These requirements relate to the use and investment of the proceeds of the 2017 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2017 Bonds and the use of the property financed with the proceeds of the 2017 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the 2017 Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the 2017 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the 2017 Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the 2017 Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the 2017 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 2017 Bonds.

(c) *Restrictions on Ownership and Use*. The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the 2017 Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the 2017 Bonds.

Covenants to Comply. The Board covenants in the Indenture to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the 2017 Bonds.

Risk of Non Compliance. In the event that the Board fails to comply with the requirements of the Code, interest on the 2017 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Indenture does not require acceleration of payment of principal of or interest on the 2017 Bonds or payment of any additional interest or penalties to the owners of the 2017 Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the 2017 Bonds is not includible in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the 2017

Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE 2017 BONDS.

(a) *Cost of Carry*. Owners of the 2017 Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the 2017 Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the 2017 Bonds.

(b) *Corporate Owners*. Interest on the 2017 Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the 2017 Bonds is taken into account in computing the alternative minimum tax for corporations, but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) *Individual Owners*. Receipt of interest on the 2017 Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

(d) *Certain Blue Cross or Blue Shield Organizations*. Receipt of interest on the 2017 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) *Property or Casualty Insurance Companies*. Receipt of interest on the 2017 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) *Foreign Personal Holding Company Income*. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the 2017 Bonds held by such a company is properly allocable to the shareholder.

Change of Law. The opinions of Co–Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the 2017 Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the 2017 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2017 Bonds.

2017 Bonds Purchased at a Premium or Discount. The difference (if any) between the "issue price" of the 2017 Bonds as determined for federal tax purposes (the "Offering Price") and the principal amount payable at maturity of such 2017 Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a bond, the difference between the two is known as *"bond premium,"* if the Offering Price is lower than the maturity value of a bond, the difference between the two is known as *"original issue discount."*

Bond premium and original issue discount are amortized over the term of a 2017 Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight–line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the 2017 Bonds and is subtracted from the owner's tax basis in the 2017 Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such 2017 Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the 2017 Bond. A 2017 Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the 2017 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the 2017 Bond).

Owners who purchase 2017 Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the 2017 Bonds. In addition, owners of 2017 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 2017 Bonds. Under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

RATINGS

The 2017 Bonds have been assigned the ratings of "A" (Stable) by Fitch Ratings and "BBB" (Positive) by Kroll Bond Rating Agency, Inc. The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the 2017 Bonds and the Board that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. The above ratings are not a recommendation to buy, sell or hold the 2017 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the heading captioned "CONTINUING DISCLOSURE UNDERTAKING," neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the 2017 Bonds any proposed revision or withdrawal of the ratings of the 2017 Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the 2017 Bonds.

The Board previously engaged Moody's Investors Service and S&P Global Ratings, to assign ratings for prior Alternate Revenue Bond issues. The Board did not obtain a rating from such rating agencies for the 2016 Bonds and has elected not to obtain a rating from such rating agencies for the 2017 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Board of Education of the City of Chicago as of and for the Fiscal Year ended June 30, 2016, included in APPENDIX B to this Official Statement have been audited by RSM US LLP (formerly known as McGladrey & Pullen, LLP), independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RSM US LLP also has not performed any procedures relating to this Official Statement.

The Board has retained the firm of Baker Tilly Virchow Krause, LLP, Chicago, Illinois, to provide external auditing services for a three year term beginning April 1, 2017 with two, one year renewal options. The contract award was based on a competitive procurement.

In accordance with its existing continuing disclosure agreements relating to bonds previously issued by the Board, the Board is obligated to file its audited annual financial statements with EMMA on or prior to 210 days after the last day of the Board's Fiscal Year.

FINANCIAL ADVISOR

The Board has engaged PFM Financial Advisors LLC and Acacia Financial Group, Inc. (collectively the "Financial Advisor") in connection with the authorization, issuance and sale of the Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the Bonds and has reviewed certain legal documents, including this Official Statement, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Board and other sources. The Financial Advisor is a **"***municipal advisor***"** as defined in the Dodd–Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111–203.

UNDERWRITING

The 2017 Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"), led by J.P. Morgan Securities LLC. The Underwriters have agreed to purchase the 2017 Bonds at an aggregate purchase price of $69,969,767.72 (representing an aggregate principal amount of $64,900,000, plus $5,597,839.90 original issue premium and less $528,072.18 of Underwriters' discount). The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

The obligation of the Underwriters to accept delivery of and pay for the Bonds is subject to various conditions set forth in the Bond Purchase Agreement to be entered into in connection with the Bonds, including, among others, the delivery of specified opinions of counsel and a certificate of the Board that there has been no material adverse changes in its conditions (financial or otherwise) from that set forth in this Official Statement.

The obligation of the Underwriters to accept delivery of and pay for the 2017 Bonds is subject to various conditions set forth in the Contract of Purchase to be entered into in connection with the 2017 Bonds, including, among others, the delivery of specified opinions of counsel and a certificate of the Board that there has been no material adverse changes in its conditions (financial or otherwise) from that set forth in this Official Statement.

CERTAIN RELATIONSHIPS

The Underwriters and their respective affiliates comprise full service securities firms and commercial banks engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing, and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. Underwriters and their respective affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Board and any affiliates thereof.

In the ordinary course of their respective businesses, the Underwriters and their respective affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Board and any affiliates thereof for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Board and any affiliates thereof in connection with such transactions and/or services.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Board. The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2017 Bonds are subject to the respective approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, as Co–Bond Counsel ("Co–Bond Counsel"), who have been retained by, and act as Co–Bond Counsel to, the Board. The proposed forms of such opinions are included herein as APPENDIX G. Co–Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their respective capacities as Co–Bond Counsel, Katten Muchin Rosenman LLP and Cotillas and Associates, at the request of the Board, reviewed those sections of this Official Statement involving the description of the Bonds, the security for the Bonds and the description of the federal tax exemption of interest on the Bonds. This review was undertaken solely at the request and for the benefit of the Board and did not include any obligation to establish or confirm factual matters set forth herein. In connection with the issuance of the Bonds, certain legal matters were passed upon for the Board by its General Counsel, Ronald Marmer, by Co-Issuer's counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel Mayer Brown LLP, Chicago, Illinois.

LITIGATION

The Board is involved in numerous lawsuits that arise out of the ordinary course of operating the school system, including, but not limited to, any lawsuits described in this Official Statement. Some of the cases pending against the Board involve claims for substantial moneys. As discussed in Note 15e of the Board's Comprehensive Annual Financial Report for Fiscal Year 2016 attached hereto as APPENDIX B, in the opinion of Board management and legal counsel the final resolution of these claims and legal actions are not material to the Board's financial statements as of June 30, 2016. Since that date, there have been no additional cases where an adverse result is probable or reasonably possible and where the Board's liability, on any individual matter and net of insurance, is greater than $10 million.

As is true with any complex litigation, neither the Board nor its counsel is able to predict either the eventual outcome of such litigation or its impact on the Board's finances. The Board has available to it a tort liability tax levy to pay tort judgments and settlements. This tort liability tax levy is unlimited as to rate, but subject to the limitations on the annual growth in property tax extensions of the Board imposed by the Property Tax Extension Limitation Law of the State, as amended.

On October 5, 2016, certain individuals, in their capacity as citizens of the City, filed two complaints against the Board. The first complaint (No. 16-cv-9514), was filed in federal court and named as defendants the Board, certain individuals in their respective capacities as members of the Illinois State Board of Education, and the State of Illinois (the "State"). The second complaint (2016-CH-13159) was filed in the Circuit Court of Cook County and named as defendants the Board, the Illinois State Board of Education, and the State. The plaintiffs challenged, under several federal and State constitutional provisions, the manner in which Board members are selected, principally by Mayoral appointment. The various plaintiffs argued that the selection process constituted what they characterize as the denial of their right to vote for members of the Board and requested various forms of relief, including injunctive relief. Without limitation, in case number 2016-CH-13159, the plaintiffs further requested that the collection of property taxes levied by the Board be conditioned on the General Assembly of the State putting in place or substituting by law an elected school board.

The Board prevailed in both the federal and state trial courts. On February 13, 2017, the United States District Court dismissed the plaintiffs' claims with prejudice. On February 27, 2017, the Circuit Court of Cook County also dismissed plaintiffs' claims with prejudice. On March 15, 2017, plaintiffs filed their notice of appeal in the Seventh Circuit Court of Appeals. Plaintiffs filed their notice of appeal in the First Judicial District of the Appellate Court of Illinois on March 29, 2017.

The Attorney General has requested and obtained several extensions of time to file response briefs. The Board's response briefs are due at the same time as the Attorney General's briefs. Those briefs were timely filed in the Seventh Circuit by the appellees, including the Board, on October 16, 2017. The plaintiff-appellants' filed a reply brief. Oral arguments have not yet been scheduled by the Seventh Circuit Court of Appeals. The response briefs of the Attorney General and the Board in the state court proceedings are due in the Illinois Appellate Court on November 28, 2017. The Board intends to vigorously defend each appeal but makes no assurances or predictions as to when the courts will rule on either appeal, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the Bonds.

Upon delivery of the Bonds to the Underwriters, the Board will furnish a certificate to the effect that, among other things, except as disclosed in this Official Statement, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the Bonds, or in any way contesting the validity or enforceability of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the 2017 Bonds for the benefit of the Beneficial Owners of the 2017 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended. The

MSRB has designated its Electronic Municipal Market Access system ("EMMA") as the system to be used for continuing disclosure to investors.

A failure by the Board to comply with the Undertaking will not constitute an event of default under the Bond Resolution or the Indenture, and Beneficial Owners of the 2017 Bonds are limited to the remedies described in the Undertaking. See "– Consequences of Failure to Provide Information."

The following is a brief summary of certain provisions of the Undertaking and does not purport to be complete. The statements made under this heading are subject to the detailed provisions of the Undertaking, copies of which are available upon request from the Board.

Annual Financial Information Disclosure

The Board covenants in the Undertaking that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) in electronic format to the MSRB. The Board is required to deliver such information so the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means historical information generally consistent with information of the type set forth in this Official Statement under the headings "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "DEBT STRUCTURE – Existing Long-Term General Obligation Debt," "– Board's Borrowing Authority and Legal Debt Margin," "FINANCIAL INFORMATION – General Operating Fund," and APPENDIX E – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS" except however, the information under the heading entitled "– Recent Reports Regarding the Pension Fund," and information expressly derived from the Chicago Public Schools Comprehensive Annual Financial Reports sourced primarily from documents published by the Pension Fund and/or parties other than the Board (such information is collectively referred to as the "Third–Party Source Pension Information") and the Board takes no responsibility for the accuracy or completeness of the Third–Party Source Pension Information. If the Third–Party Source Pension Information or any information contained therein is no longer publicly available or is not publicly available in a form or manner or by the time that the Annual Financial Information is required to be disseminated by the Board, the Board shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and state that it will promptly file such information as it becomes available.

The Undertaking for the 2017 Bonds requires that Annual Financial Information be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year. The Board has covenanted to give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due pursuant to the Undertaking.

"Audited Financial Statements" means the general purpose financial statements of the Board which are in conformity with generally accepted accounting principles in the United States and audited by independent auditors. The Undertaking for the 2017 Bonds requires that Audited Financial Statements will be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year.

Events Notification; Material Events Disclosure

The Board covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the **"Reportable Event"** (as described below), to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, the disclosure of the occurrence of a Reportable Event. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the 2017 Bonds, are:

(a) principal and interest payment delinquencies;

(b) non–payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) modifications to rights of security Owners, if material;

(h) Bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Board (such an Event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if the jurisdiction of the Board has been assumed by leaving the Board and the Board's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board);

(m) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure to Provide Information

The Board agrees in the Undertaking to give notice in a timely manner to the MSRB of any failure to provide disclosure of the Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

A default under the Undertaking shall not be deemed an event of default under the Bond Resolution or the Indenture, and the sole remedy in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance. A failure by the Board to comply with the

Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2017 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the 2017 Bonds and their market price.

The Board's failure to comply with its continuing disclosure obligations on a timely basis could limit its access to the capital markets because underwriters for the Board's bonds must be able to reasonably determine that the Board will comply with its continuing disclosure obligations before underwriting any future offerings of Board debt.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Board may amend the Undertaking, and any provision thereof may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board, or type of business conducted;

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Beneficial Owners of the 2017 Bonds, as determined by parties unaffiliated with the Board (such as the Trustee or Bond Counsel), or by the approving vote of the owners of the 2017 Bonds pursuant to the terms of the applicable Indenture at the time of the amendment; or

(b) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking shall be terminated if the Board no longer has any legal liability relating to repayment of the 2017 Bonds. If a termination of the Undertaking occurs prior to the final maturity of the 2017 Bonds, the Board shall give notice in a timely manner to the MSRB.

Dissemination Agent

The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the Board chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the Board shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

Corrective Action Related to Certain Bond Disclosure Requirements

Except as described below, with respect to the previous five years, the Board has been, and is currently, in material compliance with respect to its undertakings to file Annual Financial Information and notices of Reportable Events relating to previously issued bonds and notes in accordance with the Rule.

In 2014 and 2015 the Board filed its Annual Financial Information later than 210 days after the last day of the Board's Fiscal Year (243 days with respect to Fiscal Year 2013 and 224 days with respect to Fiscal Year 2014) as required by its undertakings, which in each case was due to the fact that its Annual Financial Statements were not yet available. The Board gave notice in a timely manner to EMMA of such failure as required by its undertakings and the Board promptly filed such Annual Financial Information with the MSRB for disclosure on EMMA when available.

The rating agencies took certain actions with respect to the ratings of MBIA Insurance Corp., MBIA, Inc. and National Public Finance Guarantee Corp. (collectively, "MBIA"). MBIA provided municipal bond insurance policies relating to certain series of the Board's bonds. Event notices with respect to these rating actions in March 2014 were not filed with EMMA. The Board has since filed these reports on EMMA.

Certain required continuing disclosure filings, while made generally in a timely manner, were not properly linked on EMMA for all relevant series of bonds. In particular, the following filings were not properly linked to the noted series: (i) the Board's Audited Financial Statements for Fiscal Year 2012 were not linked to the Series 2003A Bonds; and (ii) a Reportable Event filing concerning a downgrade by Fitch in July 2015 was not linked to the Series 1997A Bonds, the Series 1998B–1 Bonds and the Series 1999A Bonds. In each case, the noted filings were otherwise made in a timely manner and properly linked on EMMA to other obligations of the Board, and the Board has since updated the filings to link the noted filings with the relevant series of bonds.

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AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered on behalf of the Board.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

By: /s/ Ronald DeNard
Senior Vice President of Finance

APPENDIX A

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE SECOND SUPPLEMENTAL INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture (the "*Indenture*" or "*this Indenture*") and the Second Supplemental Indenture. This summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Master Trust Indenture and Second Supplemental Indenture.

DEFINITIONS

"*Accreted Amount*" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, as the same may be amended and supplemented from time to time.

"*Additional Bonds*" means Bonds authorized and delivered on original issuance pursuant to the Indenture as described under the heading "*Additional Bonds*" in this Summary.

"*Annual Debt Service Requirement*" means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

"*Annual Levy Amount*" means the aggregate amount of the Capital Improvement Tax (including each Bond Resolution Series Levy for Outstanding Bonds) levied or to be levied in a particular calendar year for collection in the following calendar year.

"*Applicable Bond Year*" means the Bond Year commencing on April 2 of the Tax Collection Year.

"*Authorized Officer*" means (i) the Chief Financial Officer of the Board, (ii) the Senior Vice President of Finance of the Board or (iii) any other officer or employee of the Board authorized to perform specific acts or duties by resolution duly adopted by the Board.

"*Board*" means the Board of Education of the City of Chicago, as governed by the Chicago Board of Education, pursuant to Article 34 of the School Code.

"*Bond*" or "*Bonds*" means any bond or bonds, including any 2016 Bond, any Additional Bond (including any 2017 Bond), and any Refunding Bond, authenticated and delivered under the Indenture.

"*Bond Insurance Policy*" means any municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof.

"*Bond Insurer*" means any person authorized under law to issue a Bond Insurance Policy.

"*Bond Resolution*" means with respect to the 2016 Bonds, the 2017 Bonds and any Series of Additional Bonds or Refunding Bonds, the resolution of the Board authorizing such Series.

"*Bond Resolution Series Levy*" means the levy of Capital Improvement Tax pursuant to a Bond Resolution for the payment of the Annual Debt Service Requirements for the term of a Series of Bonds issued pursuant to such Bond Resolution.

"*Bond Year*" means the 12-month period commencing on April 2 of a year and ending on April 1 of the next succeeding year.

"*Business Day*" means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized or required by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Appreciation and Income Bond*" means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified therefor and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified therefor.

"*Capital Appreciation Bond*" means any Bond the interest on which (i) shall be compounded periodically on certain designated dates, (ii) shall be payable only at maturity or redemption prior to maturity and (iii) shall be determined by subtracting from the Accreted Amount the initial public offering price thereof. The term "Capital Appreciation Bond" includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"*Capital Expenditure*" means an authorized expenditure of the Board that is or may be capitalized under generally accepted accounting practices applicable to the Board and is made with respect to a project or system of the Board. This definition may be revised by the Board without the consent of the Owners to reflect the requisites of "projects and systems" as such term is used in Section 902 of the United States Bankruptcy Code (11 U.S. Code 902).

"*Capital Improvement Tax*" means the tax that the Board is authorized to levy annually pursuant to Section 34-53.5 of the School Code.

"*Capital Improvement Taxes*" means the revenues derived and to be derived by the Board from the levy of the Capital Improvement Tax, including but not limited to, regular tax receipts and late payment interest and penalties.

"*Certificate*" means an instrument of the Board in writing signed by an Authorized Officer.

"*Code*" or "*Code and Regulations*" means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Consolidated Debt Service Reserve Fund*" means the Consolidated Debt Service Reserve Fund established for the benefit of Consolidated Reserve Fund Bonds.

"*Consolidated Reserve Fund Bonds*" means Bonds of a Series so designated by the Board in the Supplemental Indenture authorizing such Series.

"*Consolidated Reserve Requirement*" means, as of the date of calculation and with respect to all Series of Consolidated Reserve Fund Bonds, an amount equal to fourteen percent (14%) of the largest Annual Debt Service Requirement on Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year.

"*Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Board (including the General Counsel of the Board).

"*County Clerks*" means, collectively, the County Clerks of The Counties of Cook and DuPage, Illinois.

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Current Interest Bond*" means any Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Bond. The term "Current Interest Bond" also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

"*Debt Service Fund*" means the Debt Service Fund established in the Indenture.

"*Debt Service Reserve Account*" means any reserve account within the Debt Service Fund.

"*Default Day*" means any day that an Event of Default has happened and has not been remedied to the satisfaction of the Trustee as evidenced in writing.

"*Defeasance Obligations*" means Government Obligations that are not subject to redemption or prepayment other than at the option of the holder thereof.

"*Depositary*" means any bank, national banking association or trust company having a capital and undivided surplus aggregating at least $20,000,000, selected by an Authorized Officer as a depositary of moneys and securities held under the provisions of this Indenture, and may include the Trustee.

"*Deposit Direction*" means each written direction of the Board filed with the County Collectors pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200 (or other applicable statutory authority) directing the County Collectors to deposit Capital Improvement Taxes directly into the Escrow Fund.

"*Escrow Fund*" means the Escrow Fund established the Indenture.

"*Event of Default*" means any event so designated and specified in this Summary under the heading "*Events of Default*".

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar, the Paying Agents and any Depositary, or any or all of them, as may be appropriate.

"*Fitch*" means Fitch Ratings.

"*Forward Supply Contract*" means any contract entered into between the Board and a supplier of Investment Securities selected by or pursuant to the direction of the Board (a "*Counterparty*") pursuant to which the Counterparty agrees to sell to the Board (or to the Trustee on behalf of the Board) and the Board (or the Trustee on behalf of the Board) agrees to purchase specified Investment Securities on specific dates at specific purchase prices, all as established at the time of the execution and delivery of such contract and as set forth in such contract. Any amounts due and owing from the Board to the Counterparty pursuant to any Forward Supply Contract (other than the specified purchase prices of the Investment Securities set forth therein) shall be treated as current operating expenses of the Board subject to annual appropriation, and shall not constitute indebtedness of the Board.

"*Government Obligations*" means any direct obligations of the United States of America and any obligations guaranteed as to the timely payment of principal and interest by the United States of America or any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States of America.

"*Indenture*" means the Master Trust Indenture, dated as of December 1, 2016, by and between the Board and the Trustee, as from time to time amended and supplemented.

"*Insured Bond*" means any Bond with respect to which the payment of principal and interest is guaranteed under a Bond Insurance Policy.

"*Interest Commencement Date*" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"*Interest Payment Date*" means any Payment Date on which interest on any Bond is payable.

"*Interest Period*" means the period from the date of any Bond to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"*Interest Requirement*" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, shall mean the total of the sums that would be deemed to accrue on such Bonds during such Bond Year or Interest Period if the interest on the Bonds were deemed to accrue daily during such Bond Year or Interest Period in equal amounts; *provided, however,* that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of a Series of Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

"*Investment Policy*" means the Investment Policy approved by the Board, as currently in effect and as may be amended from time to time.

"*Investment Securities*" means any of the following securities authorized by law and the Investment Policy as permitted investments of Board funds at the time of purchase thereof:

(i) Government Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent the full, faith and credit of the United States of America, including:

Export Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development (PHA's)
Federal Housing Administration;

(iii) Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government agencies;

(iv) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" by Fitch, or "A-1" or "A-1+" by S&P or "P-1" by Moody's and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);

(v) Commercial paper which is rated at the time of purchase no less than "A-1" by Fitch, or "A-1" or "A-l+" by S&P or "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(vi) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm G" or better by S&P, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;

(vii) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the Regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State of Illinois;

(viii) Pre-refunded Municipal Obligations; and

(ix) Any Forward Supply Contract;

"*Maximum Annual Debt Service Requirement*" means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and any succeeding Bond Year.

"*Moody's*" means Moody's Investors Service.

"*Outstanding*," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

(i) Any Bonds canceled by the Trustee, at or prior to such date or theretofore delivered to the Trustee or the Board, as the case may be, for cancellation;

Bonds (or portions of Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Supplemental Indenture authorizing the issuance of such Series or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(ii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(iii) Bonds deemed to have been paid as provided in the Indenture and as described in this Summary under the heading "*Defeasance*".

"*Owner*" means any person who shall be the registered owner of any Bond or Bonds.

"*Paying Agent*" means any bank, national banking association or trust company designated by resolution of the Board or by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under this Indenture.

"*Payment Date*" shall mean any date on which the principal of (including any Sinking Fund Installment) or interest on any Series of Bonds is payable in accordance with its terms and the terms of the Indenture and the Supplemental Indenture creating such Series.

"*Permitted Expenditures*" means, as provided in Section 34-53.5 of the School Code, expenditures for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this definition, or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings. This definition may be revised to reflect any amendment of State law pertaining to permitted uses of the Capital Improvement Taxes.

"*Permitted Expenditures Account*" means the Permitted Expenditures Account established by the Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of the District of Columbia or any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (A) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of Fitch, S&P or Moody's or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal*" or "*principal*" means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in this Indenture in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "principal" means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, "principal amount" means the Accreted Amount or (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

"*Principal Payment Date*" means any Payment Date upon which the principal of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment.

"*Principal Requirement*" for any Bond Year, as applied to the Bonds of any Series means, the last day of the Bond Year (the "Applicable Principal Payment Date") an amount calculated beginning

(i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

which amount shall equal the sums that would be deemed to accrue on such Bonds during such Bond Year of

(i) the principal of the Current Interest Bonds of such Series scheduled to mature or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date, and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due at maturity or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date, were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided, however,* that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

"*Property Tax Code*" means the Property Tax Code, 35 Illinois Compiled Statutes 200, as the same may be amended and supplemented from time to time.

"*Pro Rata Share*" means with respect to a Series of Bonds and on a Business Day, the amount held in the Escrow Fund on that Business Day for distribution to Series Sub-Funds in the Debt Service Fund multiplied by a fraction the numerator of which is the Series Debt Service for that Series for the Applicable Bond Year and the denominator of which is the aggregate Series Debt Service for all Series of Outstanding Bonds for the Applicable Bond Year.

"*Qualified Credit Provider*" means the issuer of a Qualified Reserve Credit Instrument.

"*Qualified Reserve Credit Instrument*" means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa2" or better by Moody's or "AA" or better by S&P or "AA" or better by Fitch as of the date of issuance thereof.

"*Rating Services*" means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by the Board, and which ratings are then currently in effect.

"*Record Date*" means the fifteenth (15^{th}) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date (and any redemption date) or such other day as may be determined in the applicable Supplemental Indenture.

"*Redemption Price*" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption or such other redemption price as shall be specified for such Bond in a Supplemental Indenture.

"*Refunding Bonds*" means Bonds issued pursuant to the Indenture as described in this Summary under the heading "*Refunding Bonds*".

"*Registrar*" means any bank, national banking association or trust company appointed by an Authorized Officer and designated as registrar for the Bonds of any Series, and its successor or successors.

"*S&P*" means Standard & Poor's Global Ratings.

"*School District*" means the school district constituted by the City of Chicago, Illinois pursuant to Article 34 of the School Code and governed by the Board.

"*Serial Bonds*" means the Bonds of a Series which shall be stated to mature in annual installments.

"*Series*" means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

"*Series Debt Service*" means, for a Bond Year and with respect to a Series of Bonds, the Annual Debt Service Requirement for that Series.

"*Series Sub-Fund*" means a dedicated Sub-Fund created pursuant to a Supplemental Indenture authorizing a Series of Bonds.

"*Sinking Fund Installment*" means, as of any particular date of determination and with respect to the Outstanding Bonds of any Series, the amount required by the Supplemental Indenture creating such Series to be paid in any event by the Board on a single future date for the retirement of such Bonds which mature after said future date, but does not include any amount payable by the Board by reason only of the maturity of a Bond.

"*State*" means the State of Illinois.

"*Subordinated Indebtedness*" means indebtedness permitted to be issued or incurred as described in this Summary under the heading "*Subordinated Indebtedness*".

"*Supplemental Indenture*" means any Supplemental Indenture authorized pursuant to the Indenture.

"*Tax Anticipation Note*" means any tax anticipation note, tax anticipation warrant or similar indebtedness issued in anticipation of the collection of Capital Improvement Taxes.

"*Tax Collection Year*" means with respect to each annual levy of the Capital Improvement Tax, the calendar year such annual levy is extended for collection.

"*Term Bonds*" means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

"*Treasurer*" means the Treasurer of the Board.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under this Indenture as hereinafter provided.

"*Trust Estate*" means the security for the payment of Bonds established by the pledges and liens effected by this Indenture and all other property pledged to the Trustee pursuant to this Indenture.

"*2016 Bonds*" means the $729,580,000 original principal amount of Dedicated Capital Improvement Tax Bonds, Series 2017, of the Board.

"*2017 Bonds*" means the $64,900,000 original principal amount of Dedicated Capital Improvement Tax Bonds, Series 2017, of the Board.

"*2017 Project*" means, collectively, the capital improvements or purposes of the Board approved by the Bond Resolution authorizing the 2017 Bonds and such additional capital improvements or purposes as may hereinafter be designated as part of the 2017 Project pursuant to a resolution of the Board filed with the Trustee.

Limited Obligations

The 2017 Bonds are limited obligations of the Board payable from amounts on deposit in the Series 2017 Dedicated Sub-Fund and secured by a pledge of, lien on and security interest in the Trust Estate pledged for their payment in accordance with the Indenture and the Second Supplemental Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any 2017 Bond.

General Provisions for Issuance of Bonds

Each Series of Bonds shall be executed by the Board and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Board or upon its order, but only upon the receipt by the Trustee, at or prior to such authentication, of:

(1) A Counsel's Opinion regarding the validity and enforceability of such Series.

(2) A written order as to the delivery of such Series signed by an Authorized Officer, which order shall direct, among other things, the application of the proceeds of such Series.

(3) In the case of 2016 Bonds, an executed copy of this Indenture and a copy of the Resolution 16-1026-RS1 of the Board and Resolution 16-1207-RS2 of the Board.

(4) In the case of each Series of Additional Bonds or Refunding Bonds, a copy of the Bond Resolution authorizing such Series and providing for the Bond Resolution Series Levy.

(5) An executed copy of the Supplemental Indenture authorizing such Series, which shall specify:

(a) The authorized principal amount, designation and Series of such Bonds.

(b) The purposes for which such Series of Bonds is being issued.

(c) The date, and the maturity date or dates, of the Bonds of such Series.

(d) The interest rate or rates of the Bonds of such Series, or the manner of determining such interest rate or rates, and the Interest Payment Dates and Record Dates therefor.

(e) The Authorized Denominations and the manner of dating, numbering and lettering of the Bonds of such Series.

(f) The Registrar and the Paying Agent or Paying Agents for the Bonds of such Series.

(g) The Redemption Price or Prices, if any, or the method for determining Redemption Prices and any redemption dates and terms for the Bonds of such Series.

(h) The amount and date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series, provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Bonds less the principal amount scheduled to be retired at maturity.

(i) A determination as to whether such Series is or is not a Series of Consolidated Reserve Fund Bonds.

(j) The Funds, Sub-Funds, Accounts and Sub-Accounts into which proceeds of such Series will be deposited and the amounts of such deposits.

(6) In the case of Additional Bonds and Refunding Bonds, a Certificate stating that no Event of Default will exist as of the time immediately following the issuance of such Series.

(7) An executed copy of each Deposit Direction filed with the County Collectors providing for the direct deposit into the Escrow Fund of the Capital Improvement Taxes constituting the Bond Resolution Series Levy for such Series.

(8) Such further documents, moneys and securities as are required by the provisions of this Indenture or any Supplemental Indenture.

No Series of Consolidated Reserve Fund Bonds shall be delivered unless, as of the time immediately following the issuance of such Series, the sum then held in the Consolidated Debt Service Reserve Fund, after taking into account any concurrent deposit of the proceeds of such Series and other concurrent deposits into the Consolidated Debt Service Reserve Fund, equals or exceeds the Consolidated Reserve Requirement.

Additional Bonds

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of financing Permitted Expenditures of any capital improvement project or purpose of the Board permitted under Section 34-53.5 of the School Code, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under this Indenture or any Supplemental Indenture. Any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required under "*General Provisions for the Issuance of Bonds*" with respect to Additional Bonds) of a Certificate of an Authorized Officer which shall set forth, for each Tax Collection Year that the Capital Improvement Tax will be required to be collected to produce revenues to satisfy the Annual Debt Service Requirements for all Bond Years with respect to which Bonds will be Outstanding as of the time immediately following the issuance of the Series of Bonds proposed to be issued; (i) the amount of Capital Improvement Taxes projected to be collected in each such Tax Collection Year and (ii) the Annual Debt Service Requirement in each Applicable Bond Year and (iii) demonstrating that the amount of Capital Improvement Taxes projected to be collected in each such Tax Collection Year will not be less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year.

With respect to the Certificate of an Authorized Officer to be filed with the Trustee, in determining the Annual Levy Amount in any year and the Capital Improvement Taxes projected to be collected in any corresponding Tax Collection Year, the Annual Levy Amount shall be determined on the assumption that (i) the Capital Improvement Tax will be authorized to be levied and will be levied each year at the maximum amount permitted under Section 34-53.5 of the School Code, (ii) there will be no increase in any such maximum amount by virtue of an adjustment for inflation other than adjustments made under said Section 34-53.5 prior to the date such Certificate of the Authorized Officer is filed with the Trustee and (iii) all of the Capital Improvement Taxes levied for any year will be collected in full during the corresponding Tax Collection Year.

Refunding Bonds

(A) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Sub-Fund, Account or Sub-Account under this Indenture or any Supplemental Indenture.

(B) Refunding Bonds of a Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required under "*General Provisions for the Issuance of Bonds*" with respect to Refunding Bonds) of either (a) a Certificate of an Authorized Officer described under the "*Additional Bonds*", or (b) a Certificate of an Authorized Officer evidencing that for the then current and each future Bond Year, the Annual Debt Service Requirements for each such Bond Year on account of all Bonds Outstanding as of the time immediately after the issuance of such Refunding Bonds does not exceed the Annual Debt Service Requirements for the corresponding Bond Year on account of all Bonds as of the time immediately prior to the issuance of such Refunding Bonds.

Subordinated Indebtedness

The Board reserves the right (i) to issue bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from Capital Improvement Taxes, and (ii) to incur contractual obligations that are payable from Capital Improvement Taxes, but, in each case, only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all Bonds issued and Outstanding under this Indenture.

Subordinated Indebtedness issued or incurred may only be issued or incurred for the purpose of financing or refinancing of Capital Expenditures that are Permitted Expenditures of any capital improvement or purpose of the Board permitted under Section 34-53.5 of the School Code, to pay costs and expenses incident to the issuance of such Subordinated Indebtedness, and to capitalize interest and fund reserves with respect to such Subordinated Indebtedness. Proceeds derived from the sale of an issue of Subordinated Indebtedness shall be deposited into an escrow account administered by an escrow agent and moneys in each such escrow account shall be subject to withdrawal and expenditure only upon satisfaction of terms and conditions similar to the terms and conditions that apply for the withdrawal and expenditures of moneys from the Permitted Expenditures Account.

Prior to and in conjunction with the issuance of any Subordinated Indebtedness, the trustee for the Subordinated Indebtedness (the "Subordinate Trustee") will enter into a Subordination and Standstill Agreement with the Trustee in a form customary in subordinated debt transactions which Subordination and Standstill Agreement will include, without limitation, provisions providing: (1) for a full payment and lien subordination, in each case relating to all assets of the Trust Estate; (2) for a standstill by the Subordinate Trustee and holders of Subordinated Indebtedness in exercising any remedies relating in any way to assets of the Trust Estate so long as the Bonds are outstanding; provided that the Subordinate Trustee shall have the right to sue for specific performance of breached covenants and sue for payment in the event moneys the holders of Subordinated Indebtedness are entitled to be paid are misappropriated; (3) that the Subordinated Indebtedness will not be able to be accelerated under any circumstances; (4) that in the event that the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws: a) the owners of the Bonds will be entitled to receive final payment in full prior to the holders of the Subordinated Indebtedness receiving or retaining any payment from the assets relating to the Trust Estate on account of the Subordinated Indebtedness; and b) until the Bonds are paid in full, any payments or distribution of assets relating to assets of the Trust Estate to which holders of the Subordinated Indebtedness would be entitled but for the provisions of the Subordination and Standstill Agreement will be made by the Board directly to the Trustee until the Bonds are paid in full; and (5) that under no circumstances will holders of the Subordinated Indebtedness or the Subordinate Trustee challenge the validity or priority of the lien securing the Bonds.

Tax Anticipation Notes

The Board reserves the right to issue Tax Anticipation Notes in anticipation of the collection of Capital Improvement Taxes to be collected in the current Tax Collection Year or the next ensuing Tax Collection Year. The aggregate principal amount of Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes in a particular Tax Collection Year shall not exceed 90 percent of the anticipated amount of Capital Improvement Taxes to be collected in such Tax Collection Year. Tax Anticipation Notes shall only be issued in anticipation of the collection of levied Capital Improvement Taxes. All of the net proceeds of sale of an issue of Tax Anticipation Notes shall be paid to the Trustee for deposit into the Escrow Fund. If such Tax Anticipation Notes are issued in anticipation of Capital Improvement Taxes to be collected in the current Tax Collection Year, then such proceeds shall be allocated immediately upon receipt in the same manner that other moneys deposited into the Escrow Fund are allocated. If such Tax Anticipation Notes are issued in anticipation of Capital Improvement Taxes to be collected in the next Tax Collection Year, then such proceeds shall be deposited into a special account and held therein until the first Business Day of such next Tax Collection Year, and thereupon shall be allocated in the same manner that other moneys deposited into the Escrow Fund are allocated.

Tax Anticipation Notes may be made payable from amounts to be withdrawn from the Escrow Fund as described under "*Allocation of Escrow Fund*". Such right of payment shall be junior and subordinate in all respects to any and all Bonds issued and Outstanding under the Indenture.

Pledge Effected by Indenture

There are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds, in accordance with the Indenture, and a lien is hereby granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture and the terms and provisions of a Supplemental Indenture with respect to any Debt Service Reserve Account established by such Supplemental Indenture, on (i) the Capital Improvement Taxes; (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture or any Supplemental Indenture, subject however to the right of the Board to make periodic withdrawals from the Escrow Fund, from the Debt Service Fund (including from Sub-Funds established by Supplemental Indentures) and from the Consolidated Debt Service Reserve Fund, in each case as permitted by the Indenture, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other persons to be held by the Trustee under the terms of this Indenture.

Pursuant to Section 13 of the Act the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund and the other moneys and securities hereby pledged shall immediately be subject to the lien and pledge hereof without any physical delivery or further act, and the lien and pledge hereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether such parties have notice hereof.

The Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with this Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any Bond.

Establishment of Funds and Accounts

Pursuant to Section 20-90 of the Property Tax Code, and Section 34-53.5 of the School Code, the Board establishes (i) the School Construction Tax Escrow Fund (the "*Escrow Fund*") as a special fund of the Board held in trust by the Trustee as part of the Trust Estate, (ii) within the Escrow Fund the Permitted Expenditures Account, as a special account of the Board held in trust by the Trustee as part of the Trust Estate, (iii) the Debt Service Fund, as a special fund of the Board held in trust by the Trustee as part of the Trust Estate and (iv) the Consolidated Debt Service Reserve Fund, as a special fund of the Board held in trust by the Trustee as part of the Trust Estate for the benefit and security of the Owners of each Series of Consolidated Reserve Fund Bonds.

Subject to use and application in accordance with this Indenture, all of the moneys and securities held in the Escrow Fund and the Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Bonds to the extent provided in the Indenture, shall be subject to the lien of this Indenture and a security interest in said Funds is granted in favor of the Trustee for the benefit of the Owners of the Bonds. Subject to use and application in accordance with this Indenture, all of the moneys and securities held in the Consolidated Debt Service Reserve Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Consolidated Reserve Fund Bonds to the extent provided in this Indenture, shall be subject to the lien of this Indenture and a security interest in said Fund is granted in favor of the Trustee for the benefit of the Owners of a Series of Consolidated Reserve Fund Bonds.

Required Deposit of Capital Improvement Tax Receipts

For the purpose of providing funds required to pay the principal of and interest on the Bonds when and as the same becomes due and for the payment of Capital Expenditures that are Permitted Expenditures, all of the Capital Improvement Taxes shall be paid to the Trustee, as escrow agent thereof, for immediate deposit into the Escrow Fund. The Board shall do, or cause to be done, all acts and things necessary to cause the Capital Improvement Taxes to be deposited into the Escrow Fund and not to any other fund or account of the Board or any other person, including without limiting the foregoing, filing Deposit Directions with the County Collectors.

Allocation of Escrow Fund

(A) On each Business Day the Trustee shall allocate the moneys in the Escrow Fund in the following order of priority and if the moneys deposited into the Escrow Fund are insufficient to make any required deposit, the deposit shall be made up on the next Business Day after required deposits having a higher priority shall have been made in full:

First: to each applicable Series Sub-Fund in the Debt Service Fund, the Pro Rata Share for that Series until there is held in each such Series Sub-Fund an amount sufficient for the payment of the unpaid Series Debt Service for that Series payable on each Payment Date on or prior to April 1 of the then Applicable Bond Year.

Second: to the Consolidated Debt Service Reserve Fund, the amount, if any, required to increase the sum then held in the Consolidated Debt Service Reserve Fund, to the Consolidated Reserve Requirement.

Third: to the Debt Service Fund, to fund any other deposits required under the terms of any Supplemental Indenture.

Fourth: on any Business Day that is not a Default Day, at the direction of the Board expressed in a Certificate filed with the Trustee, the amount specified in such Certificate for the payment of Tax Anticipation Notes issued in accordance with the Indenture.

Fifth: on any Business Day that is not a Default Day, at the direction of the Board expressed in a Certificate filed with the Trustee, the amount specified in such Certificate for the payment of Subordinated Indebtedness issued in accordance with the Indenture.

Sixth: to the Permitted Expenditures Account of the Escrow Fund for disbursement in accordance with Paragraph (B).

(B) Amounts held in the Permitted Expenditures Account may be paid to the Board from time to time, on any Business Day that is not a Default Day for the payment or reimbursement of Permitted Expenditures that are Capital Expenditures, but only upon the filing by the Board with the Trustee of the following items:

(1) its requisition therefor, stating in respect of each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board, and that each item thereof (i) is a proper charge against the Permitted Expenditures Account; (ii) is a proper Capital Expenditure; (iii) is a proper Permitted Expenditure and (iv) has not been paid or previously reimbursed pursuant to Paragraph (C) or from Bond proceeds; (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

(C) The Trustee shall pay from the Permitted Expenditures Account to the Board, upon its requisitions therefor, at one time or from time to time, on any Business Day that is not a Default Day, a sum or sums aggregating not more than $5,000,000, exclusive of and in addition to reimbursements paid pursuant to Paragraph (B), such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Capital Expenditures that are Permitted Expenditures that cannot conveniently be paid as otherwise provided in Paragraph (B). Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the Permitted Expenditures Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund.

(D) The Board may direct the withdrawal of moneys from the Permitted Expenditures Account for the payment on any Payment Date of principal of (including any Sinking Fund Installment) or interest on any Bonds due and payable on such Payment Date.

Debt Service Fund

The moneys in the Debt Service Fund shall be disbursed and applied by the Trustee as required to make the following deposits on the dates and in the amounts provided:

(1) Sub-Fund Deposits. On any date required by the provisions of a Supplemental Indenture creating a Series of Bonds, the Trustee shall segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts, and Sub-Accounts therein as may have been created for the benefit of such Series such amounts as may be required to be so credited under the provisions of such Supplemental Indenture to pay the principal of and interest on such Bonds; and

(2) Other Required Deposits. On any date required by the provisions of a Supplemental Indenture for any other purpose, the Trustee shall segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as are specified in such Supplemental Indenture the amounts required so to be withdrawn and deposited by the provisions of such Supplemental Indenture or such instrument.

Moneys on deposit in the Debt Service Fund and which have been credited to such Sub-Funds, Accounts and Sub-Accounts therein as may have been created for the benefit of a Series of Bonds shall be used for the purposes specified in the Supplemental Indenture creating such Series.

On any Business Day that is not a Default Day there are moneys in the Debt Service Fund in excess of the amounts required to be disbursed as required in clauses (1) and (2), then the Board may direct the transfer of all or a portion of such excess amount to the Escrow Fund or the Consolidated Debt Service Reserve Fund.

Series 2017 Dedicated Sub-Fund

The Board has established with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund, such Sub-Fund to be designated the "Series 2017 Dedicated Sub-Fund". Moneys on deposit in the Series 2017 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2017 Bonds and shall not be used or available for the payment of any other Bonds.

Deposits into Series 2017 Dedicated Sub-Fund and Accounts

(A) On each Business Day, commencing February 1, 2019 (each such date referred to herein as the "*Deposit Date*") there shall be withdrawn from the Debt Service Fund and deposited into the Series 2017 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2017 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth in Paragraph (B) (such aggregate amount with respect to any Deposit Date being referred to herein as the "*Series 2017 Deposit Requirement*").

(B) On each Deposit Date that moneys are available for deposit into the Series 2017 Dedicated Sub-Fund, the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2017 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

First: for deposit into the 2017 Interest Account, an amount equal to the amount required so that the sum held in the 2017 Interest Account, when added to the interest payable from the

2017 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2017 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and

Second: commencing on February 1, 2032, for deposit into the 2017 Principal Account, the amount required so that the sum then held in the 2017 Principal Account will equal the sum of the unpaid Principal due on the 2017 Bonds on the first day of April of the next calendar year.

2017 Interest Account

The Trustee shall withdraw from the 2017 Interest Account, prior to each Interest Payment Date, an amount equal to the interest due on the 2017 Bonds and not payable from the 2017 Capitalized Interest Account, and apply the same to the payment of such interest.

2017 Capitalized Interest Account

The Trustee shall withdraw from the 2017 Capitalized Interest Account, prior to each of the following Interest Payment Dates, the amount set forth in the following table, and apply the same to the payment of the interest on the 2017 Bonds due on such Interest Payment Date:

Interest Payment Date	Amount
April 1, 2018	$1,090,680.56
October 1, 2018	1,622,500.00
April 1, 2019	1,622,500.00

Any amount remaining in the 2017 Capitalized Interest Account on April 2, 2019, shall be withdrawn from the 2017 Capitalized Interest Account and deposited into the 2017 Interest Account.

2017 Principal Account

(A) The Trustee shall withdraw from the 2017 Principal Account, prior to each Principal Payment Date, an amount equal to the Principal of the 2017 Bonds maturing or due on that date, and apply the same to the payment of such Principal when due.

(B) The Trustee shall establish and maintain in the 2017 Principal Account a separate Sub-Account for the Term Bonds for which Sinking Fund Installments are established. Moneys paid into the 2017 Principal Account in respect of Sinking Fund Installments in any Bond Year shall upon receipt be segregated and set aside in said Sub-Accounts in proportion to the respective amounts of the Sinking Fund Installment on the next ensuing Principal Payment Date with respect to the particular Term Bonds for which each such Sub-Account is maintained.

(C) The Trustee shall apply moneys in any such Sub-Account to the redemption of the Term Bonds for which such Sub-Account is maintained or to the payment of the Principal thereof at maturity. If at any date there shall be moneys in any such Sub-Account and there shall be Outstanding none of the Term Bonds for which such Sub-Account was established, said Sub-Account shall be closed and the moneys therein shall be withdrawn therefrom and be applied by the Trustee as if paid into the 2017 Principal Account on that date.

(D) Amounts deposited to the credit of the 2017 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on or prior to the 60^{th} day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2017 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2017 Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

(E) At any time up to the 60^{th} day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Board may purchase Outstanding Term Bonds for which such Sinking Fund Installment was established and surrender such Term Bonds to the Trustee at any time up to said date.

(F) After giving effect to the Outstanding Term Bonds purchased by the Trustee and Outstanding Term Bonds surrendered by the Board as described in Paragraphs (C) and (D), which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the 60^{th} day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Term Bonds for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment.

(G) If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2017 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes not more than 45 days after the payment in excess of such Sinking Fund Installment.

2017 Project Account

(A) The Trustee shall apply moneys in the 2017 Project Account for the payment of costs of issuance of the 2017 Bonds, as directed by the Board.

(B) The Trustee shall make payment of the Costs of Construction of the 2017 Project that are both Capital Expenditures and Permitted Expenditures from the 2017 Project Account as provided in Paragraphs (D), (E) and (F).

(C) At the direction of the Board moneys in the 2017 Project Account shall be applied to pay such amounts as are required to be paid to the United States of America pursuant to Section 148(f) of the Code.

(D) The Trustee shall, during construction of the 2017 Project, pay from the 2017 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$5,000,000, exclusive of and in addition to reimbursements as hereinafter in this Section authorized, such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2017 Project Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures.

(E) The Trustee shall, during and upon completion of construction of the 2017 Project, make payments from the 2017 Project Account in addition to those made pursuant to Paragraph (D), in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Paragraph. Before any such payment shall be made, the Board shall file with the Trustee:

(1) its requisition therefor, stating in respect of each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2017 Project, and that each item thereof (i) is a proper charge against the 2017 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed pursuant to Paragraph (D) or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

(F) The Trustee shall withdraw from the 2017 Project Account and pay to the Board free from the lien of the Indenture any balance in the 2017 Project Account, or any part thereof. Before any such withdrawal and payment shall be made, the Board shall file with the Trustee its Certificate certifying: (1) that the 2017 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2017 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2017 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2017 Project Account. Moneys so withdrawn from the 2017 Project Account (i) may be applied for the payment, purchase or redemption of 2017 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by Section 34-53.5 of the School Code and will not adversely affect the exclusion from gross income under the Code of interest on the 2017 Bonds.

Consolidated Debt Service Reserve Fund

(A) The Board shall maintain the Consolidated Debt Service Reserve Fund in an amount equal to the Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for the purposes for which moneys in the Consolidated Debt Service Reserve Fund may be used. If any time the Consolidated Debt Service Reserve Fund holds one or more Qualified Reserve Credit Instruments and Investment Securities, the Investment Securities shall be liquidated and the proceeds applied to fund transfers permitted under Paragraphs (B) and (C) prior to any draw being made on any Qualified Reserve Credit Instrument. If the Consolidated Debt Service Reserve Fund holds multiple Qualified Reserve Credit Instruments, draws shall be made under such Qualified Reserve Credit Instruments on a pro-rata basis to the extent of available funds.

(B) If on the Business Day prior to any Interest Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of interest on a Series of Consolidated Reserve Fund Bonds due on such Interest Payment Date, then the Trustee shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such interest.

(C) If on any Business Day prior to any Principal Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of the principal of a Series of Consolidated Reserve Fund Bonds due on such Principal Payment Date, then the Trustee, after making all withdrawals then required by Paragraph (B), shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such principal.

(D) In the event that the sum available for withdrawal from the Consolidated Debt Service Reserve Fund is not sufficient to satisfy all the withdrawals required by Paragraphs (B) and (C), then the sum held therein shall be allocated first for the withdrawals required by Paragraph (B) and among the various withdrawals required by a Subsection, pro-rata based upon the amount needed to cure each such deficiency.

(E) Amounts deposited into the Consolidated Debt Service Reserve Fund for the purpose of restoring amounts withdrawn therefrom shall be applied first to reimburse each Qualified Credit Provider and thereby reinstate the Qualified Reserve Credit Instrument of each Qualified Credit Provider. If at the time of such reimbursement the Consolidated Debt Service Reserve Fund holds multiple Qualified Reserve Credit Instruments for which restoration is required, then reimbursement shall be made on a pro-rata basis upon the amount of prior draws that are unreimbursed.

(F) If on any Business Day all withdrawals or payments from the Consolidated Debt Service Reserve Fund required by any other provision of this Indenture or any Supplemental Indenture shall have been made and no Event of Default then exists, then, the Trustee, at the direction of the Board expressed in a Certificate filed with the Trustee, shall withdraw from the Consolidated Debt Service Reserve Fund the amount of any excess therein over the Consolidated Reserve Requirement and deposit such moneys into any one or more of the Funds, Sub-Funds, Accounts or Sub-Accounts maintained under the Indenture or any Supplemental Indenture.

(G) At the direction of the Board expressed in a Certificate filed with the Trustee, moneys in the Consolidated Debt Service Reserve Fund may be withdrawn from the Consolidated Debt Service Reserve Fund and deposited with the Trustee for the payment of the Principal or Redemption Price of or the interest on Bonds in accordance the provisions of the Indenture for defeasance under "*Defeasance*", provided that immediately after such withdrawal the amount held in the Consolidated Debt Service Reserve Fund equals or exceeds the Consolidated Reserve Requirement.

Debt Service Reserve Accounts

Any Supplemental Indenture pursuant to which a Series is issued may establish a Debt Service Reserve Account and a Series reserve account requirement with respect thereto. Any such Supplemental Indenture may provide that the reserve account requirement may be satisfied as a whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Debt Service Reserve Account may be used.

Depositaries

All moneys held by the Trustee under the provisions of this Indenture may be deposited with one or more Depositaries in the name of and in trust for the Trustee. All moneys held by the Board under this Indenture shall be deposited in one or more Depositaries in the name of the Board. All moneys deposited under the provisions of this Indenture with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture shall be a trust fund.

Deposits

All moneys held by any Depositary may be placed on demand or time deposit, as directed by an Authorized Officer, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by a Fiduciary may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer, on time deposit, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

All moneys on deposit to the credit of the Escrow Fund, the Debt Service Fund or the Consolidated Debt Service Reserve Fund (i) held by a Depository other than the Trustee and (ii) not otherwise secured by deposit insurance, shall be continuously and fully secured by the Trustee for the benefit of the Board and the Owners of the Bonds by lodging with the Trustee as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys. All other moneys held for the Board under this Indenture shall be continuously and fully secured for the benefit of the Board and the Owners of the Bonds in the same manner as provided by the Board for similar funds of the Board.

Investment of Moneys

Moneys held in the several Funds, Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the written direction of the Treasurer or an Authorized Officer in Investment Securities within the parameters of this Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. Such investments or reinvestments may be made through the use of a Forward Supply Contract, to the extent permitted by State law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived.

The Trustee may trade with itself in the purchase and sale of securities for such investment. The Trustee shall not be liable or responsible for the performance or adverse consequences of any investment made.

Valuations of Investment Securities held in the Funds, Sub-Funds, Accounts and Sub-Accounts shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein except that the value of Investment Securities held in the Consolidated Debt Service Reserve Fund must be valued as of April 15 and October 15 of each year.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all United States Treasury Securities – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

Except as otherwise provided in this Indenture, the Trustee at the direction of the Treasurer or an Authorized Officer shall sell at the best price reasonably obtainable, or present for redemption, any Investment Security held in any Fund, Sub-Fund, Account or Sub-Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund, Sub-Fund, Account or Sub-Account as the case may be. The Trustee and the Board shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Indenture to Constitute Contract

In consideration of the purchase and acceptance of Bonds by those who shall hold the same from time to time, the provisions of this Indenture and any Supplemental Indenture shall be a part of the contract of the Board with the Owners of Bonds and shall be deemed to be and shall constitute a contract between the Board, the Trustee, any Bond Insurer and the Owners from time to time of the Bonds. The Board covenants and agrees with the Owners of Bonds, the Trustee and any Bond Insurer that it will faithfully perform all of the covenants and agreements contained in this Indenture and in the Bonds.

Punctual Payment of Bonds

Subject always to the condition that any obligation of the Board hereunder shall only be payable from the Trust Estate, the Board shall duly and punctually pay or cause to be paid the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds

If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to payment out of the Trust Estate or Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture or moneys held by Fiduciaries or Depositaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Board to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Annual Levy Amount

As authorized by Section 8 of the Act, the Board shall, to the fullest extent permitted by applicable law, provide for the annual levy of the Capital Improvement Tax such that the Annual Levy Amount for each year, and the amount of Capital Improvement Tax extended for collection in the corresponding Tax Collection Year, will each be in an amount not less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year.

Further Assurance

At any and all times the Board shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the Trust Estate and the rights hereby pledged or assigned, or which the Board may become bound to pledge or assign. The Board and the Trustee shall take such actions as shall be necessary from time to time to preserve the priority of the Trust Estate under State law.

Power to Issue Bonds and Pledge Trust Estate

The Board is duly authorized under all applicable laws to issue the Bonds and to execute and deliver this Indenture and to pledge the Trust Estate pledged by this Indenture and to grant the lien granted by this Indenture thereon in the manner and to the extent provided in this Indenture. The Trust Estate, so pledged and subject to the lien of this Indenture, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Indenture, and all action on the part of the Board to that end has been and will be duly and validly taken. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under this Indenture, the rights of the Board to levy the Capital Improvement Tax and to apply the Capital Improvement Taxes in accordance with this Indenture and all the rights of the Owners under this Indenture against all claims and demands. The Board will not seek or support State legislation which, if enacted into law, could reasonably be expected to materially impair the security for the payment of the Bonds or the Board's authority to pay the Bonds from the Trust Estate.

Indebtedness and Liens

The Board shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than Subordinated Indebtedness and Tax Anticipation Notes, which are secured by a pledge of or lien on the Capital Improvement Taxes or the moneys, securities or funds held or set aside under this Indenture, and shall not, except as expressly authorized in this Indenture, create or cause to be created any lien or charge on the Capital Improvement Taxes or such moneys, securities or funds; *provided, however,* that nothing contained in this Indenture shall prevent the Board from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn from the Escrow Fund free from the lien of this Indenture or (b) payable from, or secured by the pledge of, Capital Improvement Taxes to be derived on and after such date as the pledge of the Trust Estate provided in this Indenture shall be discharged and satisfied.

Covenants Regarding Capital Improvement Taxes

The Board has executed and delivered a Deposit Direction to each of the County Collectors to deposit all collections of the Capital Improvement Taxes in each year, directly with the Trustee. So long as any of the Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; *provided*, that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year.

The Board will take all actions necessary (i) to confirm, if needed, the annual levy and extension of the Capital Improvement Tax for collection on a timely basis in an annual amount not less than the amount required to satisfy the covenant under "Annual Levy Amount" and (ii) to cause Capital Improvement Taxes, when collected, to be deposited directly with the Trustee for application in accordance with this Indenture. The Board and its officers will comply with all present and future applicable laws in order to assure that the Capital Improvement Tax is levied annually and that the Capital Improvement Taxes are collected and paid to the Trustee for application in accordance with the Indenture.

Prior to the issuance of each Series of Bonds, the Board shall file with the County Clerks a certified copy of the Bond Resolution together with such other orders and directions as needed to provide for the annual levy and extension of the Bond Resolution Series Levy for each Series.

2017 Bonds Tax Levy

Pursuant to the authority granted in Section 13 of the Act and the Second Supplemental Indenture, the Board has bound itself irrevocably for the term of the 2017 Bonds to impose the Bond Resolution Series Levy for the 2017 Bonds to the fullest extent permitted by law and has confirmed and covenanted that the Bond Resolution Series Levy for the 2017 Bonds shall be irrevocable during such time as any 2017 Bond remains Outstanding.

Tax Covenants

The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any 2017 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2017 Bond is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the 2017 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any 2017 Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the 2017 Bonds or other moneys to be invested in any manner that would cause any 2017 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

Events of Default

Each of the following events is hereby declared an "*Event of Default*":

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Bond, when and as such interest shall become due and payable;

(3) if the Board shall amend, modify, terminate or revoke any Deposit Direction in a manner contrary to the provisions of the Indenture;

(4) if a default shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in this Indenture or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Trustee or after written notice thereof to the Board and to the Trustee by the Owners of not less than a majority in principal amount of the Outstanding Bonds, provided that if the nature of the default is such that it cannot be cured within the 60 day period but can be cured within a longer period, no Event of Default shall occur if the Board institutes corrective action within the 60 day period and diligently pursues such action until the default is corrected (provided such default is correctable); or

(5) if the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State.

Application of Funds After Default

(A) During the continuance of an Event of Default, the Trustee shall apply all Capital Improvement Taxes and the other moneys, securities and funds constituting part of the Trust Estate as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it;

(2) to the payment of the principal of, Redemption Price of and interest on the Bonds then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) If and whenever all overdue installments of principal and Redemption Price of and interest on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under this Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Bonds held by or for the account of the Board have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Board all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Indenture to be deposited or pledged, with the Trustee), and thereupon the Board, the Trustee, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under this Indenture. No such payment over to the Board by the Trustee nor such restoration of the Board and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Proceedings Brought by Trustee

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under this Indenture forthwith by a suit or suits in equity or at law, including by writ of mandamus, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Board as if the Board were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Indenture.

All rights of action under this Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

All actions against the Board under this Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this Indenture and to preserve or protect its interests and the interest of the Owners.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of this Indenture or the execution of any trust under this Indenture or for any remedy under this Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the laws of the State or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by this Indenture or to enforce any right under this Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions under "*Extension of Payment of Bonds*".

Nothing in this Indenture or in the Bonds contained shall affect or impair the obligation of the Board, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce by any suit or proceeding, including by writ of mandamus, such payment of its Bond solely from the sources provided herein and the Supplemental Indenture pursuant to which such Bond was issued.

Rights of Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Bond Insurer shall be treated as the Owner of Bonds upon which such Bond Insurer is obligated pursuant to a Bond Insurance Policy, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to this Article; *provided, however,* that such Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Bond Insurer is in default of its obligations under the applicable Bond Insurance Policy.

Subject to the provisions of any applicable Supplemental Indenture, to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Bond Insurer shall succeed to the rights and interests of the Owners as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Responsibilities of Fiduciaries

(A) The recitals of fact in the Indenture and in the Bonds contained shall be taken as the statements of the Board and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds or as to the security afforded by this Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Board or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of Paragraph (B), each Fiduciary undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. The Trustee shall not be responsible for the recording or re-recording, filing or re-filing of this Indenture, or any supplement or amendment thereto, or the filing of financing statements, or for the validity of the execution by the Board of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds.

(B) In case an Event of Default has occurred and has not been remedied or waived, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(C) Before taking any action under this Indenture relating to an event of default or in connection with its duties under this Indenture other than making payments of principal and interest on the Bonds as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

(D) In determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Fiduciaries shall consider the effect on the Owners as if there were no Bond Insurance Policy.

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving not less than 60 days' written notice to the Board, all Owners of the Bonds, each Bond Insurer, the Depositaries and the other Fiduciaries, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the Board or the Owners, in which event such resignation shall take effect immediately on the appointment of such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed within a period of 90 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee.

Removal of Trustee

The Trustee may be removed at any time by an instrument in writing delivered to the Trustee and signed by an Authorized Officer on behalf of the Board; *provided, however*, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the Board only with the written concurrence of the Owners of a majority in aggregate principal amount of Bonds then Outstanding. The Trustee may be removed at any time by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to the Board.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Board, each Bond Insurer, each Fiduciary and the predecessor Trustee. Pending such appointment, the Board shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall by appointed by Owners as herein authorized. The Board shall mail notice to each Bond Insurer, each Fiduciary and to Owners of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the Board shall, immediately and without further act, be superseded by a Trustee appointed by the Owners. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Board written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee. Any successor Trustee shall be a bank or trust company or national banking association, doing business and having a corporate trust office in the State, and having a capital and undivided surplus aggregating at least $20,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Supplemental Indentures

The Board and the Trustee may without the consent of, or notice to, any of the Owners or any Bond Insurer, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes: (1) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Series which are not contrary to or inconsistent with this Indenture; (2) to close this Indenture against, or impose additional limitations or restrictions on, the issuance of Bonds, or of other notes, bonds, obligations or evidences of indebtedness; (3) to impose additional covenants or agreements to be observed by the Board; (4) to impose other limitations or restrictions upon the Board; (5) to surrender any right, power or privilege reserved to or conferred upon the Board by this Indenture; (6) to confirm, as further assurance, any pledge of or lien upon the Trust Estate or any other moneys, securities or funds; (7) to cure any ambiguity, omission or defect in this Indenture; (8) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form; (9) to provide for the establishment of any Debt Service Reserve Account; (10) to provide for the appointment of any successor Fiduciary; (11) to conform the provisions of the Indenture to the provisions of the Act, the Property Tax Code, the School Code, the Code and Regulations, or other applicable law; and (12) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee, any Bond Insurer or the Owners.

Powers of Amendment

Except for Supplemental Indentures described under "*Supplemental Indentures*", any modification or amendment of this Indenture and of the rights and obligations of the Board and of the Owners of the Bonds hereunder, in any particular, may be made by a Supplemental Indenture with the written consent (i) of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

A Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Board and all Owners of the Bonds.

Consent of Owners

The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture, to take effect when and as provided under this heading. Subject to the provisions under "*Bond Insurer Provisions*", the rights of the Owner of an Insured Bond to take any action under this heading are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to any provision of this Section.

A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon the Board, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to the Board that consents have been given by the Owners of the Bonds shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however,* that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it.

Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding).

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of the Trust Estate and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of the Board to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, shall execute and deliver to the Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Board all moneys and securities held by them pursuant to this Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series, the Principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the

Principal or Redemption Price, if applicable, of said Bonds, (v) if any of said Bonds are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said Bonds are no longer Outstanding under the Indenture. The Defeasance Obligations and moneys deposited with the Trustee shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such Principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the Principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the Principal of and interest on any Bonds deemed to be paid, if so directed by the Board, shall be applied by the Trustee to the purchase of such Bonds. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The Principal amount of Bonds to be redeemed shall be reduced by the Principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable Principal amount or Redemption Price, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid.

The Board may purchase with any available funds any Bonds deemed to be paid. Bonds for which a redemption date has been established may be purchased by the Board on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Board shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Board on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Board the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the Board, be repaid by the Fiduciary to the Board, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Board for the payment of such Bond.

No Recourse on Bonds

No recourse shall be had for the payment of the Principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any past, present or future member of the Board, officer, employee or agent of the Board, or any successor, public body or any person executing the Bonds, either directly or through the Board, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

Bond Insurer Provisions

All rights of any Bond Insurer under this Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2016

Prepared by the
Department of Finance

Rahm Emanuel, Mayor, City of Chicago
Frank M. Clark, Board President
Forrest Claypool, Chief Executive Officer

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Board of Education
CITY OF CHICAGO

Office of the Board
1 North Dearborn Street, Suite 950, Chicago, Illinois 60602
Telephone (773) 553-1600
Fax (773) 553-3453

January 25, 2017

Dear Stakeholders,

We are pleased to present you with the Chicago Public Schools (CPS) fiscal year 2016 financial results.

One of the most important services this audit provides is an understanding of the strength of CPS' internal financial controls — an issue that is of foremost importance both to this Board and members of the public. We are pleased to report that this audit finds that CPS has instituted significant internal financial controls that provide members of the Board and the public with an additional degree of certainty that appropriate mechanisms are in place to safeguard scarce education dollars.

While CPS continues to lobby for equitable funding from the state and seek out opportunities for new revenue, the District has greatly expanded its Internal Audit department to strengthen internal controls and streamline operations. Through this effort, CPS has increased school audits since last year and identified opportunities to better safeguard District resources. By utilizing sophisticated audits and controls that reach far beyond the resources previously deployed in the District, we are helping to reduce unnecessary spending so that every dollar is maximized. We have also strengthened the policies and procedures in place for the District's financial reporting.

As important as these controls are, CPS still faces significant financial challenges and is doing everything within its control to reduce expenses, streamline operations and minimize disruptions to classrooms.

In FY2016, CPS introduced expenditure reductions and more efficient spending controls to move from a $710 million operating deficit gap in FY2015 to a $537 million deficit gap in FY2016. The District continues to take action to more effectively utilize our limited resources, but the fundamental inequality in state education funding remains an unresolved threat to our district.

Although we have made real progress in working toward fiscal stability, the state of Illinois continues to punish Chicago's students through the perpetuation of an unequitable funding system. On top of the broken funding system, the governor recently cut $215 million in funding promised to CPS to offset the state's pension inequities, which has created unprecedented challenges for the school system.

The bright spot in this situation is that despite Springfield's failure to equitably fund the children of Chicago, CPS students continue to thrive. In 2016, our graduation and attendance rates broke District records, while our dropout rate fell to an all-time low. College enrollment is on the rise, and Chicago students continue to outpace other large urban school districts for growth in reading and math.

In the midst of continued academic progress, our continued financial struggles weigh heavily on our teachers, school leaders, families, and especially our students. But it does not have to be this way. These inequities can be rectified, which is why our fight for equal funding remains ongoing. We will continue to do our part to tighten controls and reduce non-essential spending, and we are confident that 2017 can be the start of a financially stable era for Chicago Public Schools if educators, taxpayers, and elected officials come together in support of our students.

Respectfully submitted,

Frank M. Clark
President
Chicago Board of Education

Forrest Claypool
Chief Executive Officer
Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOARD OFFICIALS AS OF JUNE 30, 2016

Chicago Board of Education
Frank M. Clark, President
Jaime Guzman, Vice President

Members
Mark F. Furlong
Rev. Michael J. Garanzini, S.J.
Dr. Mahalia Hines
Dominique Jordan Turner
Gail D. Ward

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chicago Public Schools

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2015

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting Award
is presented to**

Chicago Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

Brenda R. Burkett, CPA, CSBA, SFO	John D. Musso, CAE, RSBA
President	Executive Director

INTRODUCTORY SECTION

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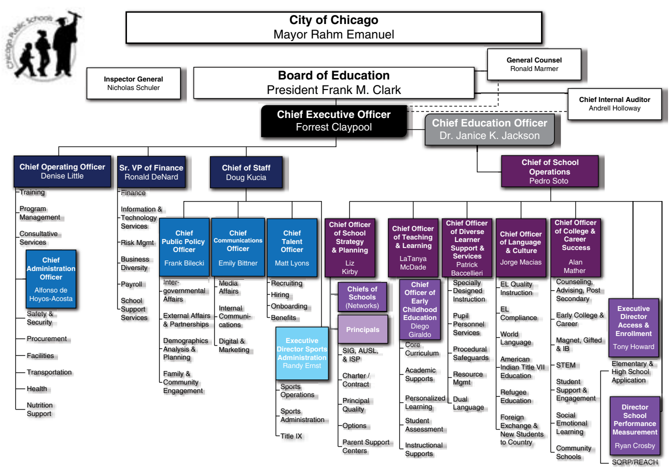
CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
Organizational Chart



CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

Board Member Profiles

Frank M. Clark

Frank M. Clark was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark was elected President of the Chicago Board of Education on August 26, 2015. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of the Chicago Symphony Orchestra, DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is Chairman of the Executive Committee of The Chicago Community Trust, trustee of The Lincoln Academy of Illinois, and a member of the RAND Advisory Board. Mr. Clark also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Jane Addams Hull House, and past President of the Chicago Chapter of American Association of Blacks in Energy. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. Mr. Clark is Chairman of the Board of Directors for BMO Financial Corporation. He also serves on the board of directors for Aetna Inc. and Waste Management Inc. Mr. Clark received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He also has received numerous awards, including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by *Fortune* magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

Jaime Guzman

Jaime Guzman was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016. Mr. Guzman was elected Vice President of the Chicago Board of Education on January 27, 2016. Mr. Guzman is the Director of Local Programs at My Brother's Keeper Alliance (MBKA). MBKA is an independent, nonpartisan 501(c)(3) born out of President Obama's call to action to ensure all of our nation's young people have the opportunity to live up to their full potential. MBKA is leading a collaborative, cross-sectoral movement to break down barriers to success that boys and young men of color (BYMOC) disproportionately face along the life path. He has more than 15 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

INTRODUCTORY SECTION

Mark F. Furlong

Mark Furlong was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007-2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

Reverend Michael J. Garanzini, S.J.

Father Michael J. Garanzini, S.J., was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving July 1, 2015. After 14 years of leadership (2001-2015), Father Michael J. Garanzini, stepped down from his position as the 23rd president of Loyola University Chicago and assumed the role of chancellor on July 1, 2015. A seasoned university administrator, tenured professor, author, and scholar, Father Garanzini has spent the majority of his career working in higher education. Father Garanzini's impressive academic credentials combine with a rare blend of experience in teaching, research, service, and administrative leadership at some of the nation's leading Jesuit institutions of higher learning, including Georgetown, Fordham, Saint Louis, and Rockhurst universities, as well as Gregorian University in Rome. In June 2011, Father Garanzini was appointed to serve as the secretary for higher education for the Society of Jesus, to serve as the organization's secretary for higher education. In this role, Father Garanzini assists the Father General on a part-time basis, coordinating and championing Jesuit higher-education issues around the world. Prior to leading Loyola, Father Garanzini was a full professor of psychology at Georgetown University in Washington, DC, where he had been special assistant to the president for two years. Before joining Georgetown, Father Garanzini was a visiting professor at Fordham University in New York. Much of Father Garanzini's academic and administrative experience comes from his years at Saint Louis University, where he held several academic and administrative posts. A St. Louis native, Father Garanzini received a bachelor's of arts in psychology from Saint Louis University in 1971, the same year he entered the Society of Jesus. From 1984 to 1988, he divided his academic responsibilities between the University of San Francisco and Gregorian University in Rome. He received a doctorate in psychology and religion from the Graduate Theological Union/University of California, Berkeley, in 1986. In 1988, he returned to Saint Louis University as an associate professor of counseling and family therapy. He then served as assistant academic vice president from 1992 to 1994. He was appointed academic vice president in 1994, a post he held until 1998. In 2008, he was awarded an honorary doctorate of public service from Carthage College in Kenosha, Wisconsin. Father Garanzini serves on the following boards of trustees: the Association of Catholic Colleges and Universities (ACCU); the Federation of

INTRODUCTORY SECTION

Independent Illinois Colleges and Universities; the Archdiocese of Chicago, Board of Catholic Schools; the Flannery O'Connor-Andalusia Foundation; and LIFT-Chicago. He serves on investment committees for the ACCU, the Society of Jesus, and other organizations, and he is chairman of the Cuneo Scholarship Foundation. Active in community service, Father Garanzini is known for his work on behalf of children and families. He is a frequent speaker and has published many books and articles on issues such as child and family therapy, moral development, and Catholic education.

Dr. Mahalia A. Hines

Dr. Mahalia Hines was appointed to the Chicago Board of Education in May of 2011 by Mayor Rahm Emanuel. Dr. Mahalia Hines is the chief executive officer of Think COMMON Entertainment, president of the Common Ground Foundation and Hip Hop Schoolhouse Publishing Company. Dr. Hines has worked in the educational field for more than 35 years as a teacher and principal. For 15 of those years, Dr. Hines served as principal in the Chicagoland area for grade levels from elementary through high school. Dr. Hines also worked as a coach for first-year principals and a mentor for current principals and prospective principals in Chicago and continues to work with school leaders of public and charter schools in urban areas throughout the country. In addition to working with schools and school leaders, Dr. Hines travels the country speaking to single mothers on raising successful sons. Dr. Hines received her Doctorate from the University of Illinois, her Master's degree from Northeastern University and Bachelor's degree from Central State University.

Gail D. Ward

Gail Ward was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the city's most accomplished selective enrollment high schools. Ms. Ward served in that role for seven years, a period when Payton ranked first in the state in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40 percent of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November, 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations, streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

The members of the Board have been appointed to serve terms ending as follows:

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Reverend Michael J. Garanzini, S.J	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Dominique Jordan Turner	June 30, 2019*
Gail D. Ward	June 30, 2019

At the expiration of the term of each member, the Mayor shall appoint a successor for a four-year term from July 1 of the year in which the term commences. Any vacancy shall be filled by appointment of the Mayor for the unexpired term.

The Board elects annually from its members a president and vice president in such manner as the Board determines.

* Dominique Jordan Turner resigned January 11, 2017.

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January 23, 2017

Frank M. Clark, President,
Members of the Chicago Board of Education,
And Citizens of the City of Chicago:

The Comprehensive Annual Financial Report (CAFR) of Chicago Public Schools (CPS) for the fiscal year ending June 30, 2016, is hereby submitted. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. 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 fairly present the financial position as well as the financial condition of CPS. Responsibility for the accuracy of the data presented as well as completeness and fairness of presentation of this report rests with CPS management. Management has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented.

Due to continued declines in state funding – driven by the nation's most inequitable education funding formula – coupled with massive pension obligations, CPS' budget situation has continued to deteriorate over the past several years. CPS ended fiscal year 2016 with a deficit of $126.6 million in operating funds. While CPS has continued to streamline operational costs, and has made some important progress in securing additional funding, the compounding financial challenges of declining state revenues, dramatically increasing pension costs, and limits on federal and local revenues continued to persist over the course of fiscal year 2016.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF CHICAGO PUBLIC SCHOOLS

CPS is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code (105 ILCS 5/34-9). The Chicago Board of Education is not a home-rule unit of government and operates a system of schools primarily for grades pre-kindergarten through twelve. CPS has no component units that are legally separate organizations for which CPS is financially accountable.

CPS is governed by a seven-member Board of Education appointed by the Mayor of the City of Chicago. Board members elect one member to serve as President of the Board. In addition, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected Local School Councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools, most notably the selection of principals. Refer to the CPS website for more information on Local School Councils.

As a large urban school district, our schools and students reflect the broad diversity of our city. In fiscal year 2016, CPS had 676 schools, including district-run traditional and options schools, charter and contract schools.

Student enrollment as of September 2015 was 392,285 a decrease of 4,398 from the September 2014 level (396,683). Approximately 81% of our students come from low-income families and 17% are English Language Learners. CPS employs 37,921 workers, including 25,615 teaching positions.

LOCAL ECONOMIC OUTLOOK

The Chicago economy continues to improve and grow. However, it is important to note that CPS revenues are not economically sensitive. Property tax increases are capped at the rate of inflation; and federal and state aid are allocated based on formulas and limited by federal and state appropriations. Therefore, our revenues are not directly affected by changes in the local economy. For more information regarding Chicago's local economy, refer to the City of Chicago budget book at http://www.cityofchicago.org/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html.

Local revenues included $2,408 million in property taxes and $162 million in personal property replacement taxes in fiscal year 2016. Property taxes support the General Fund, Tort Program and Debt Service Funds. Personal property replacement taxes support the General Fund and Debt Service Funds. In fiscal year 2016, there was $42.6 million in tax revenue for Capital Improvement Tax. This is due to the Chicago City Council authorizing a Capital Improvement Tax, derived from property taxes collected in fiscal year 2016.

CURRENT CONDITION

The General Operating Fund expenditures budget for fiscal year 2016 was $5,692 million, which was $64 million below the fiscal year 2015 budget of $5,756 million. This reduction in budgeted expenditures for 2016 was largely driven by $200 million in reductions announced at the beginning of fiscal year 2016. The reductions were offset by a $24 million increase for interest on short term borrowing, $42 million in pension costs, and other cost increases. Actual General Operating Fund expenditures for fiscal year 2016 were $5,414 million; $278 million less than budgeted.

Total governmental funds revenues for fiscal year 2016 were $5,273 million, which is $164 million less than the $5,437 million fiscal year 2015 revenue. Total expenditures for fiscal year 2016 were $6,163 million, which were $365 million lower than the prior year of $6,528 million.

CPS ended fiscal year 2016 with a fund balance of $450 million in all governmental funds, a decrease of $382 million from fiscal year 2015 fund balance of $832 million. The entire General Operating Fund balance amount is restricted or assigned for specific uses.

CPS continues to reduce administrative, central office and operational expenses, in an effort to protect the classrooms. Although we were able to make our full fiscal year 2016 pension payment of $658 million by the June 30 deadline; we needed to borrow an additional $200 million to do so.

Despite these challenges, CPS continues to prioritize our classrooms. Even as our resources become increasingly limited, we continue to seek more effective and innovative ways to educate our students. The past few years have been some of the most financially challenging in CPS' history, yet we continue to make strides. During this time, we have moved to a full school day, implemented full day kindergarten for all students, and expanded Pre-K programs throughout Chicago. We also successfully expanded Safe Passage so that students can focus on their studies and not their safety.

One-Time Resources: In past years, financial results have benefited from one-time fixes such as federal stimulus funding, bond restructuring and TIF surplus, which helped mask the depth of the structural deficit. In fiscal year 2016, CPS received $107 million in TIF surplus revenues.

State funding is driven by formula and CPS expected to experience a year-over-year decline of $107 million, comprised of $56 million in decreased grants and a $50 million reduction in state contribution for pensions in fiscal year 2016. As a result of this trend, CPS has become increasingly reliant on property tax revenue. Since 2007, the percentage of property tax revenue comprising the total budget has steadily increased from 36.7% in fiscal year 2007 to 45.7% in 2016. However,

property taxes are capped at the rate of inflation. In fiscal year 2016, with inflation at 0.8%, the base property tax increased to $19 million. Though CPS is able to take advantage of new property that is added to the base property values, the annual increase in revenue remains modest and is not sufficient to make up for the continuing declines in state funding nor the dramatic increases in pension costs. In fact, the Board authorized an additional $250 million in revenue for fiscal year 2017 in property taxes via a restored levy dedicated specifically to teacher pensions, which increases taxes on the average Chicago homeowner by nearly $250. However, even with a significant increase in local taxes, CPS expenses continue to outstrip declining overall revenues.

As the District's pension burden has increased, CPS has drawn down its reserves in order to balance the budget. To bridge the ebb and flow of revenue receipt and payments, the District now relies on short-term borrowing. CPS receives its major revenue source, property taxes, in two installments, March and August. However, most payments are made throughout the year, with two exceptions. Debt service is due in February right before the March installment is collected, and the pension payment is due in June, right before the August installment. CPS' cash flow challenges are driven by its calendar. Without reserves or borrowing, CPS does not have the cash on hand to make those large debt service payments in February and March. As a result, CPS needs to draw from the line of credit during the fiscal year. Borrowing against this credit line was necessary in order to make our pension payment by the June 30 due date. Interest on this borrowing added $24 million to our operating budget this year. CPS ended the year with a total interest expense of $365 million compared to $332 million in fiscal year 2015. This represents an increase of $33 million in borrowing expense.

Pension Funding: Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2015, the Pension Fund reported $10,366 million in actuarial assets and $19,951 million in actuarial liabilities, for a funded ratio of 51.8%. In accordance with GASB 68, CPS has recorded a net pension liability of $10,023 million in the accompanying financial statements, 100% of which is recognized by CPS. (For the reasons discussed in Note 13 CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund).

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for fiscal year 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately $250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law – more commonly known as "tax caps" – so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17). Although the tax does not impact CPS' financial statements for the fiscal year ending June 30, 2016, as a new revenue source, it will have a positive impact on future statements.

Debt Ratings: Investors who purchase municipal bonds use debt ratings as an indicator of the safety and security of the debt sold by that organization. CPS has historically maintained a general obligation (GO) long term bond credit rating from Moody's Investor Service, Standard & Poor's, Kroll Bond Rating Agency and Fitch Rating. In recent fiscal years, the rating agencies have made downgrades to their respective CPS' GO bond rating citing budget concerns as rationale. After the end of fiscal year 2016, further downgrades to the GO bond rating occurred. In addition, CPS' structured an entirely new capital improvement tax (CIT) long term bond credit that received an investment grade. Refer to Note 16 for further information about ratings and the CIT bond structure.

LONG-TERM FINANCIAL PLANNING

CPS continues to face structural budget challenges, with our major revenue sources generally flat or declining at the state and federal level, pension costs increasing and property taxes capped. In addition, CPS remains the only school district in the state that must fund the vast majority of its teacher pension costs.

The structural budget deficit is due in part to the State providing CPS with 76 cents for every dollar it provides other districts on average and escalating teacher pension costs. CPS has, and continues to, use short-term strategies to balance the General Operating Fund budget while simultaneously pursuing State action on funding increases and pension reform. In June 2016, this pursuit led to lawmakers reaching an important compromise, which included a commitment by Governor Rauner to provide $215 million in funding for pensions to CPS in fiscal year 2017. Unfortunately, the Governor has reversed this commitment, and over the objection of many elected leaders, CPS remains burdened by the continued inequity in funding from the State, even as the District continues to press for equitable funding.

RELEVANT FINANCIAL POLICIES

Fund Accounting: CPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. *(See Notes 1 and 2 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types and account groups).*

Internal Control Structure: CPS financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of CPS from loss, theft, or misuse and to ensure that reliable accounting data is available for the timely preparation of financial statements in accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control: Annual budgets are prepared on a basis consistent with GAAP for the General Operating, Capital Projects and Debt Service Funds. The fiscal year begins on July 1 and ends June 30. Individual school units submit budgets based on the school improvement plans and approved by the Local School Councils. Administrative units submit budget requests to the Office of Management and Budget, which analyzes all requests and prepares a comprehensive budget, balancing revenues and appropriations of each fund. The budget is submitted to the Board of Education for appropriation.

The appropriated budget is prepared by fund, unit, and account. The legal level of budgetary control is at the account level, except for school-based discretionary programs. Board approval is required for all funding transfers except school-based discretionary program expenditures, which are governed by specific program policies and procedures. In addition, an amended budget is required for increases in total appropriation.

Budgetary control is maintained by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Capital Projects Funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year.

MAJOR INITIATIVES

At Chicago Public Schools, our mission is to provide a high-quality public education for every child in every neighborhood that prepares them for success in college, career, and community. Despite budget challenges, this crucial work continues with impressive results from our students. We have implemented cohesive strategies with educational, financial, community, and environmental initiatives, all of which impact our students and their families.

Educational Initiatives

Academic progress is crucial to our success as a District. We are seeing impressive results, with higher test scores, climbing graduation rates, enrollment in and persistence in college. This progress is remarkable and is a tribute to the hard-working educators, parents, and students committed to their classrooms.

We continue to invest in proven programs that expand access to high-quality options like a math tutoring program that improves outcomes for at-risk high school students, or adding comprehensive dual language programming at schools across the District so that more students can be certified as bilingual before taking their post-secondary steps.

We are better preparing our students for the jobs of the future, by implementing a computer science curriculum and requiring a computer science credit to graduate high school. CPS has become a model District for those interested in incorporating computer science, first launching the CS4All Initiative in 2013, and now being the first district in the nation to elevate computer science to a core graduation requirement, separate from math and science.

We also continue to answer the challenge issued by Mayor Emanuel to make sure that 50 percent of graduating seniors earn college and career credit by 2019, by investing in programs like the International Baccalaureate (IB) Programme. While Chicago is already home to the largest network of IB schools in the nation, with a total of 43 schools (22 high schools and 21 elementary schools), CPS continues to add additional opportunities for student participation in IB programming. Results from the IB programme have revealed exceptional outcomes for District students, with graduation rates, college enrollment, and college persistence rates all outpacing their CPS and national peers. By providing access to the IB programme for our students, we are providing better options while allowing high school students to earn college credit, easing their transition to, and financial burden from, their college experience.

Finally, through a commitment to Social Emotional Learning, we are keeping more of our students in school and engaged. Based on research-based preventative structures and targeted interventions to address the root cause of students' behaviors, our students learn the skills they will need to succeed in life (like goal-setting, cooperation, and conflict resolution), as the number of suspensions and expulsions have dropped dramatically. We have also opened Parent Universities at a number of high schools, giving parents the chance to re-engage in our curriculum alongside their students, and enhance the learning process.

All of our children want to succeed, and it is our job to see that they can. We will continue our holistic approach to education to address achievement gaps, and best support our students as they move through our District.

Go Green Initiative

Chicago Public Schools is working to minimize its impact on the environment and teach students to be environmental stewards. The initiative is driven by a 5-year action plan which covers energy, waste and recycling, transportation and air, water and education and engagement.

Every Chicago Public School can recycle paper, cardboard, newspaper, steel cans, plastic bottles, aluminum cans, and now milk cartons. Schools track how much they recycle online through the Weekly Recycling Report. Students have the opportunity to earn Service Learning hours in Recycling Clubs. Some schools compost food waste, outdoors or in worm bins, to reduce waste and teach students about decomposition. Teachers can find and share free items donated to CPS instead of making new purchases.

Our goal is to increase green space and gardens. In order to conserve water, many schools use rain gardens or green roofs for storm water management. Schools can also attach rain barrels to small modular or shed gutters and catch rainwater for reuse in the garden. CPS has also established guidelines on the use of student transportation vehicles, cleaning supplies and other chemicals in an effort to improve air quality and reduce contribution to climate change. For example, idling a diesel school bus is prohibited by law and CPS contract. CPS janitors clean with green cleaning supplies, following the Illinois Green Cleaning Act. Finally, all CPS staff can save 40 percent on public transit commuting cost by taking part in the CPS transit benefits program.

Community Schools Initiative

CPS manages the largest community schools system in the nation, known as the Community Schools Initiative (CSI). Awarded by the Coalition for Community Schools in 2006 with the Community Schools National Award for Excellence, CSI has launched more than 200 schools, in partnership with nearly 50 lead non-profit organizations, that serve as hubs of their communities to meet students' and families' academic and non-academic needs to develop educated citizens and strengthen local neighborhoods. More than 27,000 students participated in CSI activities/services in the 2015-16 school year.

Community Schools bring together the academic and social supports needed to ensure that all students succeed by offering programs before, during and after the school day for students and their families. The programs are designed to support the school's academic program and expand the services offered within the community. Programs and services offered at each community school vary, but most community schools offer some combination of academic enrichment activities for students, adult education and English as a Second Language classes, student and adult technology training, art activities, recreation and health services. Since 2012 the average dropout rate for CSI participants has been at least 60% below the District average, and the graduation rate and graduates identifying a postsecondary plan (including college, apprenticeship, or military service) has increased.

Community Schools assert a strong link between addressing students' psychosocial well-being and effective support for student learning. In particular, the improvement of student learning is linked to the accomplishment of three operational objectives: 1) To broaden and deepen the range of services, resources, and developmental opportunities available to students, in ways that promote student well-being and attachment to school, address academic and psychosocial deficits, and promote positive development; 2) To address the needs of parents and families, and strengthen the parent-school relationship as an asset to student learning; and, 3) To link classrooms and teachers to community resources and professionals in ways that support student learning. Student perception of academic engagement and teacher perception of school outreach to parents have steadily increased from 2012 through 2014 in CSI schools, meeting or exceeding the District average

Capital Improvement Program

The Capital budget plan includes improvement to school facilities as well as support for technology upgrades, major equipment replacement in schools and continuing CPS' efforts to make its facilities accessible to people with disabilities. The Capital budget reflects the funds for large construction, renovation, or investment projects with value that lasts for multiple years and are outside the scope of the District's day-to-day operations. Total expenditures in the Capital projects fund in fiscal year 2016 were $293 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

In addition, the Capital Improvement Tax levy is an annual property tax levy dedicated exclusively to school construction projects. In 2003, the Illinois legislature in Springfield gave Chicago the right to levy a special property tax, or Capital Improvement Tax levy, to help with school modernization. Led by Mayor Emanuel, the City followed through on this levy in the fall of 2015. Beginning in fiscal year 2016, the Capital Improvement Tax levy will generate roughly $45 million annually, which will be used to pay for the school construction projects and repay bonds issued to finance them. The property tax levy is authorized under state law and can be used only to fund capital projects.

Because the CIT bonds can be used only for capital projects, the bonds have no impact on the District's operating budget, which funds staff and other day-to-day expenses. This allows CPS to issue

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long-term debt for building projects without impacting classroom funding. CPS issued the first Series of CIT bonds in December 2016. This entirely new bond credit structure, that is separate from the existing CPS general obligation bonds credit, received an investment grade rating from two rating agencies at the initial issuance, allowing CPS to achieve a lower borrowing cost.

AWARDS AND ACKNOWLEDGEMENTS

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Education of the City of Chicago for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. CPS has received this award every year since 1996.

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 accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are again submitting it to GFOA.

CPS also received the Certificate of Excellence for Financial Reporting from the Association of School Business Officials International for the 15th consecutive year. We have included this award in the recognition of the importance of fiscal policies on our ability to educate our students and undertake the new initiatives outlined above.

Acknowledgments: This report could not have been prepared without the dedicated and effective help of the entire staff of the Department of Finance, the Chief Executive Office and the Office of the Board. We wish to express our gratitude and appreciation to them for their dedicated efforts and professionalism.

Respectfully submitted,

Ronald DeNard
Senior Vice President of Finance

Melinda M. Gildart, CPA, MBA
Controller

FINANCIAL SECTION

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RSM

RSM US LLP

Independent Auditor's Report

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chicago Public Schools (the Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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 governmental activities, each major fund, and the aggregate remaining fund information of CPS, as of June 30, 2016, and 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 17 to the financial statements, management has developed a plan for the future sustainability of CPS. 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 management's discussion and analysis on pages 12 - 27, the budgetary comparison for the General Operating Fund on page 79, and pension and other post-employment benefit (OPEB) information on pages 80 - 82 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 for the year ended June 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise CPS' basic financial statements. The individual fund schedules for the year ended June 30, 2016, the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2016, 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 individual fund schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2016.

We also previously audited, 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, the basic financial statements of CPS as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 16, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The individual fund schedules for the year ended June 30, 2015 are presented for purposes of additional analysis and are 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 2015 financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

The introductory and statistical sections 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 January 23, 2017 on our consideration of CPS' 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 CPS' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
January 23, 2017

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2016

Our discussion and analysis of the financial performance of Chicago Public Schools (CPS) provides an overview of financial activities for the fiscal year ended June 30, 2016. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the transmittal letter, financial statements and notes to the basic financial statements to further enhance their understanding of CPS' financial performance.

FINANCIAL HIGHLIGHTS

The government-wide financial statements and Statement of Net Position shows liabilities and deferred inflows totaling $21.6 billion, an increase of $613.7 million from fiscal year 2015, while assets and deferred outflows equaled $9.7 billion, with a decrease of $145.2 million, respectively. The overall increase in total liabilities and deferred inflows stems from combined increases in the District's line of credit of $170 million and increased long-term debt borrowings of $444 million. The overall decrease in total assets and deferred outflows is derived from a decrease in net capital assets of $47.5 million, lower cash on hand of $132.2 million from prior year and the effect of the termination of derivative instruments and hedging activities of $40.4 million. CPS ended fiscal year 2016 with a deficit in net position of $11.971 billion, an increase in the deficit of $758.9 million or 6.8% from the prior year. The Statement of Activities presents a decrease in total expenses from fiscal year 2015 in governmental activities of $302.9 million, a net decrease of $150.3 million in grants and contributions and an increase in interest and investment earnings of $29 million.

CPS ended fiscal year 2016 with a combined fund balance for its governmental funds of $449.9 million, a decrease of $381.7 million or 45.9%, from fiscal year 2015. The fund balance decreased by $486.9 million in the general operating fund, increased by $238.4 million in the capital project fund, and decreased by $133.1 million in the debt service fund. Total revenues in the general fund for fiscal year 2016 were $4.878 billion, which were $32 million or 0.7% less than the prior year amount of $4.910 billion. Total expenses in the general fund for fiscal year 2016 were $5.414 billion, which decreased by $206 million or 3.7% from fiscal year 2015. The general operating fund ended fiscal year 2016 with a negative fund balance of -$126.6 million. Fund balance decreased in 2015 by $723.7 million, which is $236.8 million higher than the current year's loss. Meanwhile, actual spending results in the general operating fund were $278 million less than projected spending for 2016. See Footnote 17 for further discussion on CPS future sustainability.

In fiscal year 2016, the Board issued $725 million in Unlimited Tax General Obligation Bonds, including discounts of $110 million, to repay debt service obligations, fund the capital improvement program. Total expenditures in the capital projects fund were $293 million and total debt service expenditures totaled $455 million.

CPS debt was downgraded by Moody's Investor Services, Standard and Poor's and Fitch Ratings. Several bond rating changes related to the long term debt of the Board occurred after June 30, 2016. Moody's Investor Service downgraded their general obligation (GO) debt rating of the Board to B3 on September 26, 2016. Standard & Poor's downgraded its long-term bond rating of the Board to "B" on November 9, 2016. Fitch Ratings lowered its rating to "B+" on November 7, 2016. On November 11, 2016, Kroll Bond Rating Agency affirmed its rating of "BBB" on the Board's Series 2016A general obligation bonds and affirmed the "BBB-" rating on the Board's remaining outstanding general obligation bonds. For detailed information, please refer to Note 16 to the basic financial statements

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of Management's Discussion and Analysis and a series of financial statements and accompanying notes, both primarily focusing on the school district as a whole.

The government-wide financial statements including the Statement of Net Position and the Statement of Activities provide both short-term and long-term information about CPS' financial status. The fund financial statements provide a greater level of detail of how services are financed in the short-term as well as the remaining available resources for future spending. The accompanying notes provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the school district as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The ***Statement of Net Position*** presents information on all of CPS' assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, for the resulting net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The ***Statement of Activities*** presents information showing the details of change in net position during the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of CPS that are principally supported by taxes and inter-governmental revenues (governmental activities).

All of CPS' services are reported in the government-wide financial statements, including instruction, pupil support services, administrative support services, facility support services, instructional support services, food services and community services. Property taxes, replacement taxes, state aid, and interest and investment earnings finance most of these activities. Additionally, capital assets and debt-financing activities are reported here.

FINANCIAL SECTION

B-16

Condensed Statement of Net Position (In millions)

	Governmental Activities 2016	2015	Difference	% Change
Current Assets	$ 2,561	$ 2,635	$ (74)	-2.8%
Capital Assets, net	6,150	6,198	(48)	-0.8%
Non-current Assets	—	7	(7)	-100.0%
Total Assets	$ 8,711	$ 8,840	$ (129)	-1.5%
Total deferred outflows of resources	$ 952	$ 968	$ (16)	-1.7%
Current Liabilities	$ 1,707	$ 1,548	$ 159	10.3%
Long-term Liabilities	19,561	18,695	866	4.6%
Total Liabilities	$ 21,268	$ 20,243	$1,025	5.1%
Total deferred inflows of resources	$ 365	$ 777	$ (412)	-53.0%
Net Position:				
Net investment in capital assets	$ (343)	$ (159)	$ (184)	-115.7%
Restricted for:				
Debt service	511	446	65	14.6%
Grants and donations	65	65	—	0.0%
Workers' comp/tort immunity	35	41	(6)	-14.6%
Unrestricted	(12,239)	(11,605)	(634)	-5.5%
Total net position (deficit)	$(11,971)	$(11,212)	$ (759)	-6.8%

Current assets decreased primarily due to lower cash and investment balances as of June 30, 2016.

Capital assets, net of depreciation, decreased due to the sale of several buildings, including five schools closed as a result of school actions in fiscal year 2013 and the recording of an asset impairment from a 2016 school action. Refer to Note 6 to the basic financial statements for more detailed information.

Non-current assets decreased due to the reduction in long term cash and investments held in escrow.

Deferred outflows of resources decreased overall by $16 million, as the District recorded activity from "year two" of its implementation of GASB Statement No. 68 in fiscal year 2016 (resulting in an increase of $35 million in deferred pension outflows), a decrease of $39 million from the termination of swaps, including accumulated changes in the fair value of swaps and deferred charges on refunding were lower by $12 million from fiscal year 2015. Refer to Note 10 to the basic financial statements for more information on derivatives.

Current liabilities increased primarily as a result of a larger current balance due on the District's line of credit, which was higher by $170 million from prior year and the prioritization of vendor payments that continued from fiscal year 2015.

Long-term liabilities increased due to the issuance of additional long term bonds, a net increase of $444 million from 2015, an increases in the District's net pension liability of $522 million and its OPEB liability of $106 million. Refer to Note 9 to the basic financial statements for more detailed information on long term debt.

Deferred inflows of resources is composed of only deferred pension inflows related to GASB 68 as a result of the District's termination of all of its interest rate swaps, derivative instruments and hedging activities as of 2016.

Net position (deficit) decreased by $759 million to an $11.971 billion deficit. Of this amount, the District recorded a negative net investment in capital assets of $343 million, combined restricted net position of $611 million, including $511 million for debt service, $65 million for grants and donations and $35 million for worker's compensation claims and torts. Restricted net position represents legal constraints from debt covenants and enabling legislation. The $12.239 billion of unrestricted deficit represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2016.

The following table presents the changes in net position to FY2016 from FY2015:

Changes in Net Position (In millions)

	Governmental Activities 2016	2015	Difference	% Change
Revenues:				
Program revenues:				
Charges for services	$ 2	$ 2	$ —	0.0%
Operating grants and contributions	1,147	1,052	95	9.0%
Capital grants and contributions	110	356	(246)	-69.1%
Total program revenues	$ 1,259	$ 1,410	$ (151)	-10.7%
General revenues:				
Property taxes	$ 2,399	$ 2,303	$ 96	4.2%
Replacement taxes (PPRT)	162	202	(40)	-19.8%
Non-program state aid	1,443	1,492	(49)	-3.3%
Interest and investment earnings	(19)	(48)	29	-60.4%
Other	190	126	64	50.8%
Gain on sale of capital assets	10	—	10	0.0%
Total general revenues	$ 4,185	$ 4,075	$ 110	2.7%
Total revenues	$ 5,444	$ 5,485	$ (41)	-0.7%
Expenses:				
Instruction	$ 3,870	$ 4,218	$ (348)	-8.3%
Support services:				
Pupil support services	470	485	(15)	-3.1%
Administrative support services	319	250	69	27.6%
Facilities support services	455	478	(23)	-4.8%
Instructional support services	469	492	(23)	-4.7%
Food services	211	208	3	1.4%
Community services	37	38	(1)	-2.6%
Interest expense	365	332	33	9.9%
Other	7	6	1	16.7%
Total expenses	$ 6,203	$ 6,507	$ (304)	-4.7%
Change in net position	$ (759)	$ (1,022)	$ 263	-25.7%
Beginning net position (deficit)	(11,212)	(3,959)	(7,253)	183.2%
Implementation of GASB 68	—	(6,231)		
Beginning net position (deficit), as restated	(11,212)	(10,190)		
Ending net position (deficit)	$(11,971)	$(11,212)	$ (759)	6.8%

FINANCIAL SECTION

Pension Funding

Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2015, the Pension Fund reported $10,344 million in actuarial assets and $19,951 million in actuarial liabilities, for a funded ratio of 51.8%. In accordance with GASB 68, CPS has recorded a net pension liability of $10.023 billion in the accompanying financial statements, 100% of which is recognized by CPS. (For the reasons discussed in Note 13, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund).

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for FY 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately $250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law — more commonly known as "tax caps" — so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17). Although the tax does not impact CPS' financial statements for the fiscal year ending June 30, 2016, as a new revenue source, it will have a positive impact on future statements.

Capital Assets

At June 30, 2016, CPS had $6.150 billion invested in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease of $47 million or 0.8% over the prior fiscal year.

(In Millions)	2016	2015	Difference	% Change
Land	$ 314	$ 314	$ —	0.0%
Construction in progress	182	446	(264)	-59.2%
Buildings and improvements	9,242	8,752	490	5.6%
Equipment and administrative software	222	224	(2)	-0.9%
Internally developed software	7	8	(1)	-12.5%
Total capital assets	$ 9,967	$ 9,744	$ 223	2.3%
Less: accumulated depreciation	(3,817)	(3,546)	(271)	7.6%
Total capital assets, net	$ 6,150	$ 6,198	$ (48)	-0.8%

Debt and Capitalized Lease Obligations

In February 2016, CPS issued $725.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2016A, at a discount of $110 million. The proceeds of the Bonds were used to reimburse and finance expenditures related to the Board's Capital Improvement Program, refund and restructure certain outstanding obligations of the Board, fund capitalized interest on the Bonds, and pay the cost of issuance on the bonds. A total of $39.5 million was deposited into a capitalized interest account to pay for future debt payments. CPS recorded net proceeds of $357.6 million in the Capital Improvement Fund. In addition, $208.9 million was used to refund outstanding debt. The debt service on this issuance will be paid from General State Aid (GSA).

As of June 30, 2016, CPS had $7.371 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus $6.888 billion last year, an increase of 7%. For more detailed information, please refer to Notes 9 and 10 to the basic financial statements.

Overview of Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All CPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CPS' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CPS' fund financial statements provide detailed information about the most significant funds. CPS' governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of CPS' services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of CPS' operations and the services it provides.

CPS maintains three governmental funds: General Operating, Capital Projects, and Debt Service. The following schedules present a summary of the general operating fund, capital projects fund and debt service fund revenues, and other financing sources by type and expenditures by program for the period ended June 30, 2016, as compared with June 30, 2015. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

Governmental Funds
Total Revenues, Other Financing Sources and Expenditures
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Revenues:					
Property taxes	$2,409	$2,305	40.1%	$ 104	4.5%
Replacement taxes	162	202	2.7%	(40)	-19.8%
State aid	1,552	1,847	25.8%	(295)	-16.0%
Federal aid	809	799	13.5%	10	1.3%
Interest and investment earnings	(96)	(93)	-1.6%	(3)	3.2%
Other	437	377	7.3%	60	15.9%
Subtotal	$5,273	$5,437	87.7%	$(164)	-3.0%
Other financing sources	740	599	12.3%	141	23.5%
Total	$6,013	$6,036	100.0%	$ (23)	-0.4%
Expenditures:					
Current:					
Instruction	$2,971	$3,253	46.5%	$(282)	-8.7%
Pupil support services	448	460	7.0%	(12)	-2.6%
General support services	1,045	973	16.3%	72	7.4%
Food services	201	197	3.1%	4	2.0%
Community services	38	38	0.6%	—	0.0%
Teachers' pension and retirement benefits	664	676	10.4%	(12)	-1.8%
Other	7	6	0.1%	1	16.7%
Capital outlay	308	392	4.8%	(84)	-21.4%
Debt service	481	533	7.5%	(52)	-9.8%
Subtotal	$6,163	$6,528	96.4%	$(365)	-5.6%
Other financing uses	231	399	3.6%	(168)	-42.1%
Total	$6,394	$6,927	100.0%	$(533)	-7.7%
Net change in fund balances	$ (381)	$ (891)			

General Operating Fund

The general operating fund supports the day-to-day operation of educational and related activities.

Revenues:
Revenues and Other Financing Sources
(Millions of Dollars)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property taxes	2,314	2,253	47.0%	61	2.7%
Replacement taxes (PPRT)	116	144	2.4%	(28)	-19.4%
State aid	1,399	1,579	28.4%	(180)	-11.4%
Federal aid	776	768	15.7%	8	1.0%
Interest and Investment earnings	1	0	0.0%	1	100.0%
Other	272	166	5.5%	106	63.9%
Subtotal	4,878	4,910	99.0%	(32)	-0.7%
Other financing sources (uses)	50	(13)	1.0%	63	100.0%
Total	4,928	4,897	100.0%	31	0.6%

Property tax revenues increased by $61 million in fiscal year 2016 as a result of higher collections from the increased tax levy and new property added to the tax base. Fiscal year 2016 is the second year of CPS' 60 day revenue recognition period, as revenues will appear more "normalized" going forward (CPS changed its revenue recognition period from 30 to 60 days in fiscal year 2015). Collections received on or before August 29, 2016 were recognized as revenues under the modified accrual basis of accounting.

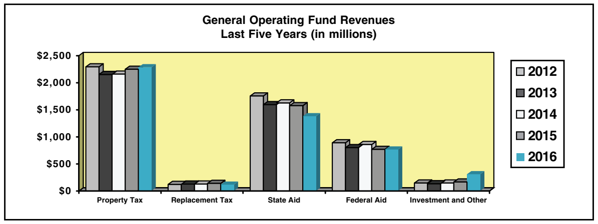
Personal property replacement taxes (PPRT) revenues are primarily composed of additional State income taxes on corporations and partnerships. These revenues decreased by $28 million or 19.4% from fiscal year 2015 due to recognition of CPS' share of the State of Illinois' overpayment to local government agencies in prior years for PPRT revenues ($23.5 million). CPS experienced an additional $5 million decrease in PPRT revenue from reduced collections in fiscal year 2016.

State aid revenues decreased by $180 million or 11.4% as a result of reductions in General State Aid (GSA) from reduced CPS enrollment and the State's unfavorable funding formula (proration of state aid to local districts). CPS had a decrease in the Formula Grant claim due to increasing property tax values and a decrease in the Poverty Grant claim due to a declining low-income student population. These decreases are partially offset by increases in Block Grant Revenue. Overall, expected Block Grant payments of $90 million for State Pre-K and $11 million for Bilingual education were due to CPS prior to the end of its revenue recognition period and thus were not recognized in the current fiscal year.

Federal aid were primarily flat from fiscal year 2015 and registered a small increase of $8 million or 1% in fiscal year 2016.

Interest and investment earnings totaled $1 million for fiscal year 2016. Investments in the operating fund were shorter in duration and generated a lower yield in order to keep the general operating fund liquid for operating purposes.

Other revenues are derived from local sources such as intergovernmental revenues, Tax Increment Financing (TIF) surplus funds and other miscellaneous revenues. Other revenues increased 63.9% in fiscal year 2016 to $272 million from increased TIF surplus funds and IGA revenues.



Expenditures:
(In Millions)

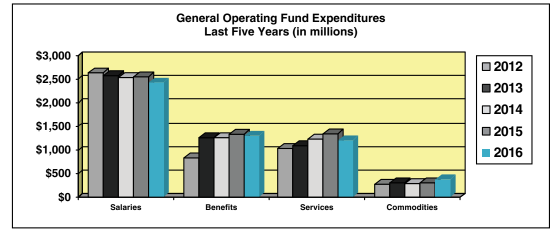
	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Salaries	$2,476	$2,576	45.7%	$(100)	-3.9%
Benefits	1,326	1,356	24.5%	(30)	-2.2%
Services	1,226	1,295	22.6%	(69)	-5.3%
Commodities	271	280	5.0%	(9)	-3.2%
Other	115	113	2.1%	2	1.8%
Total	$5,414	$5,620	100.0%	$(206)	-3.7%

Salaries decreased by $100 million or 3.9% due to a reduction in teacher and ESP employee headcount in the second half of fiscal year 2016, which subsequently resulted in a reduction in salary expense.

Benefits expenses decreased by a total of $30 million in fiscal year 2016. This net decrease is comprised of a decrease of $15 million in pension expense (due to the lower number of active teachers), a $9 million decrease in hospitalization expense and reduced third party administrative fees charged by vendors, such as the $5 million decrease in worker's compensation expenses. In fiscal year 2016, CPS had fewer employee claims and implemented several new cost saving initiatives.

Services expenses decreased by $69 million or 5.3% from the prior year as a result of professional service expenditures related to FY2013-FY2014 school closing logistics occurring in fiscal year 2015, in addition to the elimination of spending on the previously mandated Supplemental Educational Services (SES) program.

Commodities expenses decreased in fiscal year 2016 by 3.2% or 9 million, largely as a result of reduced natural gas purchases as well as lower supplies costs.



Capital Projects Fund

The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The use of capital projects funds is required for major capital acquisition and construction activities financed through borrowing or other financing agreements.

Revenues and Other Financing Sources
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property Taxes	$ 43	$ —	8.1%	$ 43	100.0%
State aid	39	32	7.3%	7	21.9%
Federal aid	8	6	1.5%	2	33.3%
Other	63	107	11.8%	(44)	-41.1%
Subtotal	$153	$145	28.8%	$ 8	5.5%
Other financing sources	$379	$186	71.2%	$193	103.8%
Total	$532	$331	100.0%	$201	60.7%

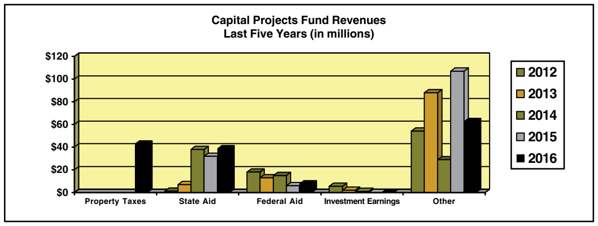
Property tax revenues were collected for the first time in the Capital Projects fund in fiscal year 2016, as a result of the Chicago City Council authorized Capital Improvement Tax. Net collections received were $43 million, which are dedicated to capital project expenditures only.

State aid revenues increased by $7 million from fiscal year 2015 mostly as a result of cash receipts from Department of Transportation grants for noise abatement in the amount of $5.5 million.

Federal aid revenues in fiscal year 2016 slightly showed a slight increase of $2 million from the prior year.

Other revenues were $44 million or $41.1% higher in fiscal year 2016 from 2015. Cash reimbursements were received from Intergovernmental Agreement (IGA) revenues from the City of Chicago, other revenues in relation to the Modern Schools Across Chicago initiative and other projects supported by Tax Incremental Financing (TIF) funds.

Other financing sources increased due to proceeds received from property sales, including buildings closed as a result of Board actions, of $15 million, in addition to proceeds from new debt of $379 million.

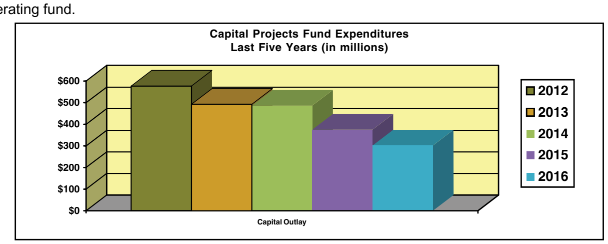


Expenditures:
(in Millions)

	2016 Amount	2015 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Capital Outlay	$293	$375	$(82)	-22%

Capital outlay

The actual spending on capital outlay decreased due to fewer construction projects initiated in fiscal year 2016 versus the prior years. The issuance of bonds to support the capital improvement program in the current year, will support capital projects previously delayed or initially funded from the general operating fund.

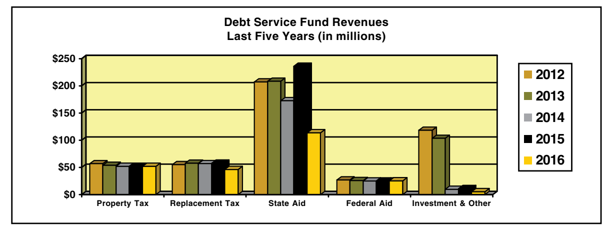


Debt Service Fund

The debt service fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest on bonds and lease obligations.

Revenues and Other Financing Sources
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property taxes	$ 52	$ 52	9.7%	$ —	0.0%
Replacement taxes (PPRT)	46	58	8.6%	$ (12)	-20.7%
State aid	114	236	21.2%	$(122)	-51.7%
Federal aid	25	25	4.6%	$ —	0.0%
Interest and investment earnings	(97)	(93)	-18.0%	$ (4)	-4.3%
Other	102	104	19.0%	$ (2)	-1.9%
Subtotal	$242	$382	45.0%	$(140)	-36.6%
Other financing sources	$296	$426	55.0%	$(130)	-30.5%
Total	$538	$808	100.0%	$(270)	-33.4%



Property taxes revenues remained flat from fiscal year 2015, as there was no change in the levy extension, which drives the collection of these funds used to pay down debt service obligations.

Personal property replacement taxes (PPRT) revenues were reduced by $12 million or 20.7% from fiscal year 2015, as a result of CPS setting aside a lower portion of replacement taxes to pay debt service in fiscal year 2016. As previously noted, CPS experienced a decrease in overall replacement taxes due to an overpayment received in prior years for statewide tax revenues collected on corporate earnings and public utility capital investments.

State aid revenues related to debt service for fiscal year 2016 are comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). A total of $114 million in revenues from these and other sources was allocated to support outstanding debt, a decrease of $122 million from the prior year.

Federal aid totaling $25 million in fiscal year 2016 remained unchanged from fiscal year 2015.

Interest and investment earnings continued to decrease for CPS in fiscal year 2016. We recorded a net investment loss of $97 million, which was a decrease or $4 million or 4.3% from prior year. The decrease was primarily due to the termination of four existing interest rate swap agreements during fiscal year 2016 totaling $110 million. This amount was partially offset by the termination of an investment agreement which netted $4 million to the Board, and recorded market value changes of securities in compliance with applicable GASB standards.

Other revenues account for one-time local revenues and/or the disbursement of property tax revenues from the City of Chicago (based on specific Inter-Governmental Agreements (IGAs)) allocated for debt service. These revenues were $2 million lower than in fiscal year 2015.

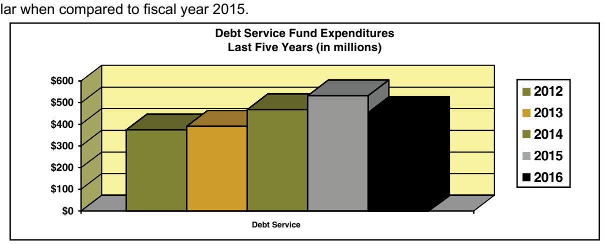
Other financing sources reflect a decrease of $130 million in fiscal year 2016 due to a portion of the net proceeds received from debt issuances in the current year being deposited into the capital projects fund and a discount recorded for $65 million.

Expenditures:
(in Millions)

	2016 Amount	2015 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Debt Service	$455	$533	$(78)	-15%

Debt service costs

The overall debt service cost for fiscal year 2016 decreased by $78 million, primarily due to the restructuring of payments in relation to the Series 2016A bond. The amount paid for other fees was similar when compared to fiscal year 2015.



Notes to the Basic Financial Statements

The notes to the basic financial statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Comparative Budgets for General Operating Fund

In July 2014, the Board adopted a balanced budget for fiscal year 2015 that reflected total resources, including $797 million of available fund balances, and appropriations of $5.757 billion.

In August 2015, the Board adopted a balanced budget for fiscal year 2016 that reflected total resources including $79 million of available fund balances, and appropriations of $5.691 billion.

General Operating Fund Budget and Actual

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The following schedule presents a summary of the operating fund revenues, expenditures, and other financing sources in comparison with the final budget for the period ending June 30, 2016.

FINANCIAL SECTION

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The General Operating Fund ended fiscal year 2016 with a deficit of $487 million, which compared unfavorably with the budgeted deficit of 79 million. Major budget-to-actual variances are described below:

Revenues, Other Financing Sources & Expenditures
General Operating Fund
Budget to Actual Comparison
(In millions)

	FY2016 Original Budget	Supplemental Appropriations & Tranfers In/(Out)	Final Appropriations	Fiscal FY2016 Actual	Over (under) Budget
Revenues:					
Property taxes	$2,308	$ —	$2,308	$2,314	$ 6
Replacement taxes	150	—	150	116	(34)
State aid	2,057	—	2,057	1,399	(658)
Federal aid	853	—	853	776	(77)
Interest and investment earnings	—	—	—	1	1
Other	245	—	245	272	27
Subtotal	$5,613	—	$5,613	$4,878	$(735)
Other financing sources (uses).	—	—	—	50	50
Total	$5,613	—	$5,613	$4,928	$(685)
Expenditures:					
Current:					
Salaries	$2,553	$ (67)	$2,486	$2,476	$ (10)
Benefits	1,332	(13)	1,319	1,326	7
Services	1,229	100	1,289	1,226	(63)
Commodities	264	18	282	271	(11)
Other	313	(38)	316	115	(201)
Total	$5,692	$ —	$5,692	$5,414	$(278)
Change in fund balances.	$ (79)			$ (486)	

Property taxes revenues received in fiscal year 2016 generated a positive variance of $6 million in property tax revenue and was due to a combination of a higher collections percentage, as compared to original estimates, along with higher than expected prior year receipts.

Personal property replacement taxes received by CPS were $34 million lower than budgeted. This is driven largely by a downward adjustment made to the State's calculation of the PPRT distribution rate. The state informed CPS that the recent years' PPRT distributions statewide were artificially high due to an error in the state's calculation of Corporate Income Tax payments. The estimated PPRT operating revenue of $150 million in CPS's fiscal year 2016 budget was artificially high as a result.

State aid received by CPS in fiscal year 2016 was $658 million lower than anticipated in fiscal year 2016. The fiscal year 2016 budget relied on $480 million in additional pension support from the state which was not received. Additionally, final payments of $90 million in Special Education Transportation Block Grant, $11 million in Bilingual Education, and $6 million in Early Childhood Block Grant were not received and/or recognized within CPS's fiscal year 2016 revenue recognition period. Finally, CPS's operating revenues from GSA were $70 million lower than budgeted due to a larger than anticipated debt service payment.

Federal aid revenues were $77 million below budget due to a lower than expected spend. Lunchroom revenue was $10 million below budget because fewer meals were served, thus reducing CPS'

FINANCIAL SECTION

reimbursement (but with an associated cost reduction). Medicaid revenues received were lower by $4 million from payments being received from the State after the District's revenue recognition period. Other reimbursement based federal grant revenues were lower due to reduced spending in those grants. Title I was $30 million below budget because of the mid-year waiver approval for the use of supplemental funding. Title II ($16 million) & Title III ($9 million) were below budget because of lower claim amounts due to slower spending. School Improvement Grants and other submitted expected grants were lower because of $8 million in anticipated grant funding that was not received during the school year.

Other local revenues comprise of miscellaneous or one-time receipts such as appropriated fund-balance, TIF surplus funds, rental income, daycare fees, private foundation grants, school internal account fund transfers, and flow-through employer contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago. Other local revenues were $27 million higher than budget for fiscal year 2016. CPS saw a $19 million increase in TIF revenues due to timing of calendar year 2015 and 2016 receipts, as well as $16 million higher than anticipated school internal fund transfers, rental income, and MEABF contribution revenues.

Expenditures

Actual General Operating Fund expenditures were $278 million under budget. In fiscal year 2015, actual spending was $136 million lower than the budget. The District attributes these results to tighter spending restrictions and mid-year budget cuts to make up for the shortfall in state revenue.

The variance is primarily due to the following:

Salaries expenses for the fiscal year 2016 totaled $2.476 billion and resulted in a $10 million positive variance from budget. Savings of $3 million in teacher salaries, was the result of higher than expected turnover. Career services salaries were $7.7 million below budget mostly due to mid-year cost savings initiatives and higher than anticipated turnover.

Benefits costs are composed of health care (medical, dental, other), unemployment compensation, workers compensation, and pension costs. Benefit costs for fiscal year 2016 were $1.326 billion and were just $7 million over budget due to somewhat higher than expected pharmacy spend. For budgetary purposes, all funding is paid to charters as a "charter tuition" expense (aggregated under Services, below). However, pension payments made on behalf of eligible charter schools teachers are recorded as pension expense (included in this category). Charter schools currently reimburse CPS for this expense and the offsetting revenue is also recognized.

Services related to student transportation, tuition for charter schools and special education purposes, including contractual and professional services, telephone, printing and equipment rental, were budgeted at $1.226 billion for fiscal year 2016. CPS ended the year $63 million below budget in this category. The positive variance to budget primarily consisted of professional and contractual services, at $42 million below budget, as a result of delayed IT implementations, reduced professional development, curriculum/instructional support, attendance services, training, legal and banking services, and contractual programs. Enrollment based projections resulted in savings of $16 million in charter, private special education, and option school tuition. Transportation expenses were $2 million over budget due to a greater than anticipated increases in student ridership.

Commodities expenditures of $271 million are derived from utility, food for school breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by $11 million. Savings on supplies totaled $8 million and was due primarily to mid-year budget reductions to schools and central office departments. Utilities costs were $1 million lower than budget due to lower than anticipated electric and gas consumption. Savings of $1 million in food costs was the result of fewer meals served than were budgeted.

Other expenditures includes equipment, facility rental, insurance, repairs, and for budgetary purposes, contingencies for new grants. In total, spending for the "other" category ended the year at $201 million below budget. The primary driver for the savings was the mostly untapped contingency that had been set up for new/anticipated grants. While the original budget adopted was $38 million higher than the current budget total, this appropriation remained at the end of the year because potential grants were ultimately not awarded.

Requests for Information

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. Additional details can be requested by mail at the following address:

The Chicago Public Schools
Department of Finance
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602

Or visit our website at: http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx for a complete copy of this report and other financial information.

(Please note that some amounts may not tie to the financial statements due to rounding.)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

STATEMENT OF NET POSITION
June 30, 2016
(Thousands of dollars)

	2016 GOVERNMENTAL ACTIVITIES
Assets:	
Current Assets:	
Cash and investments	$ 33,915
Cash and investments in escrow	519,099
Cash and investments held in school internal accounts	43,520
Property taxes receivable, net of allowance	1,134,583
Other receivables:	
Replacement taxes	33,320
State aid, net of allowance	618,190
Federal aid	115,785
Other	59,730
Other assets	2,913
Total current assets:	$ 2,561,055
Non-current Assets:	
Land and construction in progress	495,916
Buildings, building improvements and equipment, net of accumulated depreciation	5,654,204
Total non-current assets:	$ 6,150,120
Total Assets	$ 8,711,175
Deferred Outflows of Resources:	
Deferred Charge on refunding	152,661
Deferred pension outflows	798,910
Total deferred outflow of resources:	$ 951,571
LIABILITIES:	
Current Liabilities:	
Accounts payable	358,304
Accrued payroll and benefits	212,589
Amount held for student activities	43,520
Tax Anticipation Note	869,996
Other accrued liabilities	2,077
Unearned revenue	34,393
Interest payable	28,972
Current portion of long-term debt and capitalized lease obligations	156,910
Total current liabilities:	$ 1,706,761
Long-term liabilities, net of current portion:	
Debt, net of premiums and discounts	7,071,085
Capitalized lease obligations	117,900
Other accrued liabilities	13,369
Net pension liability	10,023,263
Other postemployment benefits	1,895,045
Other benefits and claims	440,834
Total long-term liabilities:	$ 19,561,496
Total liabilities	$ 21,268,257
Deferred Inflows of Resources:	
Deferred pension inflows	365,264
Total deferred inflow of resources:	$ 365,264
Net position:	
Net investment in capital assets	(342,529)
Restricted for:	
Debt service	510,743
Grants and donations	65,282
Worker's comp/tort immunity	35,116
Unrestricted (deficit)	(12,239,387)
Total Net Position	$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(Thousands of dollars)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
Governmental activities:					
Instruction	$3,870,330	$ 612	$ 629,716	$ 72,854	$(3,167,148)
Support services:					
Pupil support services	470,316	—	75,051	8,853	(386,412)
Administrative support services	318,736	—	50,863	6,000	(261,873)
Facilities support services	454,652	—	72,552	8,558	(373,542)
Instructional support services	468,999	—	74,841	8,828	(385,330)
Food services	211,288	1,336	238,828	3,977	32,853
Community services	36,967	—	5,899	696	(30,372)
Interest expense	365,136	—	—	—	(365,136)
Other	7,388	—	—	—	(7,388)
Total governmental activities	$6,203,812	$1,948	$1,147,750	$109,766	$(4,944,348)
General revenues:					
Taxes:					
Property taxes					$ 2,399,287
Replacement taxes					161,535
Non-program state aid					1,442,822
Interest and investment earnings					(18,706)
Other					190,480
Gain on sale of capital assets					10,058
Total general revenues					$ 4,185,476
Change in net position					(758,872)
Net position — beginning (deficit)					(11,211,903)
Net position — ending (deficit)					$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS

June 30, 2016

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 13,450	$ —	$ 20,465	$ 33,915
Cash and investments in escrow	786	44,000	474,313	519,099
Cash and investments held in school internal accounts	43,520	—	—	43,520
Receivables:				
Property taxes, net of allowance	1,067,047	43,425	24,111	1,134,583
Replacement taxes	33,320	—	—	33,320
State aid, net of allowance	611,604	6,586	—	618,190
Federal aid	107,354	5,331	3,100	115,785
Other, net of allowance	4,534	14,556	40,640	59,730
Due from other funds	89,340	76,958	—	166,298
Total assets	$1,970,955	$190,856	$562,629	$2,724,440
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ 307,512	$ 48,440	$ 2,351	$ 358,303
Accrued payroll and benefits	144,686	—	—	144,686
Amount held for student activities	43,520	—	—	43,520
Due to other funds	76,958	2,968	86,372	166,298
Tax Anticipation Note	869,996	—	—	869,996
Unearned revenue	18,882	15,139	—	34,021
Total liabilities	$1,461,554	$ 66,547	$ 88,723	$1,616,824
Deferred inflows of resources:				
Unavailable property tax revenue	$ 66,749	$ 837	$ 1,499	$ 69,085
Other unavailable revenue	569,285	16,223	3,100	588,608
Total deferred inflows	$ 636,033	$ 17,061	$ 4,599	$ 657,693
Fund balances:				
Nonspendable	$ 429	—	—	$ 429
Restricted for grants and donations	64,854	—	—	64,854
Restricted for workers' comp/tort immunity	35,116	—	—	35,116
Restricted for capital improvement program	—	107,248	—	107,248
Restricted for debt service	—	—	535,116	535,116
Unassigned	(227,031)	—	(65,809)	(292,840)
Total fund balances	$ (126,632)	$107,248	$469,307	$ 449,923
Total liabilities, deferred inflows and fund balances	$1,970,955	$190,856	$562,629	$2,724,440

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

(Thousands of dollars)

Total fund balances — governmental funds		$ 449,923
Certain items that are recorded as expenditures in the governmental funds are treated as assets in the Statement of Net Position. These items include:		
Prepaid bond insurance costs		2,913
Deferred outflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		951,571
The cost of capital assets (land, buildings and improvements, equipment and software) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of CPS as a whole. The cost of those capital assets are allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in the governmental funds.		
Cost of capital assets		9,966,865
Accumulated depreciation		(3,816,745)
Liabilities applicable to CPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Debt, interest payable on debt and other long-term obligations are not recorded in the governmental funds but they are reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Other accrued liabilities	$ (15,446)	
Debt, net of premiums and discounts	(7,186,890)	
Capitalized lease obligations	(159,005)	
Net pension liability	(10,023,263)	
Other post-employment benefits obligation	(1,895,045)	
Other benefits and claims	(508,737)	
		(19,788,386)
Interest payable		(28,972)
Certain revenues are deferred inflows of resources in the governmental funds because they are not available but are recognized as revenue in the government-wide financial statements.		
Property tax revenue		69,085
Other		588,235
Deferred inflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		(365,264)
Net position (deficit)		$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2016

With Comparative Amounts for the Fiscal Year Ended June 30, 2015

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2016	Total Fiscal Year Ended June 30, 2015
Revenues:					
Property taxes	$2,313,470	$ 42,588	$ 52,358	$2,408,416	$ 2,304,656
Replacement taxes	115,961	—	45,574	161,535	202,148
State aid	1,398,854	39,430	114,041	1,552,325	1,847,069
Federal aid	776,277	7,707	25,015	808,999	798,930
Interest and investment earnings	1,347	84	(97,081)	(95,650)	(92,825)
Other	271,858	62,910	102,274	437,042	377,287
Total revenues	$4,877,767	$ 152,719	$ 242,181	$5,272,667	$ 5,437,265
Expenditures:					
Current:					
Instruction	$2,970,553	—	—	$2,970,553	$ 3,253,484
Pupil support services	448,254	—	—	448,254	459,672
Administrative support services	303,785	—	—	303,785	236,748
Facilities support services	380,989	—	—	380,989	356,103
Instructional support services	359,966	—	—	359,966	379,675
Food services	201,377	—	—	201,377	197,084
Community services	37,497	—	—	37,497	38,003
Teachers' pension and retirement benefits	664,123	—	—	664,123	676,078
Other	7,388	—	—	7,388	6,319
Capital outlay	14,780	293,311	—	308,091	391,953
Debt service	26,134	—	455,285	481,419	533,493
Total expenditures	$5,414,846	$ 293,311	$ 455,285	$6,163,442	$ 6,528,612
Revenues in excess of (less than) expenditures	$ (537,079)	$(140,592)	$(213,104)	$ (890,775)	$(1,091,347)
Other financing sources (uses):					
Gross amounts from debt issuances	—	$ 428,892	$ 296,107	$ 724,999	$ 561,880
Discounts	—	(64,953)	(45,118)	(110,071)	(12,502)
Sales of general capital assets	—	15,012	—	15,012	37,504
Payment to refunded bond escrow agent	—	—	(120,856)	(120,856)	(386,710)
Transfers in / (out)	50,162	—	(50,162)	—	—
Total other financing sources (uses)	$ 50,162	$ 378,951	$ 79,971	$ 509,084	$ 200,172
Net change in fund balances	$ (486,917)	$ 238,359	$(133,133)	$ (381,691)	$ (891,175)
Fund balances, beginning of period	360,285	(131,111)	602,440	831,614	1,722,789
Fund balances, end of period	$ (126,632)	$ 107,248	$ 469,307	$ 449,923	$ 831,614

The accompanying notes to the financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

Total net change in fund balances — governmental funds		$(381,691)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed the depreciation in the period.		
Capital outlay/equipment	$ 253,002	
Depreciation expense	(291,570)	
		(38,568)
In the Statement of Activities, gain or loss on disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds are recorded		(8,939)
Proceeds from sales of bonds are reported in the governmental funds as a source of financing, whereas they are recorded as long-term liabilities in the Statement of Net Position (Net of discount of $110,071)		(614,929)
Payments to refunded escrow agent are reported in the governmental funds as a source of financing use, whereas they are recorded as reductions of long term liabilities in the Statement of Net Position		120,856
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		139,105
Changes in the fair value of investment derivatives that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities		76,944
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities however, interest cost is recognized as the interest accrues, regardless of when it is due		(22,399)
Government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		(249)
Since some property taxes and intergovernmental amounts will not be collected for several months after CPS' fiscal year end, they are not considered as "available" revenues in the governmental funds and are instead recorded as unavailable revenues. They are, however, recorded as revenues in the Statement of Activities. The following represents the change in related unavailable revenue balances.		
Property taxes		(9,129)
Federal grants		(8,123)
State grants and other revenues		102,524
In the Statement of Activities, pollution remediation obligation, legal settlements, sick pay, vacation pay, workers' compensation and unemployment insurance, general and automobile liability, net pension liability, and other post-employment benefits are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paid when the amounts become due. The following represents the change during the year for these obligations.		
Pollution remediation obligation		6,043
Vacant property demolition obligation		5,373
Other litigation and claims		3,878
Sick pay		30,915
Vacation pay		7,784
Workers' compensation and unemployment insurance		17,808
General and automobile liability		(5,298)
Net pension liability		(75,173)
Other post-employment benefits — teacher		(105,604)
Change in net position		$(758,872)

The accompanying notes to the financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of the City of Chicago, or the Chicago Public Schools (CPS), is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the boundaries of the City of Chicago. The Board of Education of the City of Chicago (the Board) is established under and governed by the Illinois School Code and maintains a system of schools primarily for kindergarten through twelfth grade.

As a result of legislation passed by the Illinois General Assembly, which became effective on June 30, 1995, the Mayor of the City of Chicago appoints the members of the Board. CPS is excluded from the City's reporting entity because it does not meet the financial accountability criteria for inclusion established by the Governmental Accounting Standards Board (GASB).

The City of Chicago, the Public Building Commission of Chicago and the Public School Teachers' Pension and Retirement Fund of Chicago are deemed to be related organizations, but separate entities, and are not included as part of the CPS reporting entity. No fiscal dependency exists between these organizations. These units are excluded from the CPS reporting entity because they do not meet the criteria for inclusion as established by GASB.

New Accounting Standards

During fiscal year 2016, CPS adopted the following GASB Statements:

- GASB 72, *Fair Value Measurement and Application.* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide 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. See Note 4 for additional information on Cash Deposits and Investments.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This statement will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This statement is also intended to improve implementation guidance by elevating its authoritative status to a level that requires it to be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. The implementation of this statement had no financial impact on the CPS.
- GASB 79, C*ertain External Investment Pools and Pool Participants.* This statement establishes criteria for an external investment pool to qualify for making the elections to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement had no financial impact on the CPS.

Other accounting standards that CPS is currently reviewing for applicability and potential impact on future financial statements include:

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability, and establishes requirements for those pensions and pension plans that are not administered through a trust and pensions and pension plans not covered by Statements 67 and 68. This Statement is effective for the fiscal year ending June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This statement also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the fiscal year end June 30, 2017.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplemental information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the fiscal year ending June 30, 2018. GASB 75 is expected to have a material impact on the District's financial statements.
- GASB 77, *Tax Abatement Disclosures.* This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost — sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for the fiscal year ending June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 80, *Blending Requirements for Certain Component Units — An Amendment of GASB Statement No. 14.* This statement amends the blending requirements for the financial statement presentation of component units for all state and local governments established in paragraph 53 of Statement *No.14, The Financial Reporting Entity, as amended.* This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 81, *Irrevocable Split-Interest Agreements*, which provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement is effective for the fiscal year ending June 30, 2018.
- GASB 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68 and No.73.* This statement addresses issues with (1) the presentation of payroll-related measures in required supplementary information stated in Statements No. 67 *Financial Reporting for Pension Plans* and No. 68 *Accounting and Financial Reporting for Pensions*, (2) The selection of Assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, stated in Statements No. 67, No. 68, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*, and (3) the classification of payments made by employers to satisfy employee contribution requirements as stated by Statements No. 67 and No. 68. This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83, establishes criteria for determining the timing and pattern of the recognition of a liability and a corresponding deferred outflow of resources or AROs. This Statement is effective for the fiscal year ending June 30, 2019.

Description of Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the GASB requirements of accounting and financial reporting for non-exchange transactions. Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods and is reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods and is reported in a separate section after liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside CPS' taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CPS reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of CPS. Interfund balances have been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. State and Federal grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, State aid, Federal aid, replacement taxes, IGA, and other revenue are considered to be available if collected within 60 days of fiscal year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to derivatives, compensated absences, claims and judgments, other postemployment benefits, pension benefits and pollution remediation obligations, are recorded only when payment is due.

Funds

CPS reports its financial activities through the use of "fund accounting". This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

Governmental Funds

a. General Operating Fund

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

Educational Program
Supplementary General State Aid Program
School Food Service Program

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Elementary and Secondary Education Act (ESEA) Program
Individuals with Disabilities Education Act (IDEA) Program
Workers' and Unemployment Compensation/Tort Immunity Program
Public Building Commission Operations and Maintenance Program
Other Government-Funded Programs

b. Capital Projects Fund

The Capital Projects Fund includes the following programs:

Capital Asset Program — This program is for the receipt and expenditure of the proceeds from the sale of certain Board real estate and other miscellaneous capital projects revenues from various sources as designated by the Board.

Capital Improvement Program — This program is for the receipt and expenditure of proceeds from the sale of Unlimited Tax General Obligation Bonds, Public Building Commission (PBC) Building Revenue Bonds, State of Illinois Construction Grants, Federal E-rate capital subsidies and other revenues for the purpose of building and improving schools as designated by the Board. The bonds are being repaid in the Debt Service Fund.

c. Debt Service Fund

The Debt Service Fund includes the following programs:

Bond Redemption and Interest Program — This program is for the receipt and expenditure of Replacement Taxes, City of Chicago Intergovernmental Agreement revenue, State of Illinois Construction Grants, General State Aid and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the Public Building Commission of school buildings are recorded in this program. The title to these properties passes to the City of Chicago, in trust for the use of CPS, at the end of the lease terms.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Deposits and Investments

CPS' cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, State statutes authorize CPS to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool. CPS' investments are reported at fair value based on quoted Market prices and valuations provided by third party account custodians. As of June 30, 2016 CPS holdings only include debt securities reported at fair value.

Cash and Investments in Escrow

Certain proceeds of CPS' bond issuances, as well as certain assets set aside for their repayment, are classified as cash and investments in escrow on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Property Tax Receivable

CPS records its property tax receivable amounts equal to the current year tax levy net of an allowance for estimated uncollectible amounts. The allowance is recorded at 3.5% of the gross levy.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A calendar year's property tax levies are billed (extended) in two installments in the subsequent calendar year. Calendar year 2015 property taxes were levied for fiscal year 2016 in August 2015 and were billed in fiscal year 2016. In 2016, the installment due dates were March 1 and August 1. Property taxes unpaid after these dates accrue interest at the rate of 1.5% per month. The treasurers of Cook and DuPage counties, who distribute such receipts to CPS, receive collections of property tax installments. CPS' property tax becomes a lien on real property on January 1 of the year for which it is levied. CPS does not record a receivable nor related deferred inflows of resources until the Board passes the levy for the current fiscal year.

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds".

Capital Assets

Capital assets; which include land, construction in progress, buildings, building improvements and equipment are reported in the governmental activities columns in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment is a unit cost of $25,000 or more. Donated capital assets are recorded at acquisition value. CPS also capitalizes internally developed software with a capitalization threshold of $75,000 or more.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Beginning in fiscal year 2005, CPS implemented procedures related to impaired assets. Generally, a capital asset is considered impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle. See Note 6 for additional information on impairments.

Depreciation of buildings and building improvements of CPS is calculated using the straight-line method. Equipment is depreciated using the straight-line method. CPS' capital assets have the following estimated useful lives:

Assets	Years
Buildings and building improvements	25-50
Administrative software/systems	20
Internally developed software	3
Equipment	5

Depreciation of buildings and building improvements placed in service prior to fiscal year 2002 was calculated using a composite rate that CPS estimated to be 32 years. For items placed in service subsequent to fiscal year 2001, CPS utilizes the estimated useful lives for specific components within the range noted above.

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vacation and Sick Pay

CPS provides vacation and sick pay benefits for substantially all of its employees. Accrued sick pay benefits were computed using the termination payment method. The liability for accrued vacation pay benefits was computed using the employees' actual daily wages. Please refer to Note 12 for accruals.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable as reported includes the unamortized balances of bond premiums and discounts. Prepaid insurance costs are reported as other assets and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions — In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago and additions to/ deductions from the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago fiduciary net position have been determined on the same basis as they are reported by the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Swaps

CPS enters into interest rate swap agreements to modify interest rates on outstanding debt. CPS reported the swaps according to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Please refer to Note 11 for required disclosures. Swaps are reported at fair value and if they meet the definition of a hedge, then a like amount is reported as a deferred item in the Statement of Net Position. If the swaps are not effective, the change in fair value is reported in the Statement of Activities. Swaps are not reported in the fund financial statements. However, transactions are accounted for if there is the receipt or disbursement of cash. CPS terminated all swap agreements as of June 30, 2016.

Fund Balances

Within the governmental fund types, CPS' fund balances are reported in one of the following classifications:

Nonspendable — includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted — includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed — includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of CPS' highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless CPS removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. CPS' highest level of decision-making authority rests with CPS' Board of Education. CPS passes formal resolutions to commit their fund balances. There are no committed fund balances as of June 30, 2016.

Assigned — includes amounts that are constrained by CPS *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) CPS' Board of Education itself or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. As of fiscal year 2016, CPS's Board has not delegated the authority to assign amounts to be used for specific purposes to a body or official. CPS' Board of Education assigns amounts for a specific purpose within the General Operating Fund. Within the other governmental fund types (debt service and capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned — includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

In the General Operating Fund and other governmental funds (capital projects and debt service fund types), it is CPS' policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Note: There is a negative fund balance in the General Operating Fund.

Net Position

The Statement of Net Position includes the following:

Net investment in capital assets — the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted for debt service — the component of net position with constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for grants and donations — the component of net position that reports the difference between assets and liabilities of the certain programs that consists of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for workers' compensation/tort immunity — the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted — consists of net position that does not meet the criteria of the four preceding categories.

Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPS' financial statements for the year ending June 30, 2015, from which the summarized information was derived.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating, Capital Projects and Debt Service funds. Unencumbered appropriations, in General operating and Debt Service funds, lapse at fiscal year-end.

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

The Capital Projects Fund is budgeted on a project-by-project basis. Budgeted amounts in the Capital Projects Fund represent the entire project budget for projects that were expected to commence in fiscal year 2016. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE

a. Property Taxes — CPS levies property taxes using tax levy rates established by statute and an equalized assessed valuation (EAV) estimated by CPS. The maximum billing (extension) of property taxes for the rate-limited Educational Levy in any calendar year is limited to the lesser of the tax rate established by statute multiplied by the EAV known at the time the final calendar year tax bills are calculated by the Cook and DuPage County Clerks, or the tax rates established by statute multiplied by the prior year EAV. Property taxes for the levies that are not rate-limited are levied based on the estimated requirements for such funds.

FINANCIAL SECTION

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

As part of the annual budgetary process, CPS adopts a resolution each December in which it is determined to levy real estate taxes. In FY16, CPS adopted a resolution for tax levy in August 2015 because that tied public discussion of the tax levy more closely with the budget that the levy was going to fund and CPS needed to do short term borrowing against the levy. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in prescribed form must be published and a public hearing must be held if the aggregate annual levy exceeds 105% of the levy of the preceding year.

Since the 1994 levy year, CPS has been subject to the Property Tax Extension Limitation Law (PTELL). The PTELL, commonly known as the property-tax cap, is designed to limit the increases in property taxes billed for non-home rule taxing districts. The growth in a taxing district's aggregate extension base is limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The CPI used is for all urban consumers for all items as published by the U.S. Department of Labor, Bureau of Labor Statistics. This limitation can be increased for a taxing body with voter approval. The PTELL allows a taxing district to receive a limited annual increase in tax extensions on existing property, plus an additional amount for new construction. This limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation.

Legal limitations on tax rates and the rates extended in calendar years 2016 and 2015 are shown below.

	Maximum 2016 Legal Limit	Tax Rates Extended Per $100 of EAV 2016	Tax Rates Extended Per $100 of EAV 2015
General Operating Fund:			
Educational	(A)	$3.205	$3.409
Workers' and Unemployment Compensation/Tort Immunity	(B)	0.111	0.169
Debt Service Fund:			
Public Building Commission Leases Program	(C)	0.075	0.082
Capital Fund:			
Capital Improvement	(D)	0.064	0.000
		$3.455	$3.660

NOTES:

A. The maximum legal limit for educational purposes under PTELL cannot exceed $4.00 per $100 of EAV (105 ILCS 5/34-53), and the total amount billed (extended) under the General Operating Fund is subject to the PTELL as described above.

B. These tax rates are not limited by law, but are subject to the PTELL as described above.

C. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS to make its lease payments related to the certificates of participation debt obligations.

D. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS for the Capital Improvement Tax (CIT). Per (105 ILCS 5/34-53.5), the CIT act became effective in 2002 and requires the initial levy of the CIT made by the Board to be authorized by a one-time approval of the Chicago City Council, which approved the CIT in 2015. The Board authorized the initial levy of the CIT for $45 million in calendar year 2015 for collection in 2016. The CIT Act establishes maximum authorized amounts of the CIT that can be levied each calendar year equal to the cumulative inflationary growth on a base of $142.5 million starting in 2003.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

b. State Aid — The components of State Aid as reported in the financial statements are as follows ($000's):

	Fund Financial Statements	Government Wide-Financial Statements
Revenues:		
General state aid unrestricted	$ 710,642	$ 710,642
Supplementary general state aid	261,000	261,000
Educational services block grant	387,994	471,180
Other restricted state revenue	192,689	203,928
Total state aid	$1,552,325	$1,646,750
Program Revenues:		
Operating grants and contributions		(203,928)
Non-program general state aid		$1,442,822

NOTE 4. CASH DEPOSITS AND INVESTMENTS

Cash and investments held in the name of the CPS are controlled and managed by the CPS' Treasury Department; however, custody is maintained by the Treasurer of the City of Chicago, who is the designated ex-officio Treasurer of the CPS under the Illinois School Code. Custody is not maintained by the Treasurer of the City of Chicago for cash and investments in escrow and the schools' internal accounts. The cash and investments in escrow in the Debt Service Fund represent the amount available for debt service payments on the Unlimited Tax General Obligation Bonds and PBC Leases. The cash and investments in escrow in the Capital Projects Fund represent the unspent proceeds from the Unlimited Tax General Obligation Bonds and other revenues.

Cash and Deposits

With the exception of school internal accounts as designated by the Board, the Municipal Code of Chicago requires that cash be deposited only in chartered banks or savings and loan associations that are on the City of Chicago's approved depository listing. The ordinances allow only regularly organized State or national banks insured by the Federal Deposit Insurance Corporation, and Federal and State savings and loan associations insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation located within the City of Chicago, to be designated depositories.

Custodial Credit Risk — Custodial credit risk for deposits is the risk that in the event of a financial institution failure, CPS deposits may not be returned. The CPS Investment Policy requires collateral with an aggregate market value of not less than 110% of the original acquisition price, including principal and accrued interest, on depository account balances, banker's acceptances and certificates of deposit unless the bank meets certain rating requirements and or asset unless either: 1) the bank has assets exceeding $500,000,000; or 2) the applicable instrument is insured at the time of purchase by an entity with long-term ratings in one of the highest 2 classifications without regard to gradation, in which case collateralization is not required. Collateral for the CPS' bank accounts are held by a third-party custodian in the name of the City of Chicago Treasurer for the benefit of the CPS. Collateral shall be only those securities authorized as allowable investments.

As of June 30, 2016, the book amount of the CPS' deposit accounts was $49.7 million. The bank balances totaled $58.1 million as of June 30, 2016. The difference between the book and bank

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2016. The bank balance was covered by Federal depository insurance and by collateral held by third-party custodians.

Cash and Investments Held in School Internal Accounts, and the corresponding liability, Amounts Held for Student Activities, represent the book balance for checking and investments for individual schools.

Investments

The CPS' investments are authorized under the Illinois Compiled Statutes Finance Investment Act. The CPS' Investment Policy is derived from this Act. The CPS Investment Policy authorizes the CPS to invest in obligations guaranteed by the full faith and credit of the U.S. Government, certificates of deposit constituting direct obligations of banks, commercial paper, money market mutual funds, repurchase agreements that mature within 330 days, certain U.S. Government agency securities, and certain State and municipal securities that are rated at the time of purchase at A1/A+ or better by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision. All mutual funds purchased invest in eligible securities outlined in the parameters of the CPS Investment Policy and meet certain other regulatory requirements.

The CPS' Investment Policy contains the following stated objectives:

- Safety of Principal. Investments shall be undertaken in a manner that provides for the preservation of principal in the overall portfolio.
- Liquidity. The investment portfolio shall be sufficiently liquid to meet all reasonably anticipated operating and cash flow requirements.
- Rate of Return. The investment portfolio shall be constructed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.
- Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

Custodial Credit Risk — All CPS investment securities shall be held by a third party custodian in accordance with municipal ordinances to the extent required by state statute. The CPS treasurer shall periodically review the approved depositories to evaluate counterparty risk. In order to further reduce custodial risk, investments are registered and held in the name of CPS. The collateral requirements for investments with depository balances is the same as those for cash and deposits (disclosed above). Repurchase agreement investments are required to have collateral not less than 102% of the acquisition price.

At June 30, 2016, the CPS had the following investments ($000's) and maturities:

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1-5 Years
Repurchase Agreements	A-/Baa2	$ 46,691	$ 46,691	$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	13,275	11,898	1,377
U.S. Treasury Notes	AA+/Aaa	88,866	—	88,866
Commercial Paper	A-1/P-1/AAAm / Aaa-mf	132,434	132,434	—
Money Market Mutual Funds	AAAm/Aaa-mf	265,605	265,605	—
Total Investments		$546,871	$456,628	$90,243
Cash and CDs		49,662	—	—
Total Cash and Investments		$596,533	$456,628	$90,243

* In order to further reduce custodial risk, investments are registered and held in the name of CPS.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk — The CPS Investment Policy requires maintenance of a two-tiered portfolio which limits the average maturity of the Liquidity Cash Management tier of the portfolio to six months, limits the average maturity of the Enhanced Cash Management tier of the portfolio to five years and limits the maturity of any single issue in the Enhanced Cash Management tier of the portfolio to 10 years.

Credit Risk — CPS' Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services. As of June 30, 2016, Moody's Investment Service rated the CPS' investments in banker's acceptances and commercial paper A1+ or A1 by Standard and Poor's, and P-1 by Moody's. As of June 30, 2016, Standard and Poor's rated the CPS' investments in money market mutual funds AAAm/Aaa-mf and municipal securities as A1/A+ or better as required by the CPS' Investment Policy.

Concentration of Credit Risk — As of June 30, 2016, no issuer represented over 5% of total investments. Investments issued by the U.S. government and government agencies and investments in mutual funds are excluded from the concentration of credit risk.

CPS categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CPS has the following recurring fair value measurements ($000's) as of June 30, 2016 using a matrix pricing model:

		Fair Value Measurements Using		
	June 30, 2016	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities				
Federal Farm Credit Bank Note	$ 1,377	$ —	$ 1,377	$ —
US Treasury Note	88,866	—	88,866	—
Total debt securities	$90,243	$ —	$90,243	$ —
Total investments measured at fair value	$90,243	$ —	$90,243	$ —

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools are measured at amortized cost and therefore excluded from the above fair value table. This exclusion includes money market funds, commercial paper, repurchase agreements and agency obligations held by CPS in the amount of $456.7 million.

The following table provides a summary of CPS' total cash and investments by fund type as of June 30, 2016 ($000's):

Fund	Amount
General Operating Fund	$ 57,756
Capital Projects Fund	44,000
Debt Service Fund	494,778
Total Cash and Investments	$596,534

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2016 for CPS, net of the applicable allowance for uncollectible accounts, are as follows ($000's):

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fund Financial Statements	Government-Wide Financial Statements
Property taxes	$1,149,416	$45,000	$25,972	$1,220,388	$1,220,388
Replacement taxes	33,320	—	—	33,320	33,320
State aid	615,446	6,586	—	622,032	622,032
Federal aid	107,354	5,331	3,100	115,785	115,785
Other	4,534	14,556	40,640	59,730	59,730
Total receivables	$1,910,070	$71,472	$69,713	$2,051,255	$2,051,255
Less: Allowance for uncollectibles — property tax	(82,369)	(1,575)	(1,861)	(85,805)	(85,805)
Less: Allowance for uncollectibles — state aid	(3,842)	—	—	(3,842)	(3,842)
Total receivables, net	$1,823,859	$69,898	$67,851	$1,961,608	$1,961,608

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2016, the components of unavailable revenue reported in the fund financial statements are as follows ($000's):

Unavailable property tax revenue	$ 69,085
Other unavailable Revenue	588,608
Total deferred inflows of resources	$657,693

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows ($000's):

Government-wide activities:	Beginning Balance	Increases	Decreases and Transfers to In-Service	Ending Balance
Capital assets, not being depreciated:				
Land	$ 313,438	$ 1,561	$ (1,470)	$ 313,529
Construction in progress	446,186	170,796	(434,595)	182,387
Total capital assets not being depreciated	$ 759,624	$ 172,357	$(436,065)	$ 495,916
Capital assets being depreciated:				
Buildings and improvements	$ 8,751,512	$ 513,349	$ (23,123)	$ 9,241,738
Equipment and administrative software	223,894	1,558	(3,130)	222,322
Internally developed software	8,359	333	(1,803)	6,889
Total capital assets being depreciated	$ 8,983,765	$ 515,240	$ (28,056)	$ 9,470,949
Total capital assets	$ 9,743,389	$ 687,597	$(464,121)	$ 9,966,865
Less accumulated depreciation for:				
Buildings and improvements	$(3,444,052)	$(273,531)	$ 17,767	$(3,699,816)
Equipment and administrative software	(94,806)	(17,335)	1,292	(110,849)
Internally developed software	(6,904)	(704)	1,528	(6,080)
Total accumulated depreciation	$(3,545,762)	$(291,570)	$ 20,587	$(3,816,745)
Capital assets, net of depreciation	$ 6,197,627	$ 396,027	$(443,534)	$ 6,150,120

Depreciation and impairment expense were charged to functions/programs of CPS as follows ($000's):

	Depreciation Expense	Impairment Expense
Governmental activities:		
Instruction	$185,667	$2,537
Pupil support services	28,017	383
Administrative support services	18,987	260
Facilities support services	23,813	325
Instructional support services	22,499	307
Food services	12,587	172
Total depreciation expense	$291,570	$3,984

Asset Impairment

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. In the absence of a property appraisal, the book values were adjusted to zero. Management reviews capital assets at year end for impairment.

On February 24, 2016, the CPS Board of Education voted to close the Moses Montefiore Specialty Elementary School, effective July 1, 2016. Because this constitutes a change in the manner or expected duration of use of a capital asset, an impairment has been recognized for the school building. As of June 30, 2016, the net book value of the building was written down from $3.754 million to zero due to this closure.

NOTE 6. CAPITAL ASSETS (continued)

At year end, CPS determined that internally developed software capitalized on June 30, 2012 was no longer in service. As of June 30, 2016, the net book value of the software was written down from $0.230 million to zero due to this impairment.

Construction Commitments

CPS had active construction projects as of June 30, 2016. These projects include new construction and renovations of schools. At year-end, CPS had approximately $97.7 million in outstanding construction commitments.

NOTE 7. INTERFUND TRANSFERS AND BALANCES

Interfund Balances

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying governmental fund financial statements (in thousands).

General Operating Fund:	
Due To Capital Improvement Program	$(76,958)
Due From Capital Asset Program	2,968
Due From Bond Redemption and Interest Program	86,372
Total — Net due from (to) other funds	$ 12,382
Capital Projects Fund:	
Capital Asset Program — Due To General Operating Fund	$ (2,968)
Capital Improvement Program — Due From General Operating Fund	76,958
Total — Net due from (to) other funds	$ 73,990
Debt Service Fund:	
Bond Redemption and Interest Program — Due to General Operating Fund	$(86,372)

The purpose of interfund balances is to present transactions that are to be repaid between major programs at year end. The balances result from operating transactions between funds and are repaid during the fiscal year within the normal course of business.

Interfund Transfers

In fiscal year 2016, CPS transferred to the General Operating Fund $50.2 million of debt restructuring savings from the Bond Redemption and Interest Program.

NOTE 8. SHORT-TERM DEBT

2015 Tax Anticipation Notes

During FY 2016, the Board closed on five series of 2015 Educational Purposes Tax Anticipation Notes (TANS) with a total capacity of $1.065 billion for working capital purposes. Series 2015A1,A2,A3 TANS were issued as a direct placement with JP Morgan, and Series 2015B,B1 were issued as a direct placement with Barclays. The TANS provided liquidity support within the fiscal year.

NOTE 8. SHORT-TERM DEBT (continued)

The 2015 TANs issued were first issued as follows ($000s)

Description	Initial Advance Date	Amount
Series 2015A1	October 14, 2015	$250,000
Series 2015A2	October 28, 2015	$250,000
Series 2015A3	December 29, 2015	$65,000
Series 2015B	August 28, 2015	$200,000
Series 2015B	November 30, 2015	$88,100
Series 2015B	December 22, 2015	$81,900
Series 2015B1	February 3, 2016	$130,000

Each of the TANS are backed by the Board's 2015 Education Property Tax Levy collected in two installments in 2016. The tax levy collected by the counties are disbursed to a trustee and used to repay the TANS. When balances of the issues are fully repaid, all remaining levy monies are disbursed to the Board. The Series 2015A1,A2 TANS were structured as a single draw repaid the earlier of 60 days after the second installment due date of tax levy year 2015 property taxes or December 27, 2016. 2015B TANS were structured as a revolving facility that can be drawn and repaid until the earlier of 60 days after the second installment due date of tax levy year 2015 property taxes or December 27, 2016. The Series 2015A3 and Series 2015B1 TANS were structured as a single draw repaid on March 31, 2016.

As of June 30, 2016, a total of $870 million in 2015 tax anticipation notes was outstanding. The total amount drawn on the issues is reported as a separate line item on the statement of net position and therefore, none of the issues were included in the Note 9 summarizing the changes in long-term debt. This amount was paid off subsequent to year end and is discussed further in Note 16.

Short-term debt activity for the year ended June 30, 2016 was as follows ($000's):

Balance June 30, 2015	Draws	Repayments	Balance June 30, 2016
$700,000	$1,472,520	($1,302,520)	$870,000

NOTE 9. LONG-TERM DEBT

Long-term Obligations

Long-term Debt activity for the fiscal year ended June 30, 2016 was as follows (in thousands)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
General Obligation Long-term Debt	$ 6,073,049	$ 725,000	$(219,066)	$ 6,578,983	$ 74,148
Add unamortized premium (discount)	93,117	(110,071)	(9,296)	(26,250)	—
Add accretion of capital appreciation bonds	619,171	54,965	(39,979)	634,157	$ 41,657
Subtotal of debt, net of premiums and discounts	$ 6,785,337	$ 669,894	$(268,341)	$ 7,186,890	$115,805
Capitalized lease obligations	197,870	—	(38,865)	159,005	41,105
Total debt and capitalized lease obligations	$ 6,983,207	$ 669,894	$(307,206)	$ 7,345,895	$156,910
Derivative instrument liability	$ 37,818	$ —	(37,818)	$ —	$ —
Swap implicit borrowing	80,753	—	(80,753)	—	—
Other liabilities:					
Other accrued liabilities	18,650	—	(3,204)	15,446	2,077
Net pension liability	9,501,205	522,058	—	10,023,263	—
Net other post-employment benefits obligation	1,789,441	105,604	—	1,895,045	—
Other benefits and claims	563,826	6,055	(61,144)	508,737	67,903
Total other liabilities:	$11,873,122	$ 633,717	$ (64,348)	$12,442,491	$ 69,980
Total long-term obligations:	$18,974,900	$1,303,611	$(490,125)	$19,788,386	$226,890

General Obligation Bonds

CPS issued the following long-term debt in fiscal year 2016.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenue) Series 2016A

In 2016, CPS issued $725.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) as fixed-rate, Series 2016A. The proceeds of the Bonds were used to reimburse and finance expenditures related to the Board's Capital Improvement Program, refund and restructure certain outstanding obligations of the Board, fund capitalized interest on the Bonds, and pay the cost of issuance on the bonds.

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NOTE 9. LONG-TERM DEBT (continued)

The current portion of long-term debt and long-term lease obligations is comprised of the following ($000's):

Bonds	$ (74,148)
Accreted Interest	(41,657)
Subtotal	$(115,805)
Lease Obligations	(41,105)
Total Current Portion	$(156,910)

The Unlimited Tax General Obligation Bonds are being repaid in the Debt Service Fund from Replacement Tax revenue, revenue from Intergovernmental Agreements with the City of Chicago, subsidies from the federal government, General State Aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

Defeased Debt

Defeased bonds have been removed from the Statement of Net Position because related assets have been placed in irrevocable trust that, together with interest earned, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at June 30, 2016 are as follows ($000's):

Description	Amount Defeased	Amount Outstanding
Unlimited Tax General Obligation Bonds, Series 2006B	$ 8,375	$ 8,375
Unlimited Tax General Obligation Bonds, Series 2007D	9,310	9,310
Unlimited Tax General Obligation Bonds, Series 2009D	1,500	1,500
Unlimited Tax General Obligation Bonds, Series 2009F	6,255	6,255
	$25,400	$25,400

NOTE 9. LONG-TERM DEBT (continued)

Future debt and associated swap payments (see Note 10). Interest rates on fixed rate bonds range from 1.75% to 7.00%, except that CPS does not pay or accrue interest on the Series 2006A, Series 2003C Bonds, or the Series 2001B Bonds. These bond series were issued as "Qualified Zone Academy Bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended. "Eligible taxpayers," as defined in Section 1397E of the Internal Revenue Code, who own these bonds will be entitled to a credit against taxable income. As of June 30, 2016 there were no hedged variable rate bonds outstanding. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June, 2016, and remain the same for the life of the bonds. Debt service requirements for the Unlimited Tax General Obligation Bonds are scheduled as follows ($000's):

Future Payments of Unlimited Tax GO Bonds
As of June 30, 2016

	Fixed Rate Bonds		Variable Rate Bonds		
Fiscal Year(s)	Principal	Interest	Principal	Estimated Interest*	Total**
2017	$ 67,748	$ 312,686	$ 6,400	$ 27,931	$ 414,765
2018	127,337	300,585	24,975	27,459	480,356
2019	149,030	295,928	28,555	26,262	499,775
2020	159,381	304,565	30,870	24,914	519,730
2021	182,995	313,972	32,505	23,468	552,940
2022-2026	1,106,759	1,468,314	250,820	92,554	2,918,447
2027-2031	1,063,603	1,405,650	512,580	44,136	3,025,969
2032-2036	739,690	831,113	198,595	5,962	1,775,360
2037-2041	1,130,535	402,500	—	—	1,533,035
2042-2045	766,605	76,828	—	—	843,433
Total	$5,493,683	$5,712,141	$1,085,300	$272,686	$12,563,810

* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2016, calculated at:

Series 2008A — 1.21000% x outstanding principal
Series 2008B — 1.21000% x outstanding principal
Series 2011C-1 — 9.00000% x outstanding principal
Series 2011C-2 — 1.51000% x outstanding principal
Series 2013A-1 — 7.50000% x oustanding principal
Series 2013A-2 — 1.15500% x oustanding princpal
Series 2013A-3 — 1.23500% x oustanding principal
Series 2015A — 4.41000% x outstanding principal
Series 2015G — 4.41000% x outstanding principal

** Does not include debt backed by leases with the Public Building Commission, discussed in Note 10.

NOTE 9. LONG-TERM DEBT (continued)

Floating Rate Note Securities

Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011C-1 and 2011C-2

In December, 2011 the Board issued $51.0 million (Series 2011C-1) and $44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D.

For the Series 2011C-1, an initial index floating rate period was set up to February 29, 2016. During this initial period, the rate is reset monthly and equal to SIFMA plus 95 basis points. The Series 2011C-1 bonds are callable beginning on September 1, 2015. As of June 30, 2016 the Board had not remarketed, redeemed or tendered for the Series 2011C-1 bonds, as a result for the period beginning March 1, 2016 the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2011C-2, an initial index floating rate period was set up to February 28, 2017. During this initial period, the rate is reset monthly and equal to SIFMA plus 110 basis points. The Series 2011C-2 bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-1 bonds, after the end of the initial index floating rate period, the rate will be equal to 9.00% until such time that the issue is refinanced.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2013A-1, 2013A-2 and 2013A-3

In May, 2013, the Board issued $122.6 million (Series 2013A-1), $124.3 million (Series 2013A-2), and $157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B.

For the Series 2013A-1, an initial index floating rate period was set up to June 1, 2016. During this initial period, the rate is reset monthly and equal to 70% of One Month Libor plus 58 basis points. The Series 2013A-1 bonds are callable beginning on December 1, 2015. As of June 30, 2016, the Board has not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2016 and the next 90 days thereafter the rate will be 7.50%. On the 91st day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-2, an initial index floating rate period was set up to June 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 75 basis points. The Series 2013A-2 bonds are callable beginning on December 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A2 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91st day and thereafter the rate will be equal to 9% until such time that the issue is refinanced.

For the Series 2013A-3, an initial index floating rate period was set up to June 1, 2018. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 83 basis points. The Series 2013A-3 bonds are callable beginning on December 1, 2017. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A3 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91st day and thereafter the rate will be equal to 9% until such time that the issue is refinanced.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015A and 2015G

In March, 2015, the Board issued $89.2 million (Series 2015A) and $88.9 million (2015G) variable rate bonds. The bonds refunded the former Series 2000B and 2011D.

NOTE 9. LONG-TERM DEBT (continued)

For Series 2015A and the Series 2015G, an initial index floating rate period was set up to March 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 400 basis points. Both the Series 2015A and the Series 2015G bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture for each series of bonds, if the Board has not remarketed, redeemed or tendered for the Series 2015A and 2015G bonds, after the end of the initial index floating rate period, the rate will be equal to 9.00% until such time that each issue is refinanced.

Direct Placements

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2008A and 2008B

In May 2008, the Board issued $262.8 million (Series 2008A) and $241.0 million (Series 2008B) variable rate bonds in direct placements with Dexia Credit Local. The interest rate for each series is reset monthly, and is equal to the one month LIBOR rate plus 75 basis points with no expiration until maturity. The bonds are subject to optional redemption prior to their maturity date at the option of the Board, in whole or in part (and, if in part, in an authorized denomination ($100,000 and any integral multiple thereof of $5,000 in excess thereof)) on any LIBOR interest payment date (monthly), at a redemption price equal to 100 percent of the principal amount thereof and accrued interest, if any, to the redemption date.

Accreted Interest

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows ($000's):

Series	Accreted Interest June 30, 2015	Increase	Payment	Accreted Interest June 30, 2016
1997A	$ 17,881	$ 1,134	$ (9,502)	$ 9,513
1998B-1	348,094	31,281	(11,702)	367,673
1999A	253,196	22,550	(18,775)	256,971
	$619,171	$54,965	$(39,979)	$634,157

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NOTE 9. LONG-TERM DEBT (continued)

The following is a summary of changes in Long-term Debt outstanding ($000's)

Series	Orginal Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding June 30, 2015	Accreted Interest	Principal and Accreted Interest June 30, 2015	Issuances	Retirements	Principal Outstanding June 30, 2016	Accreted Interest	Principal and Accreted Interest June 30, 2016
2016A	$725,000	Capital Improvement/ Refunding	7.00%	12/1/2044	$ —	$ —	$ —	$725,000	$ —	$ 725,000	$ —	$ 725,000
2015G	88,900	Refunding	Variable	3/1/2032	88,900	—	88,900	—	—	88,900	—	88,900
2015E	20,000	Capital Improvement	5.13%	12/1/2032	20,000	—	20,000	—	—	20,000	—	20,000
2015C	280,000	Capital Improvement	5.25%	12/1/2039	280,000	—	280,000	—	—	280,000	—	280,000
2015A	89,200	Refunding	Variable	3/1/2032	89,200	—	89,200	—	—	89,200	—	89,200
2013A-3	157,055	Refunding	Variable	3/1/2036	157,055	—	157,055	—	—	157,055	—	157,055
2013A-2	124,320	Refunding	Variable	3/1/2035	124,320	—	124,320	—	—	124,320	—	124,320
2013A-1	122,605	Refunding	Variable	3/1/2026	106,930	—	106,930	—	(16,940)	89,990	—	89,990
2012B	109,825	Refunding	5.00%	12/1/2034	109,825	—	109,825	—	—	109,825	—	109,825
2012A	468,915	Capital Improvement	5.00%	12/1/2042	468,915	—	468,915	—	—	468,915	—	468,915
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—	44,100	—	—	44,100	—	44,100
2011C-1	51,000	Refunding	Variable	3/1/2032	47,200	—	47,200	—	(3,600)	43,600	—	43,600
2011A	402,410	Capital Improvement	5.00% to 5.50%	12/1/2041	402,410	—	402,410	—	—	402,410	—	402,410
2010G	72,915	Refunding	2.77% to 4.18%	12/1/2017	38,590	—	38,590	—	(15,855)	22,735	—	22,735
2010F	183,750	Refunding	5.00%	12/1/2031	176,630	—	176,630	—	(7,475)	169,155	—	169,155
2010D	125,000	Capital Improvement	6.52%	3/1/2036	125,000	—	125,000	—	—	125,000	—	125,000
2010C	257,125	Capital Improvement	6.32%	11/1/2029	257,125	—	257,125	—	—	257,125	—	257,125
2009G	254,240	Capital Improvement	1.75%	12/15/2025	254,240	—	254,240	—	—	254,240	—	254,240
2009F	29,125	Capital Improvement	2.50% to 5.00%	12/1/2016	12,325	—	12,325	—	(12,325)	—	—	—
2009E	518,210	Capital Improvement	4.682% to 6.14%	12/1/2039	518,210	—	518,210	—	—	518,210	—	518,210
2009D	75,720	Refunding	1.00% to 5.00%	12/1/2023	52,465	—	52,465	—	(7,125)	45,340	—	45,340
2008C	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	—	464,655	—	—	464,655	—	464,655
2008B	240,975	Refunding	Variable	3/1/2034	200,775	—	200,775	—	(15,425)	185,350	—	185,350
2008A	262,785	Refunding	Variable	12/1/2030	262,785	—	262,785	—	—	262,785	—	262,785
2007D	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	187,375	—	187,375	—	(18,180)	169,195	—	169,195
2007C	6,870	Refunding	4.00% to 4.375%	12/1/2021	4,540	—	4,540	—	(390)	4,150	—	4,150
2007B	197,765	Refunding	5.00%	12/1/2024	197,765	—	197,765	—	—	197,765	—	197,765
2006B	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	305,875	—	305,875	—	(16,350)	289,525	—	289,525
2006A	6,853	Capital Improvement	0.00%	6/1/2021	6,853	—	6,853	—	—	6,853	—	6,853
2005B	52,595	Refunding	5.00% to 5.50%	12/1/2021	22,735	—	22,735	—	—	22,735	—	22,735
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	181,085	—	181,085	—	(6,720)	174,365	—	174,365
2004G	56,000	Capital Improvement	4.00% to 6.00%	12/1/2022	—	—	—	—	—	—	—	—
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	131,735	—	131,735	—	(57,255)	74,480	—	74,480
2003C	4,585	Capital Improvement	0.00%	10/27/2017	4,585	—	4,585	—	—	4,585	—	4,585
2002A	48,970	Capital Improvement	3.00% to 5.25%	12/1/2022	31,670	—	31,670	—	(3,310)	28,360	—	28,360
2001B	9,440	Capital Improvement	0.00%	10/23/2015	9,440	—	9,440	—	(9,440)	—	—	—
1999A	532,553	Capital Improvement/ Refunding	4.30% to 5.30%	12/1/2031	419,560	253,196	672,756	—	(14,235)	405,325	256,971	662,296
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	257,044	348,094	605,138	—	(8,698)	248,346	367,673	616,019
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	11,132	17,881	29,013	—	(5,743)	5,389	9,513	14,902
Total Bonds					$6,073,049	$619,171	$6,692,220	$725,000	$(219,066)	$6,578,983	$634,157	$7,213,140
Less Current Portion							(158,490)					(115,805)
For Net Premium/ (Discount)							93,117					(26,250)
Total Long-term Debt, net of Current Portion and Premium/Discount							$6,626,847					$7,071,085

NOTE 10. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the Public Building Commission (the "PBC"). The PBC constructs, rehabilitates and equips school buildings and facilities for use by the CPS. The annual lease rentals are funded by a tax levy established when the CPS approved such construction.

The leases are structured so that annual rentals will exceed the PBC's requirements for debt service and other estimated expenses. This ensures that the PBC will receive adequate revenue to cover these obligations. The PBC can authorize rent surpluses to be used either to reduce future rental payments or to finance construction of other CPS projects.

In 2006, CPS entered into a $3.7 million lease with an option to purchase with the Teachers Academy of Math and Science. The assets acquired under this lease are land and building at a cost of $0.7 million and $3.0 million, respectively. The accumulated depreciation as of June 30, 2016 amounted to $0.6 million. The term of the lease commenced October 1, 2005, and shall end February 1, 2021. This end date represents the maturity date of bonds issued for the premises by the Illinois Development Finance Authority Bonds. Debt service includes principal and interest and all other costs associated with these bonds. Additionally, CPS will assume all operating costs and personnel costs of the premises.

The future PBC lease rentals and other capitalized leases due at June 30, 2016, are as follows ($000's):

Fiscal Year(s)	PBC Lease Rentals	Other	Total
2017	$ 52,020	$ 424	$ 52,444
2018	52,069	424	52,493
2019	52,099	424	52,523
2020	30,635	424	31,059
2021	—	647	647
Total Rentals	$186,823	$ 2,343	$189,166
Less — Interest and other costs	(29,043)	(1,118)	(30,161)
Principal amount of rental due	$157,780	$ 1,225	$159,005

Following is a summary of changes in PBC Leases and Capitalized Lease outstanding ($000's):

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
PBC Leases	$196,470	$ —	$(38,690)	$157,780
Other Capitalized Leases	1,400	—	(175)	1,225
Total Lease Obligations	$197,870	$ —	$(38,865)	$159,005
Less: Current Portion PBC Leases				(40,930)
Current Portion Other Capitalized Leases				(175)
Total Long-Term Leases Outstanding				$117,900

Operating Leases

CPS is a lessee in numerous operating leases associated with the rental of trucks, automobiles, office equipment and real property. The lease arrangements are both cancelable and non-cancelable with some having structured rent increases. None of the operating leases are considered to be contingent leases.

NOTE 10. LEASE OBLIGATIONS (continued)

Total expenditures for operating leases for the fiscal year ended June 30, 2016 were $18.8 million. The following is a summary of operating lease commitments as of June 30, 2016 (000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2017	$ 3,440	$ 14,947	$ 18,387
2018	2,718	14,719	17,437
2019	1,246	15,023	16,269
2020	110	14,597	14,707
2021	1	14,482	14,483
2022-2026	—	58,939	58,939
2027-2030	—	22,147	22,147
Total Operating Lease Commitments	$ 7,515	$154,854	$162,369

NOTE 11. DERIVATIVE INSTRUMENTS

Interest Rate Derivatives

Interest rate derivatives are financing structures which exchange ("swap") interest payments. They are used as risk management or investment tools.

Breakdown of Outstanding Derivatives

In fiscal year 2016, CPS terminated all six of its remaining outstanding swaps. CPS made termination payments to counterparties on five of the six outstanding swaps and received a termination credit on one outstanding swap. The total net amount of termination payments in fiscal year 2016 was $123 million.

The six outstanding terminated swaps were (1) Series 2008B with Goldman Sachs for a total termination payment of $17.68 million, (2) Series 2008B with Goldman Sachs for a total termination payment of $18.73 million, (3) Series 2005A swap with Deutsche Bank AG for a total termination credit of $2.66 million, (4) Series 2013A1 swap with Deutsche Bank AG for a total termination payment of $14.46 million, (5) Series 2013A2 swap with Royal Bank of Canada for a total termination payment of $34.98 million, and (6) Series 2013A3 swap with Deutsche Bank AG for a total termination payment of $40.81 million.

Fair Value

The following table summarizes changes in fair value for Fiscal Year 2015 ($000's):

	Fair Value at June 30, 2015	Change in Fair Value*	Fair Value at June 30, 2016
Effective Hedges:			
Synthetic fixed swaps	$(119,779)	$119,779	$—
Investment Derivatives:			
Basis Swaps	2,561	(2,561)	$—
TOTAL	**$(117,218)**	**$117,218**	**$—**

* Includes termination payments.

NOTE 12. OTHER BENEFITS AND CLAIMS

Sick Pay Benefits

CPS provides sick pay benefits for substantially all of its employees. Eligible employees were able to accumulate a maximum of 325 sick days granted before July 1, 2012. If an employee either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement, or dies, the employee is entitled to receive, as additional cash compensation, all or a portion of their accumulated sick leave days. CPS budgets an amount each year in the General Operating Fund for these estimated payments to employees terminated in the current fiscal year.

Effective July 1, 2012 any sick days granted that remain unused at the end of the fiscal year will not be carried over to the next fiscal year. The Board shall not pay out to any employee the value or any part of the value of any sick days granted on and after July 1, 2012 that are unused at the time the employee separates from the Board employment for any reason.

Vacation Pay Benefits

For eligible employees, the maximum number of accumulated unused vacation days permitted is 20 days for those employees with up to 10 years of service; 25 days for those with 11 to 20 years of service; and 30 days for those with more than 20 years of service. Eligible employees are entitled to receive 100% of accumulated vacation days at their current salary rate. These amounts will be liquidated from the General Operating Fund.

Workers' Compensation, General and Automobile and Tort Liabilities and Other Claims

CPS is substantially self-insured and assumes risk of loss as follows:

CPS maintains commercial excess property insurance for "all risks" of physical loss or damage with limits of $100.0 million and Boiler and Machinery Insurance with limits of $100.0 million with the following deductibles:

EPD Equipment, Data, and Media	$ 25,000
Mechanical breakdown	$ 50,000
All other losses (property)	$5,000,000

CPS maintains commercial excess liability insurance with limits of $55.0 million in excess of a $10.0 million self-insured retention per loss for claims arising from general, automobile, school board legal, employment practices, and miscellaneous professional liability; additional coverage includes special events, crime, fiduciary, special crime, pollution, and catastrophic student accident insurance (under Public Act 98-0166, also known as "Rocky's Law"). During fiscal years 2016, 2015, and 2014 there were no casualty claims made in excess of the self-insured retention.

As discussed in Note 15, there are pending workers' compensation and tort claims involving CPS which have arisen out of the ordinary conduct of business. CPS budgets an amount each year in the Workers' and Unemployment Compensation/Tort Immunity Fund for the estimated claims, of which the expenditures are met through an annual tax levy.

CPS' estimate of liabilities for workers' compensation claims, general and automobile claims are actuarially determined based on loss estimates established by the respective claim administrators. Tort liabilities are based on loss estimates established by the respective trial attorneys. CPS accrues for the estimated workers' compensation, general and automobile claims and tort claims in the General Operating Fund when there is likelihood that an unfavorable outcome is probable and those expenditures will be liquidated with expendable available financial resources. Total expenditures reported in the fund financial statements amounted to $29.3 million for claims paid during the fiscal year. No liabilities have been recorded at the fund level for unpaid claims as unpaid claims are not expected to be paid with available financial resources.

NOTE 12. OTHER BENEFITS AND CLAIMS (continued)

The following is a summary of changes to other long-term liabilities ($000's) at the government-wide level:

	Balance July 1, 2015	Increase/ (Decrease)	Payments	Balance June 30, 2016
Accrued sick pay benefits	$342,293	$ 372	$(31,287)	$311,378
Accrued vacation pay benefits	59,044	(454)	(7,330)	51,260
Accrued workers' compensation claims	132,699	1,984	(19,792)	114,891
Accrued general and automobile claims	8,212	8,031	(2,735)	13,508
Tort liabilities and other claims	21,578	(3,878)	—	17,700
Total	$563,826	$ 6,055	$(61,144)	$508,737
Less: Current portion of accrued sick pay benefits				(25,990)
Less: Current portion of accrued vacation pay benefits				(8,362)
Less: Current portion of accrued workers' compensation claims				(23,970)
Less: Current portion of accrued general and automobile claims				(9,581)
Total long-term other benefits and claims				$440,834

The following is activity related to workers' compensation claims and general and automobile claims ($000's):

Balance July 1, 2014	Additions	Payments	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
$135,498	$31,351	$(25,938)	$140,911	$10,016	$(22,528)	$128,399

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of $60.3 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes $29.4 million for estimated medical claims incurred but not reported as of June 30, 2016. The following is the activity related to medical claims for which CPS is self-insured ($000's):

Balance July 1, 2014	Additions	Payments	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
$48,161	$391,441	$(386,898)	$52,704	$392,891	$(385,333)	$60,262

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CPS' contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Pension — Certified Teachers and Administrators

Plan Description: Pension benefits for certified teachers and administrators are provided under a defined benefit cost-sharing multiple employer plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago (the "CTPF") in which the CPS is the major contributor. Copies of the Pension Fund Annual Report are available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

Article 17 of the Illinois Pension Code governs the retirement, survivor and disability benefits provided by the CTPF. Participation in the CTPF is mandatory for all certified members of the teaching force, including those employed by charter schools, and employees of the Pension Fund. As of the June 30, 2015, CTPF Annual report, there were 29,706 active participants in the Pension Fund, substantially all of whom were employees of CPS.

Benefits Provided: A member of the Pension Fund who became a participant prior to January 1, 2011 with at least 20 years of service is entitled to a pension upon attainment of age 55. A member with at least 5 but less than 20 years of service is entitled to a pension upon attainment of age 62. The pension benefit is based upon years of service and salary level.

For service earned before July 1, 1998, the amount of the monthly service retirement pension is 1.67% of highest average salary for the first 10 years, 1.90% for each of the next 10 years, 2.10% for each of the following 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the amount of the monthly service retirement pension is 2.2% of highest average salary for each year of service. Service earned before July 1, 1998 can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary within the last four years for each year of prior service, up to a maximum of 20%, which upgrades all service years. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service. The highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years. The maximum pension payable is 75% of the highest annual salary or $1.5 per month, whichever is greater.

Pension legislation (Public Act 96-0889) created a second tier of benefits for teachers who first become participants under the fund on or after January 1, 2011. Under this act, a member is entitled to a pension after attainment of age 67 with at least 10 years of service. However, a member can elect to retire at age 62 with at least 10 years of service and receive a retirement annuity reduced by 0.5% for each month that his or her age is under 67. In addition, the annual final average salary may not exceed the social security wage base of $106.8 for 2011 and shall be increased by the lesser of 3% or 0.5% change in the Consumer Price Index-U during the preceding 12-month calendar year.

Contributions: Participating members contribute 9% of salary, allocated as follows: 7.5% for retirement pension, 0.5% for automatic annual increases and 1% for survivor's pension. In fiscal year 2016, total employee contributions were $158,207, as in previous fiscal years, CPS paid a portion (7% or $123,050) of the required employees' contribution, which has been recorded as a deferred outflow of

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

resources in the accompanying government-wide financial statements. A portion of grant funds from the Federal government and General Operating Fund revenues provides the funding of the 7% portion. The remaining portion (2%) is withheld from teachers' salaries.

State law requires statutorily determined employer contributions. Senate Bill 1946, which was signed into law on April 14, 2010, as Public Act 96-0889, revised the funding provisions that had previously been in effect. Public Act 96-0889 specifies that, for Fiscal Years 2014 through 2059, the Board of Education is to make annual contributions calculated as a level percent of payroll sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities of the fund by the end of Fiscal Year 2059. Under the Illinois Pension Code, required employer contributions — with the exception of federal funds — are calculated by the Pension Fund's actuary; however, the formula set forth in the Pension Code is not the same as the Annual Required Contribution or the Actuarially Determined Contribution as those terms are defined by GASB. During the fiscal year ended June 30, 2016, total employer contributions to the plan were $687,965. Of this amount, $21,002 were Charter School contributions and $12,105 were Contributions from the State of Illinois. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows ($000's):

Retirement Benefit Contributions:	
A contribution to increase funded ratio to 90%	$631,016
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded program	23,842
Charter school contributions	21,002
CPS contribution on-behalf of employees	123,050
Sub-total employer contributions	$798,910
Contributions from the State of Illinois	12,105
Total CTPF contributions	$811,015

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability recognized by CPS is $10.023 billion or 100%. Further discussions with the State and Pension Fund related to the overall net pension liability will occur to determine a reasonable allocation of future plan costs between the entities that contribute to the plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Total pension expense for the 2016 fiscal year was $886,188.

Employer Deferral of Fiscal Year 2016 Pension Contributions: CPS paid $798,910 in contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date as of June 30, 2015. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2016. As of June 30, 2016, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources ($000's):

	Deferred inflow of resources	Deferred outflow of resources
Difference between expected and actual experience	$120,937	$ —
Net difference between projected and actual investment earnings on pension plan investments	244,327	—
Contributions after the measurement date	—	798,910
Totals	$365,264	$798,910

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NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The $798,910 reported as deferred outflows of resources related to pensions resulting from CPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows ($000's):

Years Ended June 30:	Deferred Inflow of Resources
2017	$138,629
2018	138,629
2019	138,629
2020	(52,648)
2021	2,025
Thereafter	—
Total	$365,264

Assumptions and Other Inputs

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 — June 30, 2012 and an economic study completed June 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25% to 15.75%, varying by age
Inflation	2.75%
Cost-of-living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA. The RP-2000 Disabled Mortality Table, set back 3 years. The mortality tables specified above without future generational improvement reasonably reflect the projected mortality experience of the Fund as of the measurement date. The healthy mortality table was then adjusted to future years using additional generational improvement using Scale AA to anticipate future mortality improvement.

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

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NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	60.0%	5.6%
Fixed Income	21.0%	0.8%
Real Estate	7.0%	3.9%
Private Equity	3.0%	6.3%
Hedge Funds	2.0%	3.0%
Infrastructure	3.0%	N/A
Commodities	0.0%	0.5%
Public REITs	2.0%	N/A
Cash Equivalents	2.0%	0.0%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made as specified by Public Act 96-0889. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents CPS' net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
$12,677,156	$10,023,263	$7,826,252

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

Pension — Other Personnel

Plan Description: All career service employees of CPS, except CPS employees who are members of the Public School Teachers' Pension and Retirement Fund, participate in the Municipal Employees' Annuity and Benefit Fund of Chicago (the "MEABF"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2015, CPS employed approximately 17,143 of the 30,683 active participants in the Annuity Fund.

Benefits Provided: If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions.

Tier 1 employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service.

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NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employees age 60 or more with at least 10 years of service or age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per each year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a)(17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $.850 per month.

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted ½ percent for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

The highest salary for annuity purposes may not exceed the base of $106.8 beginning in 2011 and shall be adjusted annually by the lesser of a) 3% of that amount, including all prior adjustments, or b) ½ of the annual unadjusted percentage increase in the Consumer Price Index-U for the 12 months ending with the September preceding November 1, including all prior adjustments. The annual salary rate limitations for FY2015 and FY2016 were $111.6 and $112.5, respectively.

Contributions: Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (8.5%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of $106.8 adjusted by inflation. In fiscal year 2016, as in previous fiscal years, CPS agreed to pay a portion (7% for union and 5% for non-union members or $35.754 million) of the required employees' contribution for most employees. CPS also receives a portion of the cost of providing pension benefits from grants by the Federal government for career service employees paid from certain Federally-funded programs. The amount reflected as career service pension expenditures in the accompanying governmental fund financial statements is $102.908 million, $35.754 million of this amount represents the required employees' contribution paid by CPS on behalf of its employees; $61.885 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $5.268 million is funded under Federally-funded programs. The portion funded by the City of Chicago and Federal Government is also reflected as revenue in the General Operating Fund.

Employer Proportionate Share of Net Pension Liability: At December 31, 2015, the MEABF reported a net pension liability (NPL) of $18,617,442. The amount of the proportionate share of the net pension liability recognized for CPS is $0. The proportionate share of the City's net pension liability associated with the CPS is $7,829,700 or 42.1%. The net pension liability was measured as of December 31, 2015. The basis of allocation used in the proportionate share of net pension liability are the actual reported contributions of the covered members during fiscal year 2016.

Employer Proportionate Share of Pension Expense: The employer's proportionate share of collective pension expense is recognized as on-behalf payments as both revenue and expenditure/expense in CPS' financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported employee contributions made to MEABF during fiscal year 2016. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of $61,885 for fiscal year 2016.

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Deferral of Fiscal Year 2015 Pension Contributions: CPS paid $5.268 million in federal, trust or grant contributions for the fiscal year ended June 30, 2016. Some contributions were made subsequent to the pension liability measurement date of December 31, 2015. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2016. Total pension expense for fiscal year 2016 was $102.908 million.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2005 — December 31, 2009. They are the same as the assumptions used in the December 31, 2014 actuarial valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Actuarial Value of Assets	5 year smoothed market
Amortization Method	Level dollar, open
Remaining Amortization Period	1 Years as of December 31, 2015
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.5% - 8.25%, varying by years of service
Inflation	3.00%
Cost of living adjustments	Tier 1: 3.0% compound. Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

The RP-2000 Combined Healthy Mortality Table, with mortality improvements projected statically to 2010 using Scale AA (adopted December 31, 2010). The mortality rates for pre-retirement are the Post-retirement mortality multiplied by 85% for males and 70% for females (adopted December 31, 2010). The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date.

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NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table ($000's):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26%	4.9%
International Equity	22%	5.0%
Fixed Income	27%	0.2%
Real Estate	10%	6.0%
Private Equity	5%	8.6%
Hedge Funds	10%	3.0%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 3.7%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made as specified by Public Act 98-0641. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MEABF's Net Pension Liability to Changes in the Discount Rate: The amount of the proportionate share of the net pension liability recognized for CPS is $0. Therefore, changes in the discount rate would not affect CPS. However, regarding the sensitivity of MEABF's net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.7%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (2.7%)	Current Discount (3.7%)	1% Increase (4.7%)
$22,207,242	$18,617,442	$15,675,669

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

Other Post-Employment Benefits (OPEB)

Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple employer plan administered by the Pension Fund. The actuarial analysis is contained in the Pension Fund Annual Report and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

The Pension Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

participate in a health insurance program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers. Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 50% of the individual member's cost for calendar years 2016, 2015 and 2014. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB 45. The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although CPS does not contribute directly to retirees' health care premiums, the impact does require increased contributions by CPS to build assets to the 90% requirement. As of June 30, 2015, there were 17,490 retirees and beneficiaries currently receiving health benefits in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CPS' annual OPEB costs for fiscal year 2016 are as follows ($000's):

Annual required contribution	$ 135,505
Interest on net OPEB obligation	80,525
Adjustment to annual required contribution	(110,426)
Annual OPEB cost	$ 105,604
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	$ 105,604
Net OPEB obligation, beginning of year	1,789,441
Net OPEB obligation, end of year	$1,895,045

The three-year trend information for the fund is as follows:

	2016	2015	2014
Annual OPEB cost	$ 105,604	$ 109,194	$ 143,654
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	$1,895,045	$1,789,441	$1,680,247

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	4.50%
Medical trend rate	8.00% graded to 5% over 6 years
Inflation	2.75%

As of the June 30, 2015 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $1.911 billion, and the actuarial value of assets was $21.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.889 billion, and a funded ratio of 1.14%. The covered payroll (annual payroll of active employees covered by the plan) was $2.156 billion, and the ratio of the UAAL to the covered payroll was 87.64%.

Other Personnel

Actuarial studies on other personnel (personnel other than teachers and administrators) determined that no OPEB liability exists for those employees as of June 30, 2016.

NOTE 14. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

At the end of the 2016 fiscal year, the General Operating Fund reported:

- $429 thousand of nonspendable fund balance for donations in which the principal may not be spent.
- Restricted fund balance consisted of $64.9 million for grants and donations and $35.1 million for tort liabilities.

Note: There is a negative fund balance in the general operating fund. This is due to the operating deficit of expenditures exceeding revenues.

b. Statement of Net Position

The Statement of Net Position reports $611.1 million of restricted fund balance, of which $510.7 million is restricted for debt service, $65.3 million is restricted for programs funded by grants and donations, and $35.1 million is restricted for workers' comp/tort immunity.

NOTE 15. LITIGATION AND CONTINGENCIES

a. State and Federal Aid Receipts

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of CPS management any potential adjustments to the Federal or State aid recorded by CPS through June 30, 2016 resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements at June 30, 2016.

NOTE 15. LITIGATION AND CONTINGENCIES (continued)

b. Pollution Remediation Obligation

In fiscal year 2016, CPS recorded a pollution remediation obligation of $2.1 million as current year expense in the Statement of Activities.

Several CPS facilities contain hazardous contaminates such as lead and asbestos, which is continually monitored by the school district. CPS' pollution remediation obligation is primarily related to the removal of lead and asbestos during the remodeling and/or expansion of CPS facilities. The pollution remediation obligation is derived from construction contracts and the amount assumes no unexpected change orders.

c. Vacant Property

In fiscal year 2013, CPS closed 47 schools of which some of the schools were identified to be demolished. In accordance with GASB 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* CPS recorded a liability for the estimated demolition cost of $18.7 million at June 30, 2013. In fiscal year 2016, three (3) of the buildings identified to be demolished were sold, decreasing the estimated liability by $5.4 million. As of June 30, 2016, the estimated liability is $13.3 million.

d. Financial Guarantees

As of June 30, 2016, CPS has entered into one nonexchange financial guarantee. The guarantee agreement is with Perspectives Charter Schools, effective July 1, 2003, which is a Charter School under the Chicago Board of Education. Perspectives Charter Schools has a Reimbursement Agreement with Harris Trust and Savings Bank and CPS has guaranteed to pay Harris Trust and Savings Bank all outstanding debt if Perspectives Charter Schools defaults in reimbursing the Bank according to the terms listed in the reimbursement agreement. This amount is not to exceed the lesser of $4,500,000 (Principal Amount) or the carrying debt amount less $1,000,000. The guarantee agreement shall be of no further force or effect as of July 1, 2033, or after the gross available amount of the letter of credit has been reduced to $1,000,000 or less. The gross available amount is scheduled to be reduced to $1,000,000 as of July 1, 2031. Per the June 30, 2015 audited financial statements of Perspectives Charter Schools, the most recent audited financial information available, the outstanding balance of the revenue bonds is $4,300,000. Once the July 1, 2015 annual payment of $200,000 is made the June 30, 2016 outstanding balance of the revenue bonds will be $4,100,000. This guarantee is still in place as of June 30, 2016, and CPS is not aware of any qualitative factors that would trigger an event of default. Therefore, CPS is not required to record a liability for this guarantee under GASB 70.

e. Other Litigation and Claims

There are five lawsuits and one union grievance that represent issues in which the financial loss to CPS has been determined to be a potential liability by CPS' law department in fiscal year 2016.

There are numerous other claims and pending legal actions involving CPS, including actions concerned with civil rights of employees, workers' compensation, torts and other matters, arising out of CPS' ordinary conduct of its business. Certain actions involve alleged damages in substantial amounts. The amounts of liability, if any, on these claims as of June 30, 2016, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However in FY15, CPS had recorded a general accrual not specific to any pending legal action for these amounts and it remains in FY16. In the opinion of CPS management and legal counsel, the final resolution of these claims and legal actions will not be material to CPS' financial statements as of June 30, 2016.

The liability for other litigation and claims, not including workers' compensation and general liability, decreased by $3.9 million from $21.6 million in fiscal year 2015 to $17.7 million in fiscal year 2016.

NOTE 16 — SUBSEQUENT EVENTS

Ratings Agency Downgrades

Several bond rating changes related to the long term debt of the Board occurred after June 30, 2016. Moody's Investor Service downgraded their general obligation (GO) debt rating of the Board to B3 on September 26, 2016. Standard & Poor's downgraded its long-term bond rating of the Board to "B" on November 9, 2016. Fitch Ratings lowered its rating to "B+" on November 7, 2016. On November 11, 2016, Kroll Bond Rating Agency affirmed its rating of "BBB" on the Board's Series 2016A general obligation bonds and affirmed the "BBB-" rating on the Board's remaining outstanding general obligation bonds. All rating agencies continue to express concern about continued structural fiscal imbalance, weakened liquidity position and rising pension obligations of the Board. The current outlook views by each agency is negative.

In addition, CPS structured an entirely new capital improvement tax (CIT) long term bond credit that is separate from the existing CPS GO credit. This CIT credit structure received an investment grade rating from two rating agencies in December 2016. Fitch Ratings rated the CIT credit "A" and Kroll Bond Rating Agency rated the CIT credit "BBB". See Issuance of Dedicated Capital Improvement Tax Bonds Series 2016 within this Note 16 for further information.

Repayment of 2015 Tax Anticipation Notes

To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.065 billion principal amount of 2015 Tax Anticipation Notes (the "2015 TANs") in anticipation of collection of its 2015 tax levy in 2016 in the amount of approximately $2.305 billion.

On August 3, 2016, the Board repaid and ended its Series 2015A2 tax anticipation note issue. On August 12, 2016, the Board repaid and ended its Series 2015B tax anticipation note issue. On August 15, 2016, the Board repaid and ended its Series 2015A1 tax anticipation note issue. Upon the repayment of the 2015A1 issue on August 15, 2016 no additional 2015 TANs remained outstanding.

Issuance of 2016 Tax Anticipation Notes

For Fiscal Year 2017, on August 24, 2016 the Board approved a levy of *ad valorem* property taxes of approximately $2.343 billion for educational purposes (the "2016 Tax Levy") to be collected in calendar year 2017 and authorized the issuance of not to exceed $1.550 billion principal amount of 2016 Tax Anticipation Notes (the "2016 TANs") in anticipation of the collection of the 2016 Tax Levy. As of January 12, 2017, the Board has currently issued and has outstanding four series of 2016A TANS (the "2016A TANs") in the total aggregate amount of $1,550 million.

The Series 2016A TANs sub-series designations are as follows: (1) $325 million Series 2016A1 tax anticipation notes closed on September 8, 2016; (2) $250 million of Series 2016A2 tax anticipation notes closed on October 3, 2016; (3) $475 million Series 2016A3 tax anticipation notes closed on November 10, 2016; and (4) $600 million Series 2016A4 tax anticipation notes closed on January 12, 2017. The Series 2016A1, A2 and A3 TANs totaling $950 million were privately placed with JP Morgan. The Series 2016A4 TANs were privately placed with PNC Bank. The 2016 Tax Levy will be collected and held by a trustee, and it will be used to repay each issue.

The interest rate on each of the series of the Series 2016A TANs is a variable and equal to the lesser of: (i) the sum of (A) the product of (I) 0.70 multiplied by (II) LIBOR, plus (B) the Applicable Spread; and (ii) 9.00%.

NOTE 16 — SUBSEQUENT EVENTS (continued)

Principal of and interest on the 2016A TANs is payable on the respective sub-series maturity date of each series of the 2016A TANs from the revenues from the 2016 Tax Levy. Property taxes are payable in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill. The maturity date of the 2016A4 TANs is March 31, 2017. The maturity date of the 2016A2, A3 and A4 TANs is the earlier of (A) December 15, 2017 or (B) (1) September 30, 2017, if the Tax Penalty Date is on or prior to August 1, 2017 or (2) the 60th day following the Tax Penalty Date, if the Tax Penalty Date is later than August 1, 2017.

The 2016A TANs are subject to extraordinary mandatory redemption on occurrence of certain events of default under the indentures securing 2016 TANs and in the event a court or other governmental authority shall rule or otherwise make a determination that the Board is not legally entitled to levy or collect the 2016 Levy, or that tax receipts are not available to pay the expenses of the Board or the 2016A TANs at any time, in either case, at the discretion of the Board, or any such court or other governmental authority shall make any other ruling or determination that adversely affects or limits the security for the 2016A TANs.

Issuance of Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2016B

On July 29, 2016, the Board issued fixed-rate $150.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue), Series 2016B (the "Series 2016B" Bonds") with an original issue discount of $13.5 million.

The proceeds of the Series 2016B Bonds were used to provide funds for the continued implementation of the Board's Capital Improvement Program, fund capitalized interest on the Series 2016B Bonds, and pay the costs of issuance on the Series 2016B Bonds.

The Series 2016B Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Series 2016B Bonds. The debt service on the Series 2016B Bonds will be paid from General State Aid Revenues.

Issuance of Dedicated Capital Improvement Tax Bonds Series 2016

On January 4, 2017, the Board issued $729.58 million fixed-rate Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 CIT Bonds") with an original issue discount of $22.35 million.

The proceeds of the 2016 CIT Bonds will be used to finance certain permitted capital improvement projects, make a deposit to a consolidated debt service reserve fund, fund capitalized interest on the 2016 CIT Bonds through April 1, 2018, and pay costs of issuance of the 2016 CIT Bonds.

The 2016 Bonds are limited obligations of the Board payable from and secured by a revenues derived and to be derived by the Board from the levy of a Capital Improvement Tax (the "CIT"). The Board authorized the initial levy of the CIT in calendar year 2015 for collection in calendar year 2016. The CIT levy was created by the Illinois State Legislature in 2002, but not previously implemented. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the 2016 CIT Bonds.

NOTE 16 — SUBSEQUENT EVENTS (continued)

Pension Property Tax Levy.

In 2016, the Illinois General Assembly adopted and Governor Rauner signed, Public Act 099 — 0521 that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383%. The proceeds from this additional tax are expected to be approximately $250 million in Fiscal Year 2017 and will be paid directly to the Pension Fund to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. Public Act 099 — 0521 becomes effective June 1, 2017 and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of $250 million with the second property tax installment payment expected to be due August 1, 2017. The Board's Fiscal Year 2017 budget reflects that this $250 million in revenue will be credited to its required Statutory Contribution to the Pension Fund due in June 2017; however, agreement on this credit has not been finalized with the Pension Fund and the Board cannot predict whether the Pension Fund will apply the credit to the June 2017 required Statutory Contribution.

Teachers Contract and Revised 2017 Budget

The Board's agreement with Chicago Teacher's Union ("CTU") expired on June 30, 2015. On October 10, 2016, both parties reached a new agreement on all issues subject to collective bargaining. The new agreement was then ratified by CTU's House of Delegates and, subsequently, by the CTU's full membership on November 1, 2016. The Board approved the new agreement and a revised Fiscal Year 2017 Budget at a December 7, 2016. The Board expects the new agreement to increase costs by approximately $55 million above the amounts budgeted for Fiscal Year 2017. The revised Fiscal Year 2017 Budget will provide funding for the increased costs from additional revenues provided from surplus tax increment financing revenues that the City of Chicago has announced it will distribute to the Board in Fiscal Year 2017.

NOTE 17. FUTURE SUSTAINABILITY

For the year ended June 30, 2016 the total fund balance in the General Fund decreased by $487 million and as of June 30, 2016, the total fund balance in the General Fund was a deficit of $127 million and the unrestricted net position as reported in the Government-Wide Financial Statements, is a deficit of $12.2 billion. The long-term future sustainability of the District at its current operating level is dependent on new revenue sources or major reductions in costs.

Fiscal Year 2017 Budget

The Board approved on August 24, 2016 a balanced budget for fiscal year 2017. The budget contains estimated resources of $5.5 billion for operations which is .6 billion greater than actual revenue for 2016. The fiscal 2017 budget is available at http://cps.edu/budget.

The 2017 Budget plan reflects an increase of state funding as well as increasing personnel and operating costs, teacher pension costs and debt service costs. CPS has three main sources of revenues: 1) property taxes 2) state revenues and 3) federal revenues, of which property taxes are the District's largest single source of revenue.

1. In fiscal year 2016, property taxes increased by $104 million from fiscal year 2015. Growth is normally capped at the rate of inflation (on existing properties), although in 2017 the State allowed CPS to increase its property tax levy by an additional $250 million to be used for pension funding purposes.

NOTE 17. FUTURE SUSTAINABILITY (continued)

2. The 2017 budget includes additional State funding of $420 million. Included in the estimate of these resources is $215 million State Pension Equity Funding that has not yet been approved or appropriated by the State. Without additional funding from the State, CPS will need to make difficult decisions to balance fiscal year 2018 and future budgets.
3. Federal revenues is the third major source of funding which has remained relatively stable.

The 2016 total budgeted expenditures were $5.7 billion and the actual were $5.4 billion, a favorable variance of 300 million. The 2017 Budget reflects estimated expenditures of $5.5 billion. Approximately 70% of the District's costs are payroll related. Cost reductions initiated in 2016 are expected to continue in 2017.

The overall increase in pension costs is largely due to several years of pension contribution deferrals, lower than expected returns on plan investments, a growing unfunded liability balance and a change to State law requiring the plan to be 90% funded by 2059. In fiscal year 2017, CPS estimates a pension contribution of $733 million for the required pension contribution to the Chicago Teachers Pension Fund (CTPF). In contrast, the fiscal year 2016 contribution was $676 million, which is a 7.78% increase.

Risk Mitigation and Debt

To mitigate risks, CPS monitors credit markets to determine the most advantageous conditions for debt issuance. Despite credit rating downgrades, CPS continues to have borrowing capacity and will continue to access the long term credit market. A new credit instrument restricted for capital purposes and debt retirement was introduced to the marketplace in December 2016, backed by a dedicated capital improvement tax, which received a single 'A' investment grade rating. Furthermore, the District has access to the short term market and has increased our total lines of credit from $1.0 billion in 2016 to $1.5 billion in 2017. Management has no reason to believe CPS will not receive an extension of their existing variable lines of credit.

Management Initiatives and Internal Factors

Our experienced Board of Directors and senior management team have instituted extensive reviews of operations, identified efficiencies and created cash and overall financial forecasts to identify concerns and act immediately to remedy them. CPS has a myriad of tools and remedies to improve its financial condition and liquidity position. CPS has taken, and will continue to take, action to improve their financial condition in several ways including, but not limited to:

- Administrative workforce reductions
- Operating expenditure reductions
- Operational efficiencies
- Property tax increases
- Short and long term financing
- School level budget reductions
- Health Care cost reductions
- Debt restructuring
- Efficient grant management

FINANCIAL SECTION

NOTE 17. FUTURE SUSTAINABILITY (continued)

External Factors

In addition to the internal factors driving CPS' financial and operational performance, other external factors outside of CPS' direct control include, but are not limited to:

- Request for equitable state funding-Pending with the State government.
- Pension reform

CPS believes internal decisions and initiatives, coupled with Local and State responses to appropriately fund public education, will sufficiently address the CPS deficit and provide adequate liquidity. Without these actions, CPS may be in a deficit cash position in fiscal year 2017and without additional funding, CPS will need to make difficult decisions to balance fiscal year 2018 and future budgets.

It is critical to note to readers of our financial statements that CPS is the third largest school district in the nation and the second largest employer in the City of Chicago. CPS provides a statutorily required and highly demanded "essential" service.

FINANCIAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES BY OBJECT
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL — GENERAL OPERATING FUND
For the Fiscal Year Ended June 30, 2016
(Thousands of Dollars)

	Original Budget	Supplemental Appropriations & Tranfers In/(Out)	Final Budget	Fiscal Year Actual	Over (under) Budget
Revenues:					
Property taxes	$2,307,809	$ —	$2,307,809	$2,313,469	$ 5,660
Replacement taxes	149,517	—	149,517	115,961	(33,557)
State aid	2,057,293	—	2,057,293	1,398,855	(658,437)
Federal aid	852,618	—	852,618	776,277	(76,341)
Interest and investment earnings	140	—	140	1,347	1,207
Other	245,223	—	245,223	271,858	26,635
Total revenues	$5,612,600	$ —	$5,612,600	$4,877,767	(734,833)
Expenditures:					
Salaries —					
Teachers' salaries	$1,935,371	$(62,570)	$1,872,801	$1,869,683	$ (3,118)
Career service salaries	618,006	(4,544)	613,462	605,817	(7,645)
Commodities -		—			
Energy	78,339	(6,697)	71,642	70,227	(1,415)
Food	102,406	(2,691)	99,715	98,777	(938)
Textbook	41,857	13,246	55,103	54,856	(247)
Supplies	40,987	14,070	55,057	47,085	(7,972)
Other	462	17	479	294	(185)
Services —		—			
Professional and special services	284,875	71,656	356,531	314,732	(41,799)
Charter Schools	730,064	(12,296)	717,768	704,981	(12,786)
Transportation	100,147	2,017	102,164	104,450	2,286
Tuition	50,439	14,154	64,593	61,028	(3,565)
Telephone and telecommunications	26,133	403	26,536	24,579	(1,957)
Other	15,395	5,945	21,340	16,471	(4,869)
Equipment — educational	22,020	18,606	40,626	45,407	4,782
Building and Sites —		—			
Repair and replacements	20,547	(95)	20,452	18,853	(1,598)
Capital outlay	—	2,386	2,386	1,135	(1,251)
Teachers' pension	817,958	(24,157)	793,801	811,051	17,250
Career service pension	96,511	8,044	104,555	102,762	(1,793)
Hospitalization and dental insurance	347,273	8,151	355,424	348,083	(7,341)
Medicare	38,820	(3,407)	35,413	34,824	(589)
Unemployment compensation	8,923	652	9,575	9,438	(137)
Workers compensation	22,670	(2,728)	19,942	20,337	395
Rent	16,295	958	17,253	16,012	(1,242)
Debt service	20,417	—	20,417	25,003	4,586
Other	255,910	(41,120)	214,790	8,961	(205,829)
Total expenditures	$5,691,825	$ —	$5,691,825	$5,414,846	(276,979)
Revenues in excess of (less than) expenditures	$ (79,225)	$ —	$ (79,225)	$ (537,079)	(457,854)
Other financing sources (uses):					
Transfers in / (out)	$ —	—	$ —	$ 50,162	50,162
Total other financing sources (uses)	—	—	—	50,162	50,162
Net change in fund balances	$ (79,225)	—	$ (79,225)	$ (486,917)	$(407,692)
Fund balances, beginning of period	360,285	—	360,285	360,285	—
Fund balances, end of period	$ 281,060	—	$ 281,060	$ (126,632)	$(407,692)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Two Fiscal Years Ended June 30, 2016
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago:

	2015	2016
CPS' Proportion of the Net Pension Liability	100.000%	100.000%
CPS' Proportionate Share of the Net Pension Liability	$9,501,206	$10,023,263
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	—	—
Total	$9,501,206	$10,023,263
CPS' Covered Employee Payroll	$2,233,281	$ 2,273,551
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	425.44%	440.86%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%	51.61%

Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015	2016
CPS' Proportion of the Net Pension Liability	0.000%	0.000%
CPS' Proportionate Share of the Net Pension Liability	$ —	$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with CPS	2,779,767	7,829,700
Total	$2,779,767	$ 7,829,700
Covered Employee Payroll	$ 625,161	$ 691,178
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%	20.30%

NOTES:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS
For the Two Fiscal Years Ended June 30, 2016
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

Year Ended	CPS' Contractually Required Contributions	Contributions made on behalf of CPS by the State of Illinois	CPS Contributions related to the Contractually required contributions	Total Contributions	Contribution Deficiency (Excess)	CPS' Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2016	$687,965	$12,105	$675,860	$687,965	$ —	$2,281,269	30.16%
June 30, 2015	696,522	62,145	634,377	696,522	—	$2,273,551	30.64%

Municipal Employees' Annuity and Benefit Fund of Chicago

Year Ended	Contractually Required Contributions	Contributions made on behalf of CPS by the City of Chicago	Total Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2016	$288,660	$61,885	$61,885	$226,775	$691,178	8.95%
June 30, 2015	327,225	58,200	58,200	269,025	625,161	9.31%

NOTE:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available.

The Schedule is intended to show information for 10 years.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF FUNDING PROGRESS
Other Post-employment Benefits
(Thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2015	$21,713	$1,910,992	$1,889,279	1.14%	$2,155,604	87.64%
6/30/2014	35,977	1,938,856	1,902,878	1.86%	2,233,281	85.21%
6/30/2013	35,797	2,386,106	2,350,309	1.50%	2,239,347	104.96%
6/30/2012	34,125	3,110,316	3,076,191	1.10%	2,224,903	138.26%
6/30/2011	31,325	3,071,517	3,040,192	1.02%	2,090,132	145.45%
6/30/2010	34,858	2,864,877	2,830,019	1.22%	2,107,934	134.26%
6/30/2009	49,692	2,670,283	2,620,591	1.86%	1,996,194	131.28%

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

General Operating Fund

The General Operating Fund is the primary operating fund of the Board. It was created in response to the provisions of P.A. 89-15 which consolidated all of the rate-limited tax levies into the Board's general education tax levy. All information in this fund is presented in accordance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. The General Operating Fund includes all the revenues and expenditures of the following programs: Educational Program; Supplementary General State Aid Program; School Food Service Program; Elementary and Secondary Education Act Program; Individuals with Disabilities Education Act Program; Workers' and Unemployment Compensation/Tort Immunity Program; Public Building Commission Operations and Maintenance Program, and Other Government-funded Programs.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015

	Final Budget	Fiscal Year 2016 Actual	Over (under) Budget	Fiscal Year 2015 Actual	2016 Over (under) 2015
Revenues:					
Property taxes	$2,307,809	$2,313,469	$ 5,660	$2,252,828	$ 60,641
Replacement taxes	149,517	115,961	(33,556)	143,867	(27,906)
State aid	2,057,293	1,398,855	(658,438)	1,579,324	(180,469)
Federal aid	852,618	776,277	(76,341)	767,548	8,729
Interest and investment earnings	140	1,347	1,207	198	1,149
Other	245,223	271,858	26,635	165,819	106,039
Total revenues	$5,612,600	$4,877,767	$(734,833)	$4,909,584	$ (31,817)
Expenditures:					
Teachers' salaries	$1,872,801	$1,869,683	$ (3,118)	$1,953,938	$ (84,255)
Career service salaries	613,462	605,817	(7,645)	622,591	(16,774)
Energy	71,642	70,227	(1,415)	74,516	(4,289)
Food	99,715	98,777	(938)	99,573	(796)
Textbook	55,103	54,856	(247)	55,255	(399)
Supplies	55,057	47,085	(7,972)	50,571	(3,486)
Other commodities	479	294	(185)	474	(180)
Professional fees	356,531	314,732	(41,799)	395,221	(80,489)
Charter Schools	717,768	704,981	(12,786)	662,553	42,428
Transportation	102,164	104,450	2,286	103,891	559
Tuition	64,593	61,028	(3,565)	90,901	(29,873)
Telephone and telecommunications	26,536	24,579	(1,957)	28,061	(3,482)
Other services	21,340	16,471	(4,869)	14,133	2,338
Equipment – educational	40,626	45,407	4,782	60,962	(15,555)
Repair and replacements	20,452	18,853	(1,598)	27,291	(8,438)
Capital outlay	2,386	1,135	(1,251)	5	1,130
Teachers' pension	793,801	811,051	17,250	826,304	(15,253)
Career service pension	104,555	102,762	(1,793)	102,012	750
Hospitalization and dental insurance	355,424	348,083	(7,341)	357,124	(9,041)
Medicare	35,413	34,824	(589)	36,557	(1,733)
Unemployment compensation	9,575	9,438	(137)	8,138	1,300
Workers compensation	19,942	20,337	395	25,926	(5,589)
Rent	17,253	16,012	(1,242)	13,029	2,982
Debt service	20,417	25,003	4,586	1,971	23,032
Other fixed charges	214,790	8,961	(205,829)	9,368	(407)
Total expenditures	$5,691,825	$5,414,846	$(276,979)	$5,620,366	$(205,520)
Revenues in excess of (less than) expenditures	$ (79,225)	$ (537,079)	$(457,854)	$ (710,782)	$ 173,703
Other financing sources (uses):					
Transfers in / (out)	$ —	$ 50,162	$ 50,162	$ (12,915)	$ 63,077
Total other financing sources (uses)	$ —	50,162	$ 50,162	$ (12,915)	63,077
Net change in fund balances	$ (79,225)	$ (486,917)	$(407,692)	$ (723,697)	$ 236,780
Fund balances, beginning of period	360,285	360,285	—	1,083,982	(723,697)
Fund balances, end of period	$ 281,060	$ (126,632)	$(407,692)	$ 360,285	$(486,917)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Capital Projects Fund

FINANCIAL SECTION

B-52

The Capital Projects Fund is for the receipts and expenditures of revenues for Board capital projects. This fund includes the Capital Asset Program and the Capital Improvement Program.

Capital Asset Program:

This program is for the receipts and expenditures of proceeds from the sale of certain Board real estate, and other miscellaneous capital project revenues from various sources as designated by the Board.

Capital Improvement Program:

This program is for the receipts and expenditures of proceeds from the sale of Unlimited Tax General Obligation Bonds, Public Building Commission Building Revenue Bonds, State of Illinois construction grant receipts and federal E-rate capital subsidies for the purpose of building and improving schools at the designation of the Board.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
Property taxes	$ —	$ 42,588	$ 42,588
State aid	—	39,430	39,430
Federal aid	—	7,707	7,707
Interest and investment earnings	—	84	84
Other	—	62,910	62,910
Total revenues	$ —	$ 152,719	$ 152,719
Expenditures:			
Capital outlay	$ 238	$ 293,073	$ 293,311
Total expenditures	$ 238	$ 293,073	$ 293,311
Revenues less than expenditures	$ (238)	$(140,354)	$(140,592)
Other financing sources:			
Gross amounts from debt issuances	—	428,892	428,892
Discounts	—	(64,953)	(64,953)
Sales of general capital assets	15,012	—	15,012
Total other financing sources (uses)	$15,012	$ 363,939	$ 378,951
Net change in fund balances	$14,774	$ 223,585	$ 238,359
Fund balances, beginning of period	26,046	(157,157)	(131,111)
Fund balances, end of period	$40,820	$ 66,428	$ 107,248

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL ASSET PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Expenditures:					
Services	$ 47	$ 41	$ (6)	$ —	$ 41
Educational equipment	8	—	(8)	—	—
Capital outlay	6,193	197	(5,996)	15,366	(15,169)
Total expenditures	$ 6,248	$ 238	$ (6,010)	$ 15,366	$(15,169)
Revenues less than expenditures	$ (6,248)	$ (238)	$ (6,010)	$(15,366)	$ 15,128
Other financing sources:					
Sales of general capital assets	$ —	$15,012	$15,012	$ 37,504	$(22,492)
Total other financing sources (uses)	$ —	$15,012	$15,012	$ 37,504	$(22,492)
Net change in fund balance	$ (6,248)	$14,774	$21,022	$ 22,138	$ (7,364)
Fund balance, beginning of period	26,046	26,046	—	3,908	22,138
Fund balance, end of period	$19,798	$40,820	$21,022	$ 26,046	$ 14,774

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Property taxes	$ —	$ 42,588	$ 42,588	$ —	$ 42,588
State aid	96,349	39,430	(56,919)	31,587	7,843
Federal aid	12,487	7,707	(4,780)	6,498	1,209
Interest and investment earnings	—	84	84	368	(284)
Other	82,535	62,910	(19,625)	107,171	(44,261)
Total revenues	$ 191,371	$ 152,719	$ (38,651)	$ 145,624	$ 7,095
Expenditures:					
Salaries	$ 1,436	$ 824	$ (612)	$ 492	$ 332
Services	17,503	16,828	(674)	3,665	13,163
Educational equipment	67	—	(67)	6,278	(6,278)
Capital outlay	642,214	269,049	(373,165)	348,811	(79,762)
Career Service Pension	146	146	—	89	57
Hospitalization and dental insurance	65	65	—	38	27
Medicare	11	11	—	7	4
Unemployment compensation	3	3	—	2	1
Workers compensation	7	7	—	5	2
Other	(5,853)	6,140	11,993	—	6,140
Total expenditures	$ 655,599	$ 293,073	$(362,525)	$ 359,387	$ (66,312)
Revenues less than expenditures	$(464,228)	$(140,354)	$ 323,874	$(213,763)	$ 73,407
Other financing sources:					
Gross amounts from debt issuances	$ 555,000	$ 428,892	$(126,108)	$ 148,530	$280,362
Discounts	—	(64,953)	(64,953)	—	(64,953)
Transfers (out)/in	40,000	—	(40,000)	—	—
Total other financing sources	$ 595,000	$ 363,939	$(231,061)	$ 148,530	$215,410
Net change in fund balance	$ 130,772	$ 223,585	$ 92,812	$ (65,233)	$288,818
Fund balance, beginning of period	(157,157)	(157,157)	—	(91,924)	(65,233)
Fund balance, end of period	$ (26,385)	$ 66,428	$ 92,812	$(157,157)	$223,585

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Debt Service Fund

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest and redemption for general obligation bonds by the Board and for lease payments to the Public Building Commission. The fund includes the Bond Redemption and Interest Program and the Public Building Commission Leases Program.

Bond Redemption and Interest Program:

This program is for the receipt and expenditure of replacement taxes, City of Chicago Intergovernmental Agreement Revenue, State of Illinois construction grant receipts and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program:

This program is for the receipt and expenditure of tax levies and for State of Illinois construction grant receipts for the rental of school buildings from the Public Building Commission.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of Dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ —	$52,358	$ 52,358
Replacement taxes	45,574	—	45,574
State aid	114,041	—	114,041
Federal aid	25,015	—	25,015
Interest and investment earnings	(97,225)	144	(97,081)
Other	102,274	—	102,274
Total revenues	$ 189,679	$52,502	$ 242,181
Expenditures:			
Debt service	$ 403,288	$51,997	$ 455,285
Total expenditures	$ 403,288	$51,997	$ 455,285
Revenues in excess of (less than) expenditures	$(213,609)	$ 505	$(213,104)
Other financing sources (uses):			
Gross amounts from debt issuances	$ 296,107	$ —	$ 296,107
Discounts	(45,118)	—	(45,118)
Payment to refunded bond escrow agent	(120,856)	—	(120,856)
Transfers in / (out)	(50,066)	(96)	(50,162)
Total other financing sources (uses)	$ 80,067	$ (96)	$ 79,971
Net change in fund balances	$(133,542)	$ 410	$(133,133)
Fund balances, beginning of period	544,531	57,909	602,440
Fund balances, end of period	$ 410,989	$58,319	$ 469,307

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOND REDEMPTION AND INTEREST PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Replacement taxes	$ 58,283	$ 45,574	$ (12,709)	$ 58,281	$ (12,707)
State aid	42,900	114,041	71,141	236,158	(122,117)
Federal aid	24,827	25,015	188	24,885	130
Interest and investment earnings	30	(97,225)	(97,255)	(93,389)	(3,836)
Other	95,500	102,274	6,774	104,296	(2,022)
Total revenues	$ 221,541	$ 189,679	$ (31,862)	$ 330,231	$(140,552)
Expenditures:					
Debt Service	486,651	403,288	(83,362)	481,464	(78,176)
Total expenditures	$ 486,651	$ 403,288	$ (83,362)	$ 481,464	$ (78,176)
Revenues less than expenditures	$(265,110)	$(213,609)	$ 51,501	$(151,233)	$ (62,376)
Other financing sources:					
Gross amounts from debt issuances	$ 294,530	$ 296,107	$ 1,577	$ 413,350	$(117,243)
Discounts	—	(45,118)	(45,118)	(12,502)	(32,616)
Payment to refunded bond escrow agent	—	(120,856)	(120,856)	(386,710)	265,854
Transfers in / (out)	—	(50,066)	(50,066)	12,920	(62,986)
Total other financing sources	$ 294,530	$ 80,067	$(214,464)	$ 27,058	$ 53,009
Net change in fund balance	$ 29,420	$(133,542)	$(162,963)	$(124,175)	$ (9,367)
Fund balance, beginning of period	544,531	544,531	—	668,706	(124,175)
Fund balance, end of period	$ 573,951	$ 410,989	$(162,963)	$ 544,531	$(133,542)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PUBLIC BUILDING COMMISSION LEASES PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Property taxes	$51,997	$52,358	$361	$51,828	$ 530
Interest and investment earnings	—	144	144	(2)	146
Total revenues	$51,997	$52,502	$505	$51,826	$ 676
Expenditures:					
Debt Service	51,997	51,997	—	52,029	(32)
Total expenditures	$51,997	$51,997	$ —	$52,029	$ (32)
Revenues less than expenditures	$ —	$ 505	$505	$ (203)	$ 708
Other financing sources:					
Transfers in / (out)	—	(96)	(96)	(5)	(91)
Total other financing sources	$ —	$ (96)	$ (96)	$ (5)	$ (91)
Net change in fund balance	$ —	$ 410	$410	$ (208)	$ 618
Fund balance, beginning of period	57,909	57,909	—	58,117	(208)
Fund balance, end of period	$57,909	$58,319	$410	$57,909	$ 410

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

This part of CPS' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about CPS' overall financial position.

Contents:

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess CPS' major revenue sources.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which CPS' financial activities take place.

Operating Information

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

Sources:

Unless otherwise noted, the information contained herein is derived from the comprehensive annual financial reports for the relevant year.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009 (1) (as restated)	2010 (2)	2011 (3)	2012 (4) (as restated)	2013	2014	2015	2016
Net investment in capital assets	$ 267,249	$ 133,440	$ 30,202	$ 440,099	$ 370,159	$ 310,028	$ 80,009	$ (37,194)	$ (159,007)	$ (342,529)
Restricted for:										
Debt service	413,747	445,782	391,392	442,851	276,097	282,253	345,399	368,794	445,663	510,743
Donations	1,765	1,826	3,695	5,825	—	—	—	—	—	
Enabling legislation	129,597	102,695	101,072	109,163	—	—	—	—	—	
Grants and donations	—	—	—	—	70,045	70,302	63,862	61,451	64,584	65,282
Workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116
Unrestricted	(698,809)	(784,702)	(1,017,248)	(1,916,207)	(2,009,152)	(2,552,441)	(3,358,734)	(4,372,335)	(11,604,516)	(12,239,387)
Total net position	$ 113,549	$(100,959)	$ (490,887)	$ (918,269)	$(1,201,815)	$(1,797,178)	$(2,804,479)	$(3,959,446)	$(11,211,903)	$(11,970,775)

NOTES:

1) For FY2009, the amounts for net position restricted for debt service and unrestricted net position were restated to reflect the effects of GASB 53 adopted in FY2010.

2) Certain items in the FY2010 financial statements were reclassified to conform with the FY2011 presentation. These reclassifications had no impact in the total net position as previously reported.

3) Certain items in the FY2011 financial statements were reclassified to conform with the FY2012 presentation. These reclassifications had no impact in the total net position as previously reported.

4) Certain items in the FY2012 financial statements were restated to reflect the effects of GASB 63 and GASB 65 adopted in FY2013.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Expenses:										
Instruction	$ 3,096,529	$ 3,138,036	$ 3,324,936	$ 3,507,221	$ 3,712,681	$ 3,742,788	$ 4,040,352	$ 4,139,906	$ 4,217,996	$ 3,870,330
Pupil support services	360,628	384,765	408,705	438,164	545,428	483,167	494,076	487,139	484,745	470,316
Administrative support services	178,891	205,693	233,361	201,908	187,559	192,605	211,294	241,913	249,662	318,736
Facilities support services	461,265	519,982	582,539	481,245	499,093	455,342	490,381	654,971	477,892	454,652
Instructional support services	481,477	496,708	512,427	523,851	541,714	473,202	491,137	474,926	492,232	468,999
Food services	186,297	193,614	203,880	207,127	215,609	219,382	234,659	205,989	207,834	211,288
Community services	45,203	46,779	56,392	50,879	47,021	38,941	39,946	37,507	37,997	36,967
Interest expense	219,826	274,356	259,850	258,360	285,577	310,452	337,053	335,237	332,023	365,136
Other	8,126	10,652	8,504	12,919	8,845	8,115	7,043	6,134	6,319	7,388
Total governmental activities	$ 5,038,242	$ 5,270,585	$ 5,590,594	$ 5,681,674	$ 6,043,527	$ 5,923,994	$ 6,345,941	$ 6,583,722	$ 6,506,700	$ 6,203,812
Program revenues:										
Charges for services										
Instruction	$ 3,748	$ 3,940	$ 5,189	$ 4,308	$ 692	$ 727	$ 700	$ 657	$ 571	$ 612
Food services	8,784	8,537	8,298	6,881	6,404	6,083	5,554	3,485	1,303	1,336
Operating grants and contributions	862,674	945,723	1,250,526	1,376,744	1,368,118	1,196,073	963,325	1,086,885	1,051,655	1,147,750
Capital grants and contributions	97,477	128,570	151,405	99,054	184,837	112,914	186,394	162,403	356,189	109,766
Total program revenues	$ 972,683	$ 1,086,770	$ 1,415,418	$ 1,486,987	$ 1,560,051	$ 1,315,797	$ 1,155,973	$ 1,253,430	$ 1,409,718	$ 1,259,464
Revenues (less than) expenditures	$(4,065,559)	$(4,183,815)	$(4,175,176)	$(4,194,687)	$(4,483,476)	$(4,608,197)	$(5,189,968)	$(5,330,292)	$(5,096,982)	$(4,944,348)
General revenues and other changes in net position:										
Taxes:										
Property taxes	$ 1,813,006	$ 1,861,781	$ 1,936,656	$ 1,896,265	$ 2,053,119	$ 2,089,016	$ 2,156,943	$ 2,218,033	$ 2,302,881	$ 2,399,287
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,040	202,148	161,535
Non-program state aid	1,651,730	1,756,386	1,603,926	1,532,679	1,792,747	1,611,726	1,688,611	1,572,564	1,492,019	1,442,822
Interest and investment earnings	116,907	85,896	43,692	12,734	17,101	20,683	7,879	15,563	(47,720)	(18,706)
Gain recognized from swaptions earnings	37,647	—	—	—	—	—	—	—	—	—
Gain on sale of capital assets	22,919	45,386	91	—	—	—	—	—	—	10,058
Other	162,779	4,369	56,132	173,130	139,201	147,550	143,350	181,125	125,638	190,480
Extraordinary item — gain on impairment of capital assets	—	—	708	—	—	—	—	—	—	—
Total general revenues and extraordinary item	$ 4,006,497	$ 3,969,307	$ 3,829,708	$ 3,767,305	$ 4,199,930	$ 4,050,902	$ 4,182,667	$ 4,175,325	$ 4,074,966	$ 4,185,476
Change in net position	$ (59,062)	$ (214,508)	$ (345,468)	$ (427,382)	$ (283,546)	$ (557,295)	$(1,007,301)	$(1,154,967)	$(1,022,016)	$ (758,872)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF FUND BALANCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
General operating fund										
Reserved	$ 229,093	$ 237,205	$215,452	$226,154	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	404,843	432,391	311,422	198,461	—	—	—	—	—	—
Nonspendable	—	—	—	—	1,972	3,329	1,720	429	429	429
Restricted for grants and donations	—	—	—	—	69,616	69,873	63,434	61,022	64,155	64,854
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225	—
Assigned for commitments and contracts	—	—	—	—	102,163	110,397	105,664	87,067	73,101	—
Unassigned	—	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)
Total general operating fund	$ 633,936	$ 669,596	$526,874	$424,615	$740,380	$1,068,754	$949,143	$436,008	$ 360,285	$(126,632)
All other governmental funds										
Reserved	$ 463,935	$ 541,068	$373,010	$604,733	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Capital projects fund	481,445	337,506	—	33,846	—	—	—	—	—	—
Debt service fund	158,480	178,489	154,616	124,556	—	—	—	—	—	—
Nonspendable	—	—	—	—	—	5,674	4,388	—	—	—
Restricted for capital improvement program	—	—	—	—	182,884	88,762	169,368	—	—	107,248
Restricted for debt service	—	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116
Assigned for debt service	—	—	—	—	231,413	254,967	269,167	193,877	57,057	—
Unassigned (deficit)	—	—	—	—	—	—	—	(91,953)	(131,111)	(65,809)
Total all other governmental funds	$1,103,860	$1,057,063	$527,626	$763,135	$685,940	$ 681,920	$909,889	$593,476	$ 471,329	$ 576,555

NOTE:

1) Since FY2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (2)	2015	2016
Revenues:										
Property taxes	$1,767,760	$ 1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$ 2,304,656	$2,408,416
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535
State aid	1,701,585	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325
Federal aid	746,029	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999
Interest and investment earnings	116,907	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)
Other	286,230	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042
Total revenues	$4,820,020	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667
Expenditures:										
Current:										
Instruction	$2,491,653	$ 2,575,124	$2,773,440	$2,898,855	$2,955,772	$2,992,481	$3,034,509	$3,126,689	$ 3,253,484	$2,970,553
Pupil support services	349,324	362,325	390,399	416,502	508,803	469,366	454,240	457,939	459,672	448,254
General support services	914,117	986,905	1,057,672	1,010,637	1,023,004	967,692	941,270	987,048	972,526	1,044,740
Food services	179,902	181,778	194,603	196,828	201,325	213,115	215,739	193,642	197,084	201,377
Community services	45,467	45,708	56,003	50,331	45,848	39,794	39,656	37,460	38,003	37,497
Teachers' pension and retirement benefits	155,563	206,651	237,011	294,424	149,377	183,499	227,766	593,225	676,078	664,123
Other	8,126	10,652	8,504	11,928	8,845	8,115	7,043	6,134	6,319	7,388
Capital outlay	345,963	466,895	672,412	705,691	580,363	591,148	519,604	534,980	391,953	308,091
Debt service:										
Principal	180,767	60,568	81,351	141,977	70,848	88,466	73,423	148,272	214,707	139,096
Interest	154,669	206,028	212,934	236,261	249,975	275,707	304,788	315,927	310,923	310,778
Other charges	6,743	15,546	7,921	8,359	11,274	10,321	12,198	3,705	7,863	31,545
Total expenditures	$4,832,294	$ 5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$ 6,528,612	$6,163,442
Revenues (less than) expenditures	$ (12,274)	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,091,347)	$ (890,775)
Other financing sources (uses):										
Gross amounts from debt issuances	$ 355,805	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600	$ 561,880	$ 724,999
Premiums on bonds issued	14,444	41,226	—	6,459	14,700	1,229	47,271	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012
Payment to refunded bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)
Transfers in	1,904	3,813	20,389	—	—	—	—	—	—	—
Transfers out	(1,904)	(3,813)	(20,389)	—	—	—	—	—	—	—
Proceeds from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	—	(12,502)	(110,071)
Capital leases	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	$ 395,922	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 200,172	$ 509,084
Net changes in fund balances	$ 383,648	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)
Debt service as a percentage of noncapital expenditures	7.35%	5.61%	5.71%	7.07%	6.09%	6.89%	7.02%	7.64%	8.47%	7.68%

NOTES:

1) This schedule was prepared using the modified accrual basis of accounting.
2) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES BY SOURCE — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2007		2008		2009		2010		2011		2012		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:														
Property taxes	$1,767,760	36.7%	$1,813,917	36.1%	$1,896,540	37.8%	$2,047,163	38.6%	$1,936,655	34.2%	$2,352,136	40.8%	$2,211,568	41.1%
Replacement taxes	201,509	4.2%	215,489	4.3%	188,503	3.8%	152,497	2.9%	197,762	3.5%	181,927	3.2%	185,884	3.4%
State aid	1,701,585	35.3%	1,846,034	36.8%	1,511,886	30.1%	1,552,076	29.3%	1,949,781	34.5%	1,965,901	34.1%	1,815,798	33.7%
Federal aid	746,029	15.5%	876,041	17.5%	1,125,580	22.4%	1,180,148	22.3%	1,144,884	20.2%	935,951	16.2%	845,796	15.7%
Interest and investment earnings	116,907	2.4%	85,895	1.7%	43,693	0.9%	12,483	0.2%	13,399	0.2%	20,760	0.4%	7,303	0.1%
Other	286,230	5.9%	181,028	3.6%	253,376	5.0%	359,661	6.7%	417,516	7.4%	303,744	5.3%	322,128	6.0%
Total revenues	$4,820,020	100.0%	$5,018,404	100.0%	$5,019,578	100.0%	$5,304,028	100.0%	$5,659,997	100.0%	$5,760,419	100.0%	$5,388,477	100.0%

	2014 (as restated)		2015		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$2,204,252	40.5%	$2,304,656	42.4%	$2,408,416	45.7%
Replacement taxes	188,041	3.5%	202,148	3.7%	161,535	3.1%
State aid	1,840,805	33.9%	1,847,069	34.0%	1,552,325	29.4%
Federal aid	907,241	16.7%	798,931	14.7%	808,999	15.3%
Interest and investment earnings	15,596	0.3%	(92,825)	-1.7%	(95,650)	-1.8%
Other	286,472	5.3%	377,286	6.9%	437,042	8.3%
Total revenues	$5,442,407	100.0%	$5,437,265	100.0%	$5,272,667	100.0%

NOTES:

This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

EXPENDITURES BY FUNCTION — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2007		2008		2009	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$2,491,653	51.6%	$2,575,124	50.3%	$2,773,440	48.7%
Pupil support services	349,324	7.2%	362,325	7.1%	390,399	6.9%
General support services	914,117	18.9%	986,905	19.3%	1,057,672	18.6%
Food services	179,902	3.7%	181,778	3.6%	194,603	3.4%
Community services	45,467	0.9%	45,708	0.9%	56,003	1.0%
Teachers' pension and retirement benefits	155,563	3.2%	206,651	4.0%	237,011	4.2%
Other	8,126	0.2%	10,652	0.2%	8,504	0.1%
Capital outlay	345,963	7.2%	466,895	9.1%	672,412	11.8%
Debt service	342,179	7.1%	282,142	5.5%	302,206	5.3%
Total expenditures	$4,832,294	100.0%	$5,118,180	100.0%	$5,692,250	100.0%

	2010		2011		2012		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:								
Current:								
Instruction	$2,898,855	48.5%	$2,955,772	50.9%	$2,992,481	51.3%	$3,034,509	52.0%
Pupil support services	416,502	7.0%	508,803	8.8%	469,366	8.0%	454,240	7.9%
General support services	1,010,637	17.0%	1,023,004	17.6%	967,692	16.6%	941,270	16.1%
Food services	196,828	3.3%	201,325	3.5%	213,115	3.7%	215,739	3.7%
Community services	50,331	0.8%	45,848	0.8%	39,794	0.7%	39,656	0.7%
Teachers' pension and retirement benefits	294,424	4.9%	149,377	2.6%	183,499	3.1%	227,766	3.9%
Other	11,928	0.2%	8,845	0.1%	8,115	0.1%	7,043	0.1%
Capital outlay	705,691	11.8%	580,363	10.0%	591,148	10.1%	519,604	8.9%
Debt service	386,597	6.5%	332,097	5.7%	374,494	6.4%	390,409	6.7%
Total expenditures	$5,971,793	100.0%	$5,805,434	100.0%	$5,839,704	100.0%	$5,830,236	100.0%

	2014		2015		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$3,126,689	48.8%	$3,253,484	49.9%	$2,970,553	48.1%
Pupil support services	457,939	7.1%	459,672	7.1%	448,254	7.3%
General support services	987,048	15.4%	972,526	14.9%	1,044,740	17.0%
Food services	193,642	3.0%	197,084	3.0%	201,377	3.3%
Community services	37,460	0.6%	38,003	0.6%	37,497	0.6%
Teachers' pension and retirement benefits	593,225	9.3%	676,078	10.4%	664,123	10.8%
Other	6,134	0.1%	6,319	0.1%	7,388	0.1%
Capital outlay	534,980	8.4%	391,953	6.0%	308,091	5.0%
Debt service	467,904	7.3%	533,493	8.0%	481,419	7.8%
Total expenditures	$6,405,021	100.0%	$6,528,612	100.0%	$6,163,442	100.0%

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:			
Local taxes:			
Property taxes	$2,313,470	$2,252,828	$ 60,642
Replacement taxes	115,961	143,867	(27,906)
Total revenue from local taxes	$2,429,431	$2,396,695	$ 32,736
Local nontax revenue:			
Interest and investment earnings	$ 1,347	$ 198	$ 1,149
Lunchroom operations	—	1,302	(1,302)
Other	271,858	164,517	107,341
Total revenue from nontax revenue	$ 273,205	$ 166,017	$ 107,188
Total local revenue	$2,702,636	$2,562,712	$ 139,924
State grants and subsidies:			
General state aid	$ 857,601	$ 847,420	$ 10,181
Block grants	511,192	621,625	(110,433)
Other	30,061	110,279	(80,218)
Total state grants & subsidies	$1,398,854	$1,579,324	$(180,470)
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 293,302	$ 253,514	$ 39,788
American Recovery and Reinvestment Act (ARRA) (1)	14,304	22,405	(8,101)
School lunch program	202,943	200,412	2,531
Individuals with Disabilities Education Act (IDEA)	93,483	103,899	(10,416)
Other	172,245	187,318	(15,073)
Total federal grants and subsidies	$ 776,277	$ 767,548	$ 8,729
Total revenues	$4,877,767	$4,909,584	$ (31,817)

NOTE:

1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over (Under) 2015
Expenditures:			
Instruction:			
Salaries	$1,775,630	$1,844,868	$ (69,238)
Commodities	68,814	70,757	(1,943)
Services	653,379	843,073	(189,694)
Equipment — educational	33,310	43,836	(10,526)
Building and sites	2,449	4,264	(1,815)
Fixed charges	436,971	446,686	(9,715)
Total instruction	$2,970,553	$3,253,484	$(282,931)
Pupil support services:			
Salaries	$ 230,887	$ 241,575	$ (10,688)
Commodities	4,277	4,767	(490)
Services	140,994	137,439	3,555
Equipment — educational	446	1,883	(1,437)
Building and sites	402	65	337
Fixed charges	71,248	73,943	(2,695)
Total pupil support services	$ 448,254	$ 459,672	$ (11,418)
Administrative support services:			
Salaries	$ 67,187	$ 80,332	$ (13,145)
Commodities	11,569	11,106	463
Services	196,280	110,243	86,037
Equipment — educational	375	1,460	(1,085)
Building and sites	536	643	(107)
Fixed charges	27,838	32,964	(5,126)
Total administrative support services	$ 303,785	$ 236,748	$ 67,037

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Facilities support services:			
Salaries	$ 77,424	$ 77,376	$ 48
Commodities	74,855	80,751	(5,896)
Services	170,328	134,757	35,571
Equipment — educational	1,135	2,196	(1,061)
Building and sites	13,390	20,268	(6,878)
Fixed charges	43,857	40,755	3,102
Total facilities support services	$380,989	$356,103	$ 24,886
Instructional support services:			
Salaries	$246,951	$255,400	$ (8,449)
Commodities	9,456	10,413	(957)
Services	37,868	45,286	(7,418)
Equipment — educational	4,257	5,510	(1,253)
Building and sites	1,815	1,969	(154)
Fixed charges	59,619	61,097	(1,478)
Total instructional support services	$359,966	$379,675	$(19,709)
Food services:			
Salaries	$ 61,527	$ 60,299	$ 1,228
Commodities	97,247	96,522	725
Services	4,356	4,066	290
Equipment — educational	1,762	620	1,142
Building and sites	—	—	—
Fixed charges	36,485	35,577	908
Total food services	$201,377	$197,084	$ 4,293

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Community services:			
Salaries	$ 12,901	$ 13,283	$ (382)
Commodities	1,384	2,377	(993)
Services	18,501	17,552	949
Equipment — educational	377	436	(59)
Building and sites	117	—	117
Fixed charges	4,217	4,355	(138)
Total community services	$ 37,497	$ 38,003	$ (506)
Teacher's Pension:			
Fixed charges	$664,123	$676,078	$(11,955)
Total teachers' pension	$664,123	$676,078	$(11,955)
Capital outlay:			
Salaries	$ 2,822	$ 3,213	$ (391)
Commodities	3,626	3,686	(60)
Services	2,495	2,311	184
Equipment — educational	3,717	5,020	(1,303)
Building and sites	1,279	86	1,193
Fixed charges	841	2,884	(2,043)
Total capital outlay	$ 14,780	$ 17,200	$ (2,420)
Debt service:			
Services	$ 1,131	$ —	$ 1,131
Fixed charges	25,003	—	25,003
Total debt service	$ 26,134	$ —	$ 26,134

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Other:			
Salaries	$ 172	$ 184	$ (12)
Commodities	9	9	—
Services	909	32	877
Equipment — educational	29	—	29
Building and sites	—	—	—
Fixed charges	6,269	6,094	175
Total other	$ 7,388	$ 6,319	$ 1,069
Total expenditures	$5,414,846	$5,620,366	$(205,520)

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OTHER FINANCING SOURCES AND (USES)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General operating fund:										
Transfers in/(out)	$ 1,904	$ 3,813	$ 20,389	$ 17,851	$109,830	$ 62	$ 439	$ 161	$ (12,915)	$ 50,162
Total general operating fund	$ 1,904	$ 3,813	$ 20,389	$ 17,851	$109,830	$ 62	$ 439	$ 161	$ (12,915)	$ 50,162
All other governmental funds:										
Gross amounts from debt issuances	$355,805	$ 1,674,555	$ 225,675	$1,083,260	$638,790	$ 592,510	$ 982,720	$131,600	$ 561,880	$ 724,999
Premiums on bonds issued	14,444	41,226	—	6,459	14,700	1,229	47,271	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012
Payment to refunded bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)
Transfers in/(out)	(1,904)	(3,813)	(20,389)	(17,851)	(109,830)	(62)	(439)	(161)	12,915	(50,162)
Amount from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	—	(12,502)	(110,071)
Proceeds from swaps	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	$394,018	$ 244,291	$ (19,876)	$ 783,164	$274,177	$ 403,577	$ 549,678	$138,740	$ 213,087	$ 458,922

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RATIO OF DEBT SERVICE TO NON-CAPITAL EXPENDITURES
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

Fiscal Year	Debt Service	Non-Capital	Ratio
2007	$342,179	$4,486,331	0.08 : 1
2008	260,438	4,651,285	0.06 : 1
2009	301,169	5,019,838	0.06 : 1
2010	383,887	5,266,102	0.07 : 1
2011	332,097	5,225,071	0.06 : 1
2012	374,494	5,248,556	0.07 : 1
2013	390,409	5,310,632	0.07 : 1
2014	467,904	5,870,041	0.08 : 1
2015	533,493	6,136,659	0.09 : 1
2016	481,419	5,855,351	0.08 : 1

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Rate per $100 of equalized assessed valuation)

School Direct Rates	2007	2008 (A)	2009 (B)	2010	2011	2012	2013	2014	2015	2016
Education	$2.078	$2.376	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205
Worker's and Unemployment Compensation/Tort Immunity	0.021	0.191	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111
PBC Operation & Maintenance	0.521	—	—	—	—	—	—	—	—	—
Public Building Commission	0.077	0.016	0.015	0.014	0.065	0.071	0.082	0.085	0.082	0.075
Capital Improvement	—	—	—	—	—	—	—	—		0.064
Total direct rate	$2.697	$2.583	$2.472	$2.366	$2.581	$2.875	$3.422	$3.671	$3.660	$3.455
Chicago Finance Authority	$0.118	$0.091	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City of Chicago	1.062	1.044	1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806
Chicago City Colleges	0.205	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177
Chicago Park District	0.379	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382
Metropolitan Water Reclamation District	0.284	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426
Cook County	0.500	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552
Cook County Forest Preserve	0.057	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069
Total for all governments	$5.302	$4.994	$4.816	$4.627	$4.931	$5.455	$6.396	$6.832	$6.808	$6.867

Source: Cook County Clerk's Office

NOTES:

A) Beginning in fiscal year 2008, the tax levy for PBC Operations & Maintenance has been consolidated with the Education tax rate.

B) Beginning in fiscal year 2009, the tax levy for Chicago Finance Authority has been consolidated with the Education tax rate.

Note:

The tax direct rate for the Capital Improvement for fiscal year 2016 is rounded up by .001 in order to tie to the agency grand total of 3.455 on the Cook County Agency Report for tax year 2015.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Thousands of dollars)

			Collected within the Fiscal Year of Extension (A)			Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	Collections in Subsequent Years	Amount	Percentage of Extension
2006	2007	$1,874,750	$ 835,191	44.55%	$ 966,103	$1,801,294	96.08%
2007	2008	1,901,887	865,576	45.51%	976,942	1,842,518	96.88%
2008	2009	2,001,751	916,129	45.77%	1,024,939	1,941,068	96.97%
2009	2010	2,001,252	1,024,263	51.18%	899,999	1,924,262	96.15%
2010	2011	2,118,541	1,021,564	48.22%	1,030,958	2,052,522	96.88%
2011	2012	2,159,586	1,083,667	50.18%	1,040,248	2,123,915	98.35%
2012	2013	2,232,684	1,090,274	48.83%	1,074,246	2,164,520	96.95%
2013	2014	2,289,250	1,134,859	49.57%	1,125,993	2,260,852	98.76%
2014	2015	2,375,822	1,177,370	49.56%	1,172,030	2,349,400	98.89%
2015	2016	2,451,566	1,230,423	50.19%	—	—	—

NOTES:

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

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

C) Tax Year 2015 contains Capital Improvement Tax amounts that were not levied in prior years.

D) Amounts collected within the fiscal year of extension for Tax Year 2011 - 2014 were revised to present the information on the cash basis of accounting.

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A)				Total	State Equalization Factor (F)	Total Equalized Assessed Value (G)	Total Direct Tax Rate (H)	Total Estimated Fair Cash Value (I)	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value (%)
		Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)						
2006	2007	$18,521,873	$2,006,898	$12,157,149	$688,868	$33,374,788	2.7076	$69,511,192	$2.697	$329,770,733	21.08%
2007	2008	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	2.583	320,503,503	22.98%
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117	2.9786	80,977,543	2.472	310,888,609	26.05%
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	2.366	280,288,730	30.18%
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	2.581	231,986,396	35.38%
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	2.875	222,856,064	33.71%
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	3.422	206,915,723	31.53%
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	3.671	236,695,475	26.35%
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570	2.7253	64,908,057	3.660	255,639,792	25.39%
2015	2016	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	3.455	N/A	N/A

NOTES:

A. *Source*: Cook County Assessor's Office
B. Residential, six units and under
C. Residential, seven units and over and mixed-use
D. Industrial/Commercial
E. Vacant, not-for-profit and industrial/commercial incentive classes
F. *Source*: Illinois Department of Revenue
G. *Source*: Cook County Clerk's Office — Total equalized assessed value is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.
H. Property in the City of Chicago is reassessed once every three years. Tax rates are per $100 of the equalized assessed value.
I. *Source*: The Civic Federation — Excludes railroad property.

N/A: Not available at publishing.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION

Last Ten Fiscal Years

(Thousands of dollars)

	2015			2014			2013			2012			2011		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 386,932	1	0.55%	$ 364,455	1	0.56%	$ 370,197	1	0.59%	$ 386,266	1	0.59%	$ 445,590	1	0.59%
AON Building	239,092	2	0.34%	241,081	2	0.37%	248,906	2	0.40%	255,347	2	0.39%	302,124	2	0.40%
HCSC Blue Cross	238,631	3	0.34%	206,782	3	0.32%	201,987	3	0.32%	205,275	4	0.31%	206,343	6	0.27%
Water Tower Place	215,481	4	0.30%	195,486	4	0.30%	190,953	5	0.31%	201,246	5	0.31%	207,942	5	0.28%
300 Lasalle LLC	196,095	5	0.28%	183,764	8	0.28%	159,537	10	0.26%	179,804	10	0.28%	190,005	10	0.25%
Franklin Center	194,504	6	0.27%	187,461	6	0.29%	183,114	7	0.29%	192,985	7	0.30%	197,944	8	0.26%
Chase Tower	193,365	7	0.27%	194,963	5	0.30%	190,442	6	0.31%	200,708	6	0.31%	204,229	7	0.27%
Citadel Center	187,291	8	0.26%	181,210	10	0.28%	177,008	9	0.28%	184,596	9	0.28%	—	—	—
Prudential Plaza	186,795	9	0.26%	184,101	7	0.28%	193,495	4	0.31%	234,964	3	0.36%	272,345	3	0.36%
Three First National Plaza	182,523	10	0.26%	182,084	9	0.28%	177,862	8	0.29%	187,449	8	0.29%	197,183	9	0.26%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—	—	—	—	243,609	4	0.32%
131 S. Dearborn	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	$2,220,709		3.13%	$2,121,387		3.26%	$ 2,093,501		3.36%	$2,228,640		3.42%	$2,467,314		3.26%

	2010			2009			2008			2007			2006		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 495,000	1	0.60%	$ 505,515	1	0.60%	$ 540,074	1	0.67%	$ 514,662	1	0.70%	$ 493,803	1	0.71%
AON Building	335,454	2	0.41%	375,441	2	0.44%	392,192	2	0.48%	374,456	2	0.51%	356,510	2	0.51%
HCSC Blue Cross	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Water Tower Place	231,000	4	0.28%	235,907	5	0.28%	242,014	6	0.30%	231,069	6	0.31%	219,995	6	0.32%
300 Lasalle LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Franklin Center	209,723	8	0.26%	256,590	4	0.30%	294,569	4	0.36%	297,653	3	0.40%	283,387	3	0.41%
Chase Tower	226,875	5	0.28%	231,694	6	0.27%	262,114	5	0.32%	250,261	5	0.34%	238,266	5	0.34%
Citadel Center	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Prudential Plaza	305,026	3	0.37%	318,635	3	0.38%	307,510	3	0.38%	293,604	4	0.40%	279,532	4	0.40%
Three First National Plaza	226,222	6	0.28%	231,028	7	0.27%	215,666	10	0.27%	205,913	10	0.28%	196,044	9	0.28%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
131 S. Dearborn	210,502	7	0.26%	212,725	8	0.25%	218,722	9	0.27%	208,906	9	0.28%	—	—	—
One North Wacker	207,127	9	0.25%	211,526	9	0.25%	—	—	—	—	—	—	189,061	10	0.27%
Citigroup Center	191,070	10	0.23%	—	—	—	226,458	7	0.28%	216,217	7	0.29%	205,854	7	0.30%
Leo Burnett Building	—	—	—	208,973	10	0.25%	221,846	8	0.27%	211,813	8	0.29%	201,662	8	0.29%
	$2,637,999		3.22%	$2,788,034		3.29%	$ 2,921,165		3.60%	$2,804,554		3.80%	$2,664,114		3.83%

Source: Cook County Treasurer's Office and Cook County Assessor's Office

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF REPLACEMENT TAX DATA
Last Ten Fiscal Years

Statewide Replacement Tax Data (A)

Calendar Year	Invested Capital Tax Collections	Business Income Tax Collections (Net of Refunds)	Net Adjustments (C)	Total Replacement Tax Allocations to Local Govts.	Board Percent (E)
2007	$ 211,708,013	$ 1,220,116,567	$ 86,763,391	$ 1,518,587,971	14.00%
2008	212,367,886	1,196,441,849	87,136,806	1,495,946,541	14.00%
2009	205,330,651	987,176,180	69,521,623	1,262,028,454	14.00%
2010	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (F)	200,808,953	1,319,550,246	(117,189,755)	1,403,169,444	14.00%
2016 (H)	N/A	N/A	N/A	N/A	N/A

NOTES:

A) *Source*: Illinois Department of Revenue

B) *Source*: Board of Education of the City of Chicago

C) Consists of adjustments for administrative fees, interest earned on deposits, interfund transfers, timing of collections and payments and related items.

D) Reflects reductions to pay applicable Statutory Claims. All Statutory Claims with respect to debt service have been paid and, under the Statue Revenue Sharing Act, no future Statutory Claims with respect to debt service will arise or need to be paid.

E) Percentage rounded.

F) Replacement tax collection for January 1, 2015 — October 31, 2015 only.

G) Estimated.

H) The Statewide Replacement Tax Data for calendar year 2016 was not made available from the Illinois Department of Revenue (IDOR) at time of publishing.

Board Replacement Tax Data (B)

Board	Revenues (D)	Revenues
$212,663,134	$212,663,134	$201,509,427
209,492,428	209,492,428	215,488,652
176,734,528	176,734,528	188,503,101
190,560,089	190,560,089	152,497,491
167,923,445	167,923,445	197,761,584
168,231,989	168,231,989	181,926,998
186,499,892	186,499,892	185,883,929
191,978,921	191,978,921	188,040,647
206,242,430	206,242,430	202,147,157
181,335,026	181,335,026	161,535,119

Monthly Summary of the Total Allocations to the Board of Education

Calendar Year	January	March	April	May	July	August	October	December	Total
2007	$23,706,088	$12,541,684	$42,960,330	$35,720,916	$35,575,987	$15,691,722	$32,603,768	$13,862,639	$212,663,134
2008	28,898,261	13,371,613	37,943,940	40,606,164	32,510,546	17,770,472	29,019,609	9,371,823	209,492,428
2009	21,095,325	7,777,403	37,489,531	36,561,422	29,417,516	3,022,112	33,592,731	7,778,488	176,734,528
2010	22,103,156	8,619,712	32,076,622	22,475,680	22,828,990	2,997,879	43,980,968	35,477,082	190,560,089
2011	18,180,918	10,057,508	36,489,761	26,235,905	24,341,562	6,092,825	40,652,479	5,872,487	167,923,445
2012	25,024,841	6,995,224	38,430,380	25,676,518	33,182,244	4,009,471	25,251,856	9,661,455	168,231,989
2013	25,661,184	8,031,048	40,687,665	36,710,938	35,870,312	3,762,361	26,213,949	9,562,435	186,499,892
2014	32,365,778	9,605,194	42,927,880	31,682,731	31,920,320	3,433,503	31,625,454	8,418,061	191,978,921
2015	28,059,669	8,010,311	49,024,542	40,392,319	33,183,298	4,472,067	33,357,743	9,742,481(G)	206,242,430
2016	26,524,204	10,652,765	37,937,134	30,650,698	33,320,166	3,878,948	30,306,843	8,064,267	181,335,026

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Addison Corridor North	6/4/1997	2020	$ 14,400,224	$ 42,579,728	195.7%
Addison South	5/9/2007	2031	70,940,232	118,469,466	67.0%
Archer Courts	5/12/1999	2023	85,326	5,786,498	6681.6%
Archer/Central	5/17/2000	2024	37,646,911	38,624,004	2.6%
Archer/Western	2/11/2009	2033	117,506,250	101,343,264	-13.8%
Armitage/Pulaski	6/13/2007	2031	17,643,508	18,287,653	3.7%
Austin/Commercial	9/27/2007	2031	72,287,864	78,869,095	9.1%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	26,087,259	17.6%
Avondale	7/29/2009	2033	40,426,760	35,335,174	-12.6%
Belmont/Central	1/12/2000	2024	137,304,682	169,021,038	23.1%
Belmont/Cicero	1/12/2000	2024	33,673,880	44,187,009	31.2%
Bronzeville	11/4/1998	2022	46,166,304	96,262,094	108.5%
Bryn Mawr/Broadway	12/11/1996	2019	17,682,409	43,766,505	147.5%
California/Foster	4/2/2014	2038	15,399,717	14,917,544	-3.1%
Calumet/Cermak	7/29/1998	2021	3,219,685	164,882,168	5021.1%
Calumet River	3/10/2010	2034	14,220,381	6,972,718	-51.0%
Canal/Congress	11/12/1998	2022	36,872,487	382,158,077	936.4%
Central West	2/16/2000	2024	85,481,254	364,506,261	326.4%
Chicago/Central Park	2/27/2002	2026	84,789,947	167,418,239	97.5%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	387,139,275	905.0%
Cicero/Archer	5/17/2000	2024	19,629,324	28,299,002	44.2%
Clark/Montrose	7/7/1999	2022	23,433,096	63,345,163	170.3%
Clark/Ridge	9/29/1999	2022	39,619,368	65,268,122	64.7%
Commercial Ave.	11/13/2002	2026	40,748,652	52,477,712	28.8%
Devon/Sheridan	3/31/2004	2028	46,265,220	40,076,934	-13.4%
Devon/Western	11/3/1999	2023	71,430,503	94,033,908	31.6%
Diversey/Narragansett	2/5/2003	2027	34,746,231	62,121,306	78.8%
Division/Homan	6/27/2001	2025	24,683,716	39,369,651	59.5%
Drexel Blvd.	7/10/2002	2026	127,408	5,345,620	4095.7%
Edgewater/Ashland	10/1/2003	2027	1,875,282	45,715,705	2337.8%
Elston/Armstrong	7/19/2007	2031	45,742,226	49,527,831	8.3%
Englewood Mall	11/29/1989	2025	3,868,736	8,777,381	126.9%
Englewood Neighborhood	6/27/2001	2025	56,079,946	134,140,890	139.2%
Ewing Avenue	3/10/2010	2034	52,994,264	44,540,869	-16.0%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	183,383,033	115.3%
Galewood/Armitage Industrial	7/7/1999	2023	48,056,697	127,116,038	164.5%
Goose Island	7/10/1996	2019	13,676,187	82,230,274	501.3%
Greater Southwest (West)	4/12/2000	2024	115,603,413	84,894,981	-26.6%
Harlem Industrial Park	3/14/2007	2031	45,981,764	36,593,874	-20.4%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Harrison/Central	7/26/2006	2030	$ 43,430,700	$ 45,341,918	4.4%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	128,384,501	-19.1%
Homan/Arthington	2/5/1998	2021	2,658,362	9,962,872	274.8%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	76,486,951	137.8%
Irving Park/Cicero	6/10/1996	2020	8,150,631	17,563,924	115.5%
Irving Park/Elston	5/13/2009	2033	44,853,282	37,855,204	-15.6%
Jefferson Park	9/9/1998	2021	23,970,085	33,965,264	41.7%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	156,837,609	199.9%
Kennedy/Kimball	3/12/2008	2032	72,841,679	64,916,277	-10.9%
Kinzie Conservation	6/10/1998	2022	144,961,719	516,995,046	256.6%
Lake Calumet	12/13/2000	2024	176,186,639	186,597,658	5.9%
Lakefront	3/27/2002	2026	—	5,478,630	—
Lakeside Dev Phase 1	5/12/2010	2034	3,489,242	295,552	-91.5%
LaSalle/Central	11/15/2006	2030	4,192,597,468	4,039,777,575	-3.6%
Lawrence/Broadway	6/27/2001	2025	38,603,611	88,815,677	130.1%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	192,085,262	74.0%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	60,961,947	39.5%
Lincoln Avenue	11/3/1999	2023	63,741,191	94,037,314	47.5%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	19,978,591	713.0%
Little Village East	4/22/2009	2033	44,751,945	35,125,893	-21.5%
Little Village Ind	6/13/2007	2031	88,054,895	70,079,847	-20.4%
Madden/Wells	11/6/2002	2026	1,333,582	18,159,288	1261.7%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	69,095,126	41.7%
Michigan Ave/Cermak	9/13/1989	2025	5,858,634	28,615,109	388.4%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	115,875,364	138.2%
Midwest	5/17/2000	2036	216,733,898	433,553,731	100.0%
Montclare	8/30/2000	2024	792,770	4,780,661	503.0%
Montrose/Clarendon	6/30/2010	2034	—	2,903,570	—
Near North	7/30/1997	2020	41,671,541	404,916,427	871.7%
North Ave./Cicero	7/30/1997	2020	5,658,542	25,826,141	356.4%
North Branch/North	7/2/1997	2021	29,574,537	106,208,388	259.1%
North Branch/South	2/5/1998	2021	44,361,677	153,286,422	245.5%
North Pullman	6/30/2009	2033	44,582,869	55,139,149	23.7%
NW Industrial Corridor	12/2/1998	2022	146,115,991	228,672,342	56.5%
Ogden/Pulaski	4/9/2008	2032	221,709,034	198,398,980	-10.5%
Ohio/Wabash	6/7/2000	2024	1,278,143	25,795,389	1918.2%
Pershing/King	9/5/2007	2031	12,948,117	11,467,793	-11.4%
Peterson/Cicero	2/16/2000	2024	1,116,653	7,385,359	561.4%
Peterson/Pulaski	2/16/2000	2024	40,112,395	50,530,487	26.0%
Pilsen Area	6/10/1998	2022	111,394,217	272,657,556	144.8%
Portage Park	9/9/1998	2021	65,084,552	89,806,460	38.0%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Pratt/Ridge	6/23/2004	2028	$ 16,414,897	$ 20,241,056	23.3%
Pulaski Corridor	6/9/1999	2023	82,778,075	123,489,301	49.2%
Randolph/Wells	6/9/2010	2034	72,140,805	73,899,459	2.4%
Ravenswood Corridor	3/9/2005	2029	44,169,275	53,783,653	21.8%
Read/Dunning	1/11/1991	2027	6,382,072	45,236,301	608.8%
River South	7/30/1997	2020	65,930,580	403,566,834	512.1%
River West	1/10/2001	2025	50,463,240	294,074,065	482.7%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	81,211,376	79.8%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	32,299,677	361.9%
Roosevelt/Union	5/12/1999	2022	4,369,258	78,375,909	1693.8%
Roseland/Michigan	1/16/2002	2026	29,627,768	35,596,506	20.1%
Sanitary Draig & Ship	7/24/1991	2027	10,722,329	16,978,537	58.3%
South Chicago	4/12/2000	2024	14,775,992	33,181,948	124.6%
South Works	11/3/1999	2023	3,823,633	3,975,066	4.0%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	194,598,906	-10.0%
Stockyards Annex	12/11/1996	2020	38,650,631	56,235,821	45.5%
Stockyards-Southeast Quad	2/26/1992	2016	21,527,824	41,638,026	93.4%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	82,273,027	78.6%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	28,061,736	58.9%
Touhy/Western	9/13/2006	2030	55,187,828	50,095,553	-9.2%
Washington Park	10/8/2014	2038	72,073,855	73,483,337	2.0%
Weed/Fremont	1/8/2008	2032	6,430,360	16,387,907	154.9%
West Irving Park	1/12/2000	2024	36,446,831	47,648,822	30.7%
West Woodlawn	5/12/2010	2034	127,750,505	90,405,091	-29.2%
Western Ave. South	1/12/2000	2024	69,504,372	168,864,537	143.0%
Western Ave. North	1/12/2000	2024	71,260,546	165,258,095	131.9%
Western/Ogden	2/5/1998	2021	41,536,306	164,482,952	296.0%
Western/Rock Island	2/8/2006	2030	102,358,411	108,702,988	6.2%
Wilson Yard	6/27/2001	2025	56,194,225	151,791,860	170.1%
Woodlawn	1/20/1999	2022	28,865,833	70,081,884	142.8%
105th/Vincennes	10/3/2001	2025	108,828,811	118,800,193	9.2%
107th/Halsted	4/2/2014	2038	122,435,316	128,185,922	4.7%
111th/Kedzie	9/29/1999	2022	14,456,141	22,017,412	52.3%
119th/Halsted	2/6/2002	2026	63,231,728	75,551,426	19.5%
119th/I-57	11/6/2002	2026	100,669,561	150,374,336	49.4%
126th/Torrence	12/21/1994	2017	1,224,731	17,755,920	1349.8%
24th/Michigan	7/21/1999	2022	15,874,286	38,786,788	144.3%
26th/King Drive	1/11/2006	2030	—	10,386,547	—
35th/Halsted	1/14/1997	2021	81,212,182	163,321,540	101.1%
35th/State	1/14/2004	2028	3,978,955	34,721,772	772.6%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
35th/Wallace	12/15/1999	2023	$ 9,047,402	$ 21,948,120	142.6%
41st/King Drive	7/13/1994	2018	129,892	2,659,530	1947.5%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	52,136,392	279.8%
47th/Ashland	3/27/2002	2026	53,606,185	82,622,008	54.1%
47th/Halsted	5/29/2002	2026	39,164,012	85,979,592	119.5%
47th/King Drive	3/27/2002	2026	61,269,066	159,468,970	160.3%
47th/State	7/21/2004	2028	19,279,360	39,001,932	102.3%
49th/St. Lawrence	1/10/1996	2020	683,377	6,604,440	866.4%
51st/Archer	5/17/2000	2024	29,522,751	30,980,874	4.9%
51st/Lake Park	11/15/2012	2036	2,320,971	338,769	-85.4%
53rd St.	1/10/2001	2025	20,916,553	72,191,020	245.1%
60th/Western	5/9/1996	2019	2,464,026	3,967,957	61.0%
63rd/Ashland	3/29/2006	2030	47,496,362	63,138,986	32.9%
63rd/Pulaski	5/17/2000	2024	56,171,856	73,465,925	30.8%
67th/Cicero	10/2/2002	2026	—	3,540,765	—
67th/Wentworth	5/4/2011	2035	210,005,927	148,831,797	-29.1%
69th/Ashland	11/3/2004	2028	813,600	10,132,958	1145.4%
71st/Stony Island	10/7/1998	2021	53,336,063	86,819,204	62.8%
73rd/University	9/13/2006	2030	16,998,947	21,675,095	27.5%
79th Street Corridor	7/8/1998	2021	21,576,305	32,520,604	50.7%
79th/Cicero	6/8/2005	2029	8,018,405	15,015,019	87.3%
79th/SW Highway	10/3/2001	2025	36,347,823	52,636,257	44.8%
79th/Vincennes	9/27/2007	2031	32,132,472	29,191,983	-9.2%
83rd/Stewart	3/31/2004	2028	10,618,689	25,470,580	139.9%
87th/Cottage Grove	11/13/2002	2026	53,959,824	71,610,712	32.7%
95th/Western	7/13/1995	2019	16,035,773	27,319,767	70.4%
			$10,901,063,213	$16,523,579,959	

NOTE

State law empowers cities to create Tax Increment Financing Districts (TIFs) to finance redevelopment of blighted areas or areas at risk of blight. Taxes subsequently generated by new development and increases in property values in TIF districts are reinvested for further development. Increased tax revenues pay for general improvements such as roadways, viaducts, sewers, and sidewalk replacements or for financial assistance for developers.

State law requires the City to call a meeting of the Joint Review Board in order for the City to legally create any TIF.

The Chicago Public Schools serves on this committee.

Source: Office of The County Clerk Tax Increment Agency

Total 2015 EAV for the City of Chicago is $70,968,532,875—Source of The Cook County Report

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV

Last Ten Fiscal Years

(Thousands of dollars)

			Components of New Property by Tax Levy Year (B)						
Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives	Total New Property (A)	New property percentage of overall EAV
2006	2007	$69,517,264	$ 786,042	$—	$—	$ —	$ 8,980	$ 795,022	1.14%
2007	2008	73,651,158	838,279	—	—	45,875	24,179	908,333	1.23%
2008	2009	80,983,239	1,073,096	—	—	2,318,769	—	3,391,865	4.19%
2009	2010	84,592,286	1,052,426	—	—	162	—	1,052,588	1.24%
2010	2011	82,092,476	727,019	—	—	104,289	18,790	850,098	1.04%
2011	2012	75,127,913	344,503	—	—	—	2,420	346,923	0.46%
2012	2013	65,257,093	213,120	—	—	41,499	19,845	274,464	0.42%
2013	2014	62,370,205	279,426	—	—	244,388	10,066	533,880	0.86%
2014	2015	64,913,774	414,558	—	—	1,040,246	9,912	1,464,716	2.26%
2015	2016	70,968,533	339,649	—	—	21,038	16,432	377,119	0.53%

NOTES:

A) *Source*: Cook County Clerk's Office—Agency Tax Rate Report, includes DuPage County Valuation.

B) *Source*: Cook County Clerk's Office—PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Modern Schools Across Chicago (MSAC) Program Phase I				
Collins Renovation	$ 30,300,000	$ 31,788,774	$ —	Midwest
Mather Renovation	32,401,366	32,401,366	—	Lincoln Avenue
Austin Renovation	32,203,759	32,203,759	—	Madison/ Austin
Southwest Elementary (Hernandez Middle School)	32,818,102	32,818,102	—	51st/ Archer
South Shore Replacement HS	72,164,382	72,164,382	—	71st/ Stony Island
Additional Westinghouse HS Funding and Refunding	17,752,030	17,752,030	—	Chicago/ Central Park
Skinner Replacement Elementary	36,418,205	34,340,000	—	Central West
Avondale Irving Park Elementary	10,766,724	10,766,724	—	Fullerton/ Milwaukee
Boone Clinton Elementary	8,142,740	8,142,740	—	Touhy/ Western
Belmont Cragin Elementary	8,097,471	8,097,471	—	Galewood/ Armitage
Peterson Addition	15,150,000	15,150,000	—	Lawrence/ Kedzie
Modern Schools Across Chicago Program Phase II				
Avondale Irving Park Elementary	25,000,000	25,452,297	—	Fullerton/ Milwaukee
Belmont Cragin Elementary	31,300,000	28,712,447	—	Galewood/ Armitage
Hernandez Middle School	9,540,000	6,382,816	—	51st/ Archer
Boone Clinton Elementary	18,655,000	18,767,428	—	Touhy/ Western
Chicago Ag West High School (Al Raby Horticultural)	22,000,000	13,286,828		Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	—	Chicago/ Central Park
Back of the Yards HS	19,800,000	19,800,000	—	47th/ Ashland
Modern Schools Across Chicago Program Additional Agreements				
Austin Renovation	5,570,000	Rescinded	—	Madison/ Austin
Skinner Replacement Elementary	6,120,000	3,506,630	—	Central/ West
Peterson Addition	2,900,000	2,900,000	—	Lawrence/ Kedzie
Brighton Park II Elementary	25,420,000	—	25,420,000	Stevenson/ Brighton
Modern Schools Across Chicago Program Re-Programmed Bond Funds				
Ericson Play Lot	225,000	200,881	—	Midwest MSAC Bonds
Faraday STEM	650,000	633,267	—	Midwest MSAC Bonds
Jensen Play Lot	400,000	378,365	—	Midwest MSAC Bonds
Prieto ES Modular	1,900,000	1,849,239	—	
Prosser High School Renovation	978,602	978,602	—	Galewood/Armitage
Back of the Yard HS Renovation	225,000	225,000	—	47th/ Ashland
MSAC Subtotal	**$499,818,381**	**$450,259,477**	**$25,420,000**	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
American Disabilities Act (ADA)				
ADA Accessibility -Year 1				
Beidler Elementary	$ 750,000	$ 594,531	$ —	Kinzie Industrial
Brown Elementary	750,000	750,000	—	Central West
Creiger Campus	1,500,250	1,207,911	—	Central West
Dodge Elementary	750,000	476,025	—	Midwest
Fiske Elementary	1,500,000	—		Woodlawn
Holmes Elementary	750,000	606,820	—	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—		Englewood Neighborhood
McAuliffe Elementary	750,000	441,771	—	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	750,000	—	Kinzie Industrial
Nicholson Elementary	750,000	600,125	—	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/ Central Park
Schiller Elementary	1,500,000	565,181	—	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
ADA Accessibility -Years 2-5				
Attucks-Farren Building	1,000,000	Pending	—	47th / King
Burke Elementary	1,000,000	Pending	—	47th / State
Banneker Elementary	2,000,000	Pending	—	Englewood Neighborhood
Armour Elementary	2,673,750	Pending	—	35th / Halsted
Hearst Elementary	2,219,500	Pending	—	Cicero/Archer
Lawndale Elementary	2,500,000	Pending	—	Midwest
Plamondon Elementary	1,748,000	Pending	—	Western /Ogden Industrial Corridor
Schurz High School	2,100,000	Pending	—	Portage Park
Hayt Elementary	670,000	Pending	—	Clark/Ridge
Peterson Elementary	500,000	Pending	—	Lawrence/Kedzie
Chappell Elementary	1,500,000	Pending	—	Western Ave. North
ADA Subtotal	**$ 32,161,500**	**$ 9,742,365**	**$ —**	

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Other Capital Intergovernmental Agreements				
Walter Payton HS and Jenner School	$ 11,125,000	$ 11,125,000	$ —	Near North
Walter Payton HS Addition	20,000,000	15,399,790	—	Near North
Jones Academic High School Renovation/ Addition (Original)	42,315,243	42,315,243	—	Near South
Jones Academic High School Renovation/ Addition (Amended)	114,641,656	114,641,656	—	Near South
Jones Academic High School New Construction	8,700,000	8,145,386	—	Near South
National Teachers Academy New Construction	47,000,000	44,529,387	—	24th/ Michigan
Simeon High School Renovation	22,184,925	18,381,140	—	Chatham Ridge
Albany Park Middle School New Construction	25,000,000	28,662,826	—	*Lawrence/ Kedzie
Juarez High School Addition	18,500,000	18,017,456	—	Pilsen
DePriest Elementary New Construction	18,500,000	21,457,220	—	*Madison/ Austin
Additional Westinghouse HS- Refunding Debt Service	53,750,000	58,618,967	—	*Chicago/ Central Park
Canter Elementary School	150,000	150,000	—	53rd Street
Orozoco Elementary Health Center School	250,000	250,000	—	Western/ Ogden
Lane Tech High School Stadium	1,892,100	1,892,100	—	Western Avenue South
Clark Park Lane Tech High School	3,500,000	3,500,000		Western Avenue South
Coonley Middle School Renovation	2,201,500	2,201,500	—	Western Avenue South
Coonley Middle School Addition	16,500,000	14,729,008	—	Western Avenue South
Arai/ Uplift Elementary School Renovation	1,447,244	1,447,244	—	Wilson Yard
Lloyd Elementary Turf Field	750,000	750,000	—	Midwest
Lloyd Elementary Turf Field Scope Increase	550,000	113,947	—	Midwest
Chase ADA Renovation	3,600,000	2,759,563	—	Fullerton/Milwaukee
Holmes Elementary Lunchroom	3,270,000	3,270,000	—	Englewood Neighborhood
Senn High School Auditorium Upgrade	1,000,000	1,000,000	—	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	—	Rescinded	—	Wilson Yard
Beidler Campus Park	1,000,000	1,000,000	—	Kinzie Industrial
Donoghue Parking Lot	200,000	200,000	—	Madden-Wells
Juarez High School Athletic Field	701,308	701,308	—	Pilsen Industrial Corridor
Kenwood Academy	60,000	60,000	—	53rd Street
Lane Tech Renovation #2	2,000,000	2,000,000	—	Western Avenue South
Melody STEM	1,500,000	713,385	—	*Madison/ Austin
Spencer Play Lot	700,000	545,958	—	*Madison/ Austin
Tilton Play Lot	500,000	456,448	—	*Madison/ Austin
Whittier Renovation	2,887,000	2,887,000	—	Pilsen Industrial Corridor
McPherson Elementary School	400,000	400,000	—	Western Avenue North
Amundsen High School	500,000	500,000	—	Western Avenue North
Penn Elementary School	1,150,000	1,114,381		Midwest
Crane High School	2,250,000	2,250,000	—	Central West
Addams Renovation	1,700,000	—		Ewing Avenue
Ames renovation	4,500,000	4,476,461	—	Pulaski Industrial Corridor
Amundsen Gym	2,600,000	2,600,000	—	Western Ave. North
Amundsen CTE	760,000	—	—	Western Ave. North
Belmont Cragin Playground	287,000	—	—	Belmont Central
Budlong ES Bathroom Improvements	2,200,000	2,141,830	—	Foster / California
Cather ES Space to Grow	500,000	384,528	—	Kinzie Industrial
Earle ES Playground	287,000	—	—	63rd Ashland
Franklin ES Lockers	410,000	87,245	—	Near North
Gallistel Renovation	2,700,000	2,031,117	—	Ewing Avenue
Hope HS/ KIPP Playground	287,000	—	—	47th Ashland
New Selective Enrollment High School	520,000	—	—	Near North
Wadsworth Space to Grow	500,000	98,472	—	Woodlawn
Other Capital IGA Subtotal	**$447,926,976**	**$438,005,568**	**$ —**	
Grand Total	**$979,906,857**	**$898,007,409**	**$25,420,000**	

NOTES:

Based on intergovernmental agreements approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2016.

* City of Chicago refunded bonds to cover future principal and interest payments, no additional amounts to be paid to CPS.

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS

For the fiscal year ended June 30, 2016

(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued	Final Maturity	Interest Rate	Outstanding at June 30, 2015	Issued or (Redeemed)	Outstanding at June 30, 2016 (A) (B)
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992	1/1/2020	6.00%-6.5%	$ 123,875	($ 22,025)	$ 101,850
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/11/1999	12/1/2018	5.00%-5.25%	72,595	(16,665)	55,930
1997A	Unlimited Tax G.O. Bonds	PPRT/IGA	12/3/1997	12/1/2030	5.30%-5.55%	11,132	(5,743)	5,389
1998 B-1	Unlimited Tax G.O. Bonds	IGA	10/28/1998	12/1/2031	4.55%-5.22%	257,044	(8,698)	248,346
1999A	Unlimited Tax G.O. Bonds	PPRT/IGA	2/25/1999	12/1/2031	4.30%-5.3%	419,560	(14,235)	405,325
2001B	Qualified Zone Academy G.O. Bonds	State Aid	10/24/2001	10/23/2015	0.00%	9,440	(9,440)	—
2002A	Unlimited Tax G.O. Bonds	City Note/IGA	9/24/2002	12/1/2022	3.00%-5.25%	31,670	(3,310)	28,360
2003C	Qualified Zone Academy G.O. Bonds	State Aid	10/28/2003	10/27/2017	0.00%	4,585	—	4,585
2004A	Unlimited Tax G.O. Bonds	PPRT/State Aid	4/6/2004	12/1/2020	4.00%-5.00%	131,735	(57,255)	74,480
2005A	Unlimited Tax G.O. Bonds	State Aid	6/27/2005	12/1/2031	5.00%-5.50%	181,085	(6,720)	174,365
2005B	Unlimited Tax G.O. Bonds	PPRT	6/27/2005	12/1/2021	5.00%	22,735	—	22,735
2006A	Qualified Zone Academy G.O. Bonds	State Aid	6/7/2006	6/1/2021	0.00%	6,853	—	6,853
2006B	Unlimited Tax G.O. Bonds	State Aid	9/27/2006	12/1/2036	4.25%-5.00%	305,875	(16,350)	289,525
2007B	Unlimited Tax G.O. Bonds	IGA	9/5/2007	12/1/2024	5.00%	197,765	—	197,765
2007C	Unlimited Tax G.O. Bonds	IGA	9/5/2007	12/1/2021	4.00%-4.375%	4,540	(390)	4,150
2007D	Unlimited Tax G.O. Bonds	State Aid	12/13/2007	12/1/2029	4.00%-5.00%	187,375	(18,180)	169,195
2008A	Unlimited Tax G.O. Bonds	PPRT/IGA	5/13/2008	12/1/2030	Variable	262,785	—	262,785
2008B	Unlimited Tax G.O. Bonds	State Aid	5/13/2008	12/1/2041	Variable	200,775	(15,425)	185,350
2008C	Unlimited Tax G.O. Bonds	State Aid	5/1/2008	3/1/2032	4.25%-5.00%	464,655	—	464,655
2009D	Unlimited Tax G.O. Bonds	State Aid	7/30/2009	12/1/2023	1.00%-5.00%	52,465	(7,125)	45,340
2009E	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	9/24/2009	12/1/2039	4.682%-6.14%	518,210	—	518,210
2009F	Unlimited Tax G.O. Bonds	State Aid	9/24/2009	12/1/2016	2.50%-5.00%	12,325	(12,325)	—
2009G	Qualified School Construction G.O. Bonds	State Aid	12/17/2009	12/15/2025	1.75%	254,240	—	254,240
2010C	Qualified School Construction G.O. Bonds	State Aid and Federal Subsidy	11/2/2010	11/1/2029	6.32%	257,125	—	257,125
2010D	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	11/2/2010	3/1/2036	6.52%	125,000	—	125,000
2010F	Unlimited Tax G.O. Bonds	State Aid	11/2/2010	12/1/2031	5.00%	176,630	(7,475)	169,155
2010G	Unlimited Tax G.O. Bonds	State Aid	11/2/2010	3/1/2017	2.77%-4.18%	38,590	(15,855)	22,735
2011A	Unlimited Tax G.O. Bonds	State Aid	11/1/2011	12/1/2041	5.00%-5.50%	402,410	—	402,410
2011C-1	Unlimited Tax G.O. Bonds	State Aid	12/20/2011	3/1/2032	Variable	47,200	(3,600)	43,600
2011C-2	Unlimited Tax G.O. Bonds	State Aid	12/20/2011	3/1/2032	Variable	44,100	—	44,100
2012A	Unlimited Tax G.O. Bonds	State Aid	8/21/2012	12/1/2042	5.00%	468,915	—	468,915
2012B	Unlimited Tax G.O. Bonds	State Aid	12/21/2012	12/1/2034	5.00%	109,825	—	109,825
2013A-1	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2026	Variable	106,930	(16,940)	89,990
2013A-2	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2035	Variable	124,320	—	124,320
2013A-3	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2036	Variable	157,055	—	157,055
2015A	Unlimited Tax G.O. Bonds	State Aid	3/26/2015	3/1/2032	Variable	89,200	—	89,200
2015C	Unlimited Tax G.O. Bonds	State Aid	4/29/2015	12/1/2039	5.25%-6.00%	280,000	—	280,000
2015E	Unlimited Tax G.O. Bonds	State Aid	4/29/2015	12/1/2039	5.13%	20,000	—	20,000
2015G	Unlimited Tax G.O. Bonds	State Aid	3/26/2015	3/1/2032	Variable	88,900	—	88,900
2016A	Unlimited Tax G.O. Bonds	State Aid	2/8/2016	12/1/2044	7.00%	—	725,000	725,000
		Grand Total Direct Debt				**$6,269,519**	**$ 467,244**	**$6,736,763**

NOTES: A. Net of amounts set aside/ escrowed to maturity for 12/1/16 payments deposited by 6/30/16 in connection with the series 2016A Bonds.
B. Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	$ 9,513
1998B-1	367,673
1999A	256,972
Total	**$634,158**

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED AND PROPOSED BOND ISSUANCES

As of June 30, 2016

(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2016 (1)	Remaining Authorization
1995 COP Board Authorization	$ 45,000	$ 45,000	$ —	$ 45,000	$ —	$ —
1996 Alternate Bond Authorization	1,150,000	850,000 (A)	300,000	850,000	— (A)	—
1997 Alternate Bond Authorization	1,500,000	1,497,703 (B)	—	838,643	659,060 (B)	2,297
1998 Alternate Bond Authorization	900,000	870,195 (C)	—	865,610	4,585 (C)	29,805
2001 Alternate Bond Authorization	500,000	500,000 (D)	—	500,000	— (D)	—
2002 Alternate Bond Authorization	500,000	500,000 (E)	—	471,640	28,360 (E)	—
2004 Alternate Bond Authorization	965,000	965,000 (F)	—	712,960	252,040 (F)	—
2006 Alternate Bond Authorization	750,000	634,258 (G)	—	371,235	263,023 (G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (H)	—	214,750	1,685,240 (H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (I)	—	373,140	1,533,040 (I)	393,820
2012 Alternate Bond Authorization	750,000	709,825 (J)	—	300,000	409,825 (J)	40,175
2015 Alternate Bond Authorization	1,160,000	725,000 (K)	—	—	725,000(K)	435,000
TOTAL	**$12,420,000**	**$11,103,151**	**$300,000**	**$5,542,978**	**$ 5,560,173**	**$1,016,849**

(1) Debt Reform Act Section 15 of the State of Illinois states that Alternate bonds may, upon meeting certain requirements of the Debt Reform Act, be issued to refund previously issued Alternate Bonds without utilizing additional authorization. CPS has issued eight series of refunding bonds which met these requirements: $205,410 Series 2004A, of which $74,480 is outstanding; $193,585 Series 2005A, of which $181,085 is outstanding; $52,595 Series 2005B, of which $22,735 is outstanding; $197,765 Series 2007B, of which all is outstanding; $403,980 Series 2013A, of which $371,365 is outstanding; $89,200 Series 2015A, of which all is outstanding; $88,900 Series 2015G, of which all is outstanding; and $88,900 Series 2007G, of which all is outstanding. These series are not included in the authorization table. Total principal amount issued including these series is $12,334,586. Principal outstanding on CPS Debt is $6,578,983.

NOTES:

A. The total issued and outstanding debt for the 1996 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1996	4/17/1996	$350,000	$ —
Unlimited Tax GO Bonds Series 1997	5/7/1997	500,000	—
		$850,000	$ —

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES

As of June 30, 2016

(Thousands of dollars)

B. The total issued and outstanding debt for the 1997 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1997A	12/3/1997	$ 499,995	$ 5,389
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	248,346
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	405,325
Unlimited Tax GO Bonds, IDFA Series 1999A . .	12/22/1999	12,000	—
Unlimited Tax GO Bonds, Series 2000D	9/7/2000	101,000	—
Unlimited Tax GO Bonds, Series 2001B	10/24/2001	9,440	—
		$1,497,703	$659,060

C. The total issued and outstanding debt for the 1998 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, PBC Series C of 1999	9/30/1999	$316,255	$ —
Unlimited Tax GO Bonds, Series 2000A	7/20/2000	106,960	—
Unlimited Tax GO Bonds, Series 2000B,C	9/7/2000	202,000	—
Unlimited Tax GO Bonds, Series 2000E	12/19/2000	13,390	—
Unlimited Tax GO Bonds, Series 2001A	3/1/2001	45,110	—
Unlimited Tax GO Bonds, Series 2003C	10/28/2003	4,585	4,585
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	81,895	—
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	100,000	—
		$870,195	$4,585

D. The total issued and outstanding debt for the 2001 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2001C	12/11/2001	$217,260	$ —
Unlimited Tax GO Bonds, Series 2003A	2/13/2003	75,890	—
Unlimited Tax GO Bonds, Series 2003B	2/13/2003	183,775	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	23,075	—
		$500,000	$ —

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

E. The total issued and outstanding debt for the 2002 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2002A	9/24/2002	$ 48,970	$28,360
Unlimited Tax GO Bonds, Series 2003D	12/12/2003	257,925	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	193,105	—
		$500,000	$28,360

F. The total issued and outstanding debt for the 2004 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2004CDE	11/10/2004	$222,080	$ —
Unlimited Tax GO Bonds, Series 2004FGH	12/9/2004	56,000	—
Unlimited Tax GO Bonds, Series 2005C	11/15/2005	53,750	—
Unlimited Tax GO Bonds, Series 2005DE	12/8/2005	325,000	—
Unlimited Tax GO Bonds, Series 2006A	6/7/2006	6,853	6,853
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	301,317	245,187
		$965,000	$252,040

G. The total issued and outstanding debt for the 2006 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	$ 54,488	$ 44,338
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	162,785	—
Unlimited Tax GO Refunding Bonds, Series 2007C	9/5/2007	6,870	4,150
Unlimited Tax GO Bonds, Series 2007D	12/13/2007	238,720	169,195
Unlimited Tax GO Refunding Bonds, Series 2009B	6/25/2009	75,410	—
Unlimited Tax GO Refunding Bonds, Series 2009C	6/25/2009	20,265	—
Unlimited Tax GO Refunding Bonds, Series 2009D	7/30/2009	75,720	45,340
		$634,258	$263,023

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

H. The total issued and outstanding debt for the 2008 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2008A	5/13/2008	$ 262,785	$ 262,785
Unlimited Tax GO Refunding Bonds, Series 2008B	5/13/2008	240,975	185,350
Unlimited Tax GO Refunding Bonds, Series 2008C	5/1/2008	464,655	464,655
Unlimited Tax GO Refunding Bonds, Series 2009A	3/18/2009	130,000	—
Unlimited Taxable GO Bonds, Series 2009E	9/24/2009	518,210	518,210
Unlimited Tax GO Bonds, Series 2009F	9/24/2009	29,125	—
Unlimited Tax GO Bonds, Series 2009G	12/17/2009	254,240	254,240
		$1,899,990	$1,685,240

I. The total issued and outstanding debt for the 2009 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2010A	2/17/2010	$ 48,910	$ —
Unlimited Tax GO Refunding Bonds, Series 2010B	2/17/2010	157,055	—
Unlimited Tax GO Bonds, Series 2010C	11/2/2010	257,125	257,125
Unlimited Tax GO Bonds, Series 2010D	11/2/2010	125,000	125,000
Unlimited Tax GO Refunding Bonds, Series 2010F	11/2/2010	183,750	169,155
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	22,735
Unlimited Tax GO Bonds, Series 2011A	11/1/2011	402,410	402,410
Unlimited Tax GO Refunding Bonds, Series 2011C	12/20/2012	95,100	87,700
Unlimited Tax GO Refunding Bonds, Series 2011D	12/16/2011	95,000	—
Unlimited Tax GO Bonds, Series 2012A	8/21/2012	468,915	468,915
		$1,906,180	$1,533,040

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

J. The total issued and outstanding debt for the 2012 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2012B	12/21/2012	$109,825	$109,825
Unlimited Tax GO Short-term Line of Credit, Series 2013B	12/20/2013	150,000	—
Unlimited Tax GO Short-term Line of Credit, Series 2013C	12/20/2013	150,000	—
Unlimited Tax GO Bonds, Series 2015C	4/29/2015	280,000	280,000
Unlimited Tax GO Bonds, Series 2013E	4/29/2015	20,000	20,000
		$709,825	$409,825

K. The total issued and outstanding debt for the 2015 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2016A	2/8/2016	$725,000	$725,000
		$725,000	$725,000

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

OUTSTANDING DEBT PER CAPITA

Last Ten Fiscal Years

(Thousands of dollars, except per capita)

As of June 30, 2016

Fiscal Year	General Obligation Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government	Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt	Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net General Bonded Debt Per Capita	Total General Obligation Debt Per Capita
2007	$4,091,856	$435,535	$4,885	$2,800	$3,606	$4,538,682	N/A	$4,538,682	3.46%	13.50%	2,896,016	$1,567.22	$1,412.93
2008	4,276,507	411,690	3,747	2,625	2,516	4,697,085	N/A	4,697,085	3.49%	13.82%	2,896,016	1,621.91	1,476.69
2009	4,221,497	386,385	2,710	2,450	1,317	4,614,359	N/A	4,614,359	3.45%	14.68%	2,896,016	1,593.35	1,457.69
2010	4,904,510	359,215	—	2,275	—	5,266,000	N/A	5,266,000	4.31%	17.23%	2,695,598	1,953.56	1,819.45
2011	5,249,147	330,375	—	2,100	—	5,581,622	N/A	5,581,622	4.41%	18.55%	2,695,598	2,070.64	1,947.30
2012	5,593,686	299,780	—	1,925	—	5,895,391	N/A	5,895,391	4.47%	21.46%	2,695,598	2,187.04	2,075.12
2013	6,058,398	267,330	—	1,750	—	6,327,478	144,852	6,182,626	4.62%	22.64%	2,695,598	2,293.60	2,247.52
2014	5,944,516	232,940	—	1,575	—	6,179,031	167,270	6,011,761	4.35%	n/a	2,695,598	2,230.21	2,205.27
2015	6,073,049	196,470	—	1,400	—	6,270,919	167,270	6,103,649	n/a	n/a	2,695,598	2,264.30	2,252.95
2016	6,578,983	157,780	—	1,225	—	6,737,988	97,695	6,640,293	n/a	n/a	2,695,598	2,463.38	2,440.64

NOTES:

(A) Starting in FY2013, CPS will include information about accumulated resources that are restricted to repaying the principal of outstanding general bonded debt. These accumulated resources will be subtracted from the total primary government amount in order to calculate a net total primary amount.

(B) For all years prior to FY2013, the total net outstanding debt per capita ratio is the total primary government amount divided by population.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
As of June 30, 2016
(Thousands of dollars)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	$9,593,382	$10,163,860	$11,175,687	$11,673,736	$11,328,763	$10,367,652	$9,005,479	$8,607,088	$8,958,101	$9,793,658
General obligation	658,947	606,009	553,134	498,593	446,719	394,793	342,830	290,849	238,820	186,823
Less: amount set aside for repayment of bonds	(37,322)	(36,238)	(34,719)	(16,042)	(36,440)	(29,917)	(34,790)	(35,201)	(34,684)	(34,866)
Total net debt applicable to limit (A)	$ 621,625	$ 569,771	$ 518,415	$ 482,551	$ 410,279	$ 364,876	$ 308,040	$ 255,648	$ 204,136	$ 151,957
Legal debt margin	$8,971,757	$ 9,594,089	$10,657,272	$11,191,185	$10,918,484	$10,002,776	$8,697,439	$8,351,440	$8,753,965	$9,641,701
Total net debt applicable to the limit as a percentage of debt limit	6.48%	5.61%	4.64%	4.13%	3.62%	3.52%	3.42%	2.97%	2.28%	1.55%

NOTE:

(A) Pursuant to Section 15 of the Debt Reform Act, this table does not reflect the following alternate bonds because these bond series do not count against the debt limit until the tax levy supporting them is extended for collection:

$499.9 million Series 1997A
$328.7 million Series 1998B-1
$532.5 million Series 1999A
$9.44 million Series 2001B
$49.0 million Series 2002A
$4.6 million Series 2003C
$205.4 million Series 2004A
$193.5 million Series 2005A
$52.5 million Series 2005B
$6.9 million Series 2006A
$355.8 million Series 2006B
$197.7 million Series 2007B
$6.8 million Series 2007C
$238.7 million Series 2007D
$262.8 million Series 2008A
$240.9 million Series 2008B
$464.7 million Series 2008C

$75.7 million Series 2009D
$547.3 million Series 2009EF
$254.2 million Series 2009G
$257.1 million Series 2010C
$125.0 million Series 2010D
$183.7 million Series 2010F
$72.9 million Series 2010G
$402.4 million Series 2011A
$95.1 million Series 2011C
$468.9 million Series 2012A
$109.8 million Series 2012B
$403.9 million Series 2013A
$89.2 million Series 2015A
$280.0 million Series 2015C
$20.0 million Series 2015E
$88.9 million Series 2015G
$725.0 million Series 2016A

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2016

(Thousands of Dollars)

Governmental Unit	Debt Outstanding (A)	Estimated Percentage Applicable (B)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
City of Chicago	$9,097,065	100.00%	$ 9,097,065
City Colleges of Chicago	245,995	100.00%	245,995
Chicago Park District	798,045	100.00%	798,045
Cook County	3,362,052	51.98%	1,747,595
Forest Preserve District	168,620	53.47%	90,161
Water Reclamation District	2,629,939	54.46%	1,432,265
Subtotal, overlapping debt			$13,411,126
Chicago Public School Direct Debt			6,736,763
Total Direct and Overlapping Debt			$20,147,889

NOTES:

(A) Debt outstanding data provided by each governmental unit.

(B) Assessed value data used to estimate applicable percentage is provided by the Office of the Cook County Clerk. Percentages are calculated by dividing each taxing district's 2015 City of Chicago tax extension within the City of Chicago by the total 2015 Cook County extension for the district.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CPS' DEBT RATING HISTORY

The following table presents the changes in credit rating for Chicago Public Schools for the last five years:

	Jul. 2012	Aug. 2012	Sep. 2012	Oct. 2012	July 2013	Sep. 2013	Mar. 2014	Mar. 2015	May 2015	July 2015	Aug. 2015	Jan. 2016*
S&P	AA-	A+	A+	A+	A+	A+	A+	A-	A-	BBB	BB	B+
Moody's	A1	A1	A2	A2	A3	A3	Baal	Baa3	Ba3	Ba3	Ba3	B2
Fitch	A+	A+	A+	A	A	A-	A-	BBB-	BBB-	BB+	BBB-	B+
Kroll								BBB+	BBB+	BBB+	BBB-	BBB-

Security Structure: All of CPS' general obligation debt has been issued as alternate revenue bonds. Alternate revenue bonds are secured by at least one other revenue stream in addition to the Board's unlimited tax general obligation pledge. CPS has pledged revenues from Personal Property Replacement Taxes (PPRT), revenues from an Intergovernmental Agreement (IGA) with the City of Chicago, revenues from City Notes and Intergovernmental Agreements with the City of Chicago, federal subsidies, and both State Aid and State Grant revenues as alternate revenue sources.

NOTES: *The rating provided by Kroll for the CPS Series 2016A bonds was BBB. All other issues were BBB-.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

						Civilian Labor Force (D)		Employment (D)		
Year	City of Chicago Population (A)	Personal Income ($000's)	Per Capita Income (B)	Median Age (C)	Number of Households (C)	Number	Percent of Population	Number	Percent of Population	Unemployment Rate
2006	2,896,016	$121,612,400	$41,993	33.48	1,042,014	1,296,045	44.75%	1,227,320	42.38%	5.30%
2007	2,896,016	130,986,804	45,230	33.75	1,033,328	1,321,924	45.65%	1,245,876	43.02%	5.80%
2008	2,896,016	134,592,344	46,475	34.13	1,032,746	1,328,413	45.87%	1,235,459	42.66%	7.00%
2009	2,896,016	133,682,995	46,161	34.50	1,037,069	1,318,491	45.53%	1,174,785	40.57%	10.90%
2010	2,695,598	122,140,241	45,311	34.80	1,045,666	1,320,502	48.99%	1,175,029	43.59%	11.00%
2011	2,695,598	126,523,283	46,937	33.20	1,045,666	1,259,055	46.71%	1,116,216	41.41%	11.30%
2012	2,695,598	131,930,653	48,943	33.10	1,030,076	1,273,805	47.26%	1,144,896	42.47%	10.10%
2013	2,695,598	133,866,092	49,661	33.30	1,028,746	1,277,649	47.40%	1,143,944	42.44%	10.50%
2014	2,695,598	138,230,265	51,280	33.40	1,028,829	1,369,656	50.81%	1,264,234	46.90%	7.70%
2015	2,695,598	N/A	N/A	33.70	1,035,436	1,361,418	50.51%	1,273,727	47.25%	6.40%

NOTES:

A) *Source*: U.S. Census Bureau. The census is conducted decennially at the start of each decade.

B) *Source*: Bureau of Economic Analysis. These rates are for Cook County.

C) *Source*: World Business Chicago Website.

D) *Source*: Illinois Workforce Info Center Website

N/A: Not available at publishing.

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)

Last Ten Years

Employer	2015 Number of Employees	2015 Rank	2015 Percentage of Total City Employment	2014 Number of Employees	2014 Rank	2014 Percentage of Total City Employment	2013 Number of Employees	2013 Rank	2013 Percentage of Total City Employment	2012 Number of Employees	2012 Rank	2012 Percentage of Total City Employment	2011 Number of Employees	2011 Rank	2011 Percentage of Total City Employment
Advocate Health Care	18,308	1	1.44%	18,556	1	1.47%	—	—	—	—	—	—	—	—	—
University of Chicago	16,197	2	1.27%	16,025	2	1.27%	—	—	—	—	—	—	—	—	—
Northwestern Memorial Healthcare	15,317	3	1.20%	14,550	4	1.15%	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase (2)	14,158	4	1.11%	15,015	3	1.19%	8,499	1	0.78%	8,168	1	0.76%	7,993	1	0.77%
United Continental Holdings Inc	14,000	5	1.10%	14,000	5	1.11%	—	—	—	—	—	—	—	—	—
Health Care Service Corporation	13,006	6	1.02%	—	—	—	—	—	—	—	—	—	—	—	—
Walgreens Boots Alliance Inc.	13,006	7	1.02%	13,797	6	1.09%	2,869	9	0.26%	2,789	10	0.26%	4,429	7	0.43%
Presence Health	10,500	8	0.82%	11,279	8	0.89%	—	—	—	—	—	—	—	—	—
Abbot Laboratories	10,000	9	0.79%	10,000	10	0.79%	—	—	—	—	—	—	—	—	—
Northwestern University	9,708	10	0.76%	—	—	—	—	—	—	—	—	—	—	—	—
AT&T Inc. (3)	—	—	—	13,000	7	1.03%	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	10,100	9	0.80%	—	—	—	—	—	—	—	—	—
United Airlines	—	—	—	—	—	—	8,199	2	0.75%	7,521	2	0.70%	6,366	2	0.62%
Accenture LLP	—	—	—	—	—	—	5,821	3	0.53%	5,590	3	0.52%	5,014	4	0.48%
Northern Trust	—	—	—	—	—	—	5,353	4	0.49%	5,448	4	0.51%	5,485	3	0.53%
Ford Motor Company	—	—	—	—	—	—	5,103	5	0.47%	4,187	6	0.39%	3,410	10	0.33%
Jewel Food Stores, Inc	—	—	—	—	—	—	4,441	6	0.41%	4,572	5	0.43%	4,799	5	0.46%
ABM Janitorial Midwest, Inc.	—	—	—	—	—	—	3,399	7	0.31%	3,398	8	0.32%	3,629	9	0.35%
Bank of America NT & SA	—	—	—	—	—	—	3,392	8	0.31%	3,811	7	0.36%	4,557	6	0.44%
American Airlines	—	—	—	—	—	—	2,749	10	0.25%	3,076	9	0.29%	—	—	—
SBC Ameritech	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	—	—	—	—	—	—	4,159	8	0.40%
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Employer	2010 Number of Employees	2010 Rank	2010 Percentage of Total City Employment	2009 Number of Employees	2009 Rank	2009 Percentage of Total City Employment	2008 Number of Employees	2008 Rank	2008 Percentage of Total City Employment	2007 Number of Employees	2007 Rank	2007 Percentage of Total City Employment	2006 Number of Employees	2006 Rank	2006 Percentage of Total City Employment
Advocate Health Care	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Northwestern Memorial Healthcare	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase (2)	8,094	1	0.81%	8,431	1	0.81%	8,865	1	0.81%	9,114	1	0.73%	8,979	1	0.82%
United Continental Holdings Inc	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health Care Service Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Walgreens Boots Alliance Inc.	4,552	6	0.33%	—	—	—	—	—	—	—	—	—	—	—	—
Presence Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Abbot Laboratories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Northwestern University	—	—	—		—	—	—	—	—	—	—	—	—	—	—
AT&T Inc. (3)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Airlines	5,585	2	0.58%	6,019	2	0.58%	6,403	2	0.58%	6,102	2	0.49%	5,944	2	0.55%
Accenture LLP	4,224	7	0.32%	3,341	7	0.32%	4,532	5	0.41%	4,283	5	0.34%	4,470	5	0.41%
Northern Trust	5,833	3	0.56%	5,394	4	0.52%	5,084	4	0.46%	4,787	4	0.38%	4,610	4	0.42%
Ford Motor Company	—	—	—	2,764	10	0.27%	3,325	8	0.30%	3,367	8	0.27%	3,480	8	0.32%
Jewel Food Stores, Inc	5,307	4	0.52%	5,833	3	0.56%	5,977	3	0.55%	5,424	3	0.43%	5,453	3	0.50%
ABM Janitorial Midwest, Inc.	3,840	9	0.30%	—	—	—	—	—	—	—	—	—	—	—	—
Bank of America NT & SA	4,668	5	0.44%	4,631	5	0.44%	—	—	—	—	—	—	3,108	10	0.29%
American Airlines	3,153	10	0.27%	3,394	6	0.33%	3,582	6	0.33%	3,645	7	0.29%	3,750	7	0.34%
SBC Ameritech	—	—	—	3,136	8	0.30%	3,459	7	0.32%	4,002	6	0.32%	3,834	6	0.35%
CVS Corporation	4,067	8	0.30%	3,120	9	0.30%	3,161	9	0.29%	3,120	9	0.25%	—	—	—
Bonded Maintenance Company	—	—	—	—	—	—	2,955	10	0.27%	—	—	—	3,298	9	0.30%
Deloitte & Touche	—	—	—	—	—	—	—	—	—	2,988	10	0.24%	—	—	—

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue- Tax Division report, which is no longer available.

NOTES:

Beginning with fiscal year 2006, the Chicago Board of Education will accumulate 10 years of data.

1) *Source*: Reprinted with permission, Crain's Chicago Business [January 18, 2016], Crain Communications, Inc.
2) J.P. Morgan Chase formerly known as Bank One.
3) AT&T Inc. formerly known as SBC Ameritech. 2014 number of employees is a statewide number.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2015 NET REVENUES

(Millions of dollars)

Company Name	2015 Net Revenues	Number of Employees (1)
Walgreens Boots Alliance Inc. (2)	$103,444.0	360,000
Boeing Co.	96,114.0	161,400
Archer Daniels Midland Co.	67,702.0	32,300
Caterpillar Inc.	47,011.0	105,700
United Continental Holdings Inc.	37,864.0	84,000
Allstate Corp.	35,653.0	41,600
Mondelez International Inc.	29,636.0	99,000
Exelon Corp.	29,447.0	29,762
Deere & Co. (3)	28,862.0	57,180
McDonald's Corp.	25,413.0	420,000
Sears Holdings Corp. (4)	25,146.0	178,000
Abbvie Inc.	22,859.0	28,000
Abbott Laboratories	20,405.0	74,000
Kraft Heinz Co. (5)	18,388.0	42,000
Illinois Tool Works Inc.	13,405.0	48,000
CDW Corp.	12,988.7	8,465
R.R. Donnelley & Sons Co.	11,256.8	68,400
Navistar International Corp (3)	10,140.0	13,200
Discover Financial Services Inc.	10,002.0	15,036
W.W. Grainger Inc.	9,973.4	25,800

Source: **Crain's Chicago Business,** "Chicago's Largest Public Companies", from May 23, 2016 issue. Copyright 2016 Crain Communications Inc.

NOTES:

1) Most recent employee count available

2) Fiscal year ends in August.

3) Fiscal year ends in October.

4) Fiscal year ends in January.

5) Company has dual headquarters in Pittsburgh and Chicago.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES
CURRENT APPROPRIATIONS AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Approved Budget	Transfers In (Out)	Final Appropriations	Fiscal Year 2016 Actual	Variance	Fiscal Year 2015 Actual	2016 Over (Under) 2015
Revenues:							
Property taxes	$2,307,809	$ —	$2,307,809	$2,313,469	$ 5,660	$2,252,828	$ 60,641
Replacement taxes	149,517	—	149,517	115,961	(33,556)	143,867	(27,906)
State aid	2,057,293	—	2,057,293	1,398,855	(658,438)	1,579,324	(180,469)
Federal aid	852,618	—	852,618	776,277	(76,341)	767,548	8,729
Interest and investment income	140	—	140	1,347	1,207	198	1,149
Other	245,223	—	245,223	271,858	26,635	165,819	106,039
Total revenues	$5,612,600	$ —	$5,612,600	$4,877,767	($ 734,833)	$4,909,584	($ 31,817)
Expenditures:							
Teachers' salaries	$1,935,371	$(62,570)	$1,872,801	$1,869,683	$ (3,118)	$1,953,938	$ (84,255)
Career service salaries	618,006	(4,544)	613,462	605,817	(7,645)	622,591	(16,774)
Energy	78,339	(6,697)	71,642	70,227	(1,415)	74,516	(4,289)
Food	102,406	(2,691)	99,715	98,777	(938)	99,573	(796)
Textbooks	41,857	13,246	55,103	54,856	(247)	55,254	(398)
Supplies	40,987	14,070	55,057	47,085	(7,972)	50,571	(3,486)
Other commodities	462	17	479	294	(185)	474	(180)
Professional fees	284,875	71,656	356,531	314,732	(41,799)	395,221	(80,489)
Charter schools	730,064	(12,296)	717,768	704,981	(12,787)	662,553	42,428
Transportation	100,147	2,017	102,164	104,450	2,286	103,891	559
Tuition	50,439	14,154	64,593	61,028	(3,565)	90,901	(29,873)
Telephone and telecommunications	26,133	403	26,536	24,579	(1,957)	28,061	(3,482)
Other services	15,395	5,945	21,340	16,471	(4,869)	14,133	2,338
Equipment — educational	22,020	18,606	40,626	45,407	4,781	60,962	(15,555)
Repairs and replacements	20,547	(95)	20,452	18,853	(1,599)	27,291	(8,438)
Capital outlay	—	2,386	2,386	1,135	(1,251)	5	1,130
Teachers' pension	817,958	(24,157)	793,801	811,051	17,250	826,304	(15,253)
Career service pension	96,511	8,044	104,555	102,762	(1,793)	102,012	750
Hospitalization and dental insurance	347,273	8,151	355,424	348,083	(7,341)	357,124	(9,041)
Medicare	38,820	(3,407)	35,413	34,824	(589)	36,557	(1,733)
Unemployment compensation	8,923	652	9,575	9,438	(137)	8,138	1,300
Workers' compensation	22,670	(2,728)	19,942	20,337	395	25,926	(5,589)
Rent	16,295	958	17,253	16,012	(1,241)	13,030	2,982
Other fixed charges	276,327	(41,120)	235,207	33,964	(201,243)	11,340	22,624
Total expenditures	$5,691,825	$ —	$5,691,825	$5,414,846	($ 276,979)	$5,620,366	($ 205,520)

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Act Program	Total
Revenues:										
Property taxes	$2,234,094	$ —	$ —	$ —	$ —	$ —	$79,375	$ —	$ —	$2,313,469
Replacement taxes	115,961	—	—	—	—	—	—	—	—	115,961
State aid	700,128	—	131,330	261,193	—	4,563	—	301,641	—	1,398,855
Federal aid	55,421	93,483	116,824	—	293,302	202,943	—	—	14,304	776,277
Interest and investment income	1,328	—	—	—	—	—	19	—	—	1,347
Other	227,582	—	8,384	5,089	—	8,428	5,138	17,237	—	271,858
Total revenues	$3,334,514	$93,483	$256,538	$266,282	$293,302	$215,934	$84,532	$318,878	$14,304	$4,877,767

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

SCHEDULE OF EXPENDITURES — BY PROGRAM

For the Fiscal Year Ended June 30, 2016

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	Total
Teachers' salaries	$1,495,518	$63,095	$ 93,818	$97,868	$119,302	$ 2	$ 80	$ —	$1,869,683
Career service salaries	305,775	3,741	37,898	50,267	23,030	61,566	46,034	77,506	605,817
Energy	192	—	—	—	—	—	—	70,035	70,227
Food	1,129	10	2,767	3	249	94,619	—	—	98,777
Textbooks	39,571	14	4,267	4,668	6,324	12	—	—	54,856
Supplies	28,170	153	3,784	4,422	5,989	69	70	4,428	47,085
Other commodities	203	—	4	51	16	—	—	20	294
Professional fees	65,960	2,195	75,782	5,639	33,433	4,234	16,555	110,934	314,732
Charter schools	609,413	—	6,959	46,953	41,656	—	—	—	704,981
Transportation	93,948	10	2,073	1,729	6,418	17	22	233	104,450
Tuition	56,520	2,762	1,761	—	(15)	—	—	—	61,028
Telephone and telecommunications	24,493	—	7	—	—	—	—	79	24,579
Other services	8,999	28	2,145	841	3,483	103	861	11	16,471
Equipment — educational	25,605	4	3,583	4,696	9,768	1,541	186	24	45,407
Repairs and replacements	4,138	—	97	1,112	197	—	268	13,041	18,853
Capital outlay	1,135	—	—	—	—	—	—	—	1,135
Teachers' pension	747,918	11,306	15,822	16,885	19,106	—	14	—	811,051
Career service pension	50,769	699	6,140	7,808	3,913	11,121	7,944	14,368	102,762
Hospitalization and dental insurance	236,631	8,043	17,508	20,443	18,314	23,770	10,976	12,398	348,083
Medicare	25,168	905	1,837	2,227	2,040	845	802	1,000	34,824
Unemployment compensation	6,923	271	479	535	512	236	172	310	9,438
Workers' compensation	14,916	585	1,031	1,154	1,103	509	371	668	20,337
Rent	767	17	1,391	—	—	17	—	13,820	16,012
Other fixed charges	12,649	19	246	—	3,432	11,184	6,434	—	33,964
Total expenditures	$3,856,510	$93,857	$279,399	$267,301	$298,270	$209,845	$90,789	$318,875	$5,414,846

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$ 1,767,760	$1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$2,304,656	$2,408,416	$2,659,829	4.2%	2.5%
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	188,814	-0.6%	0.7%
Investment income	116,907	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	—	-100.0%	-100.0%
Other	286,230	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	398,100	3.4%	5.6%
Total local	$ 2,372,406	$2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$2,791,265	$2,911,343	$3,246,743	3.2%	2.6%
State revenue:													
General state aid	$ 1,040,241	$1,107,408	$ 879,658	$1,001,777	$1,163,412	$1,136,472	$1,094,732	$1,089,673	$1,014,395	$ 971,642	$1,076,161	0.3%	-1.1%
Teachers' pension	75,242	75,218	74,845	37,551	42,971	10,449	10,931	11,903	62,145	12,105	227,386	11.7%	85.2%
Capital	—	—	—	—	2,793	—	—	—	—	—	—	—	—
Other	586,102	663,408	557,383	512,748	740,605	818,980	710,135	739,229	770,529	568,578	687,335	1.6%	-3.4%
Total state	$ 1,701,585	$1,846,034	$1,511,886	$1,552,076	$1,949,781	$1,965,901	$1,815,798	$1,840,805	$1,847,069	$1,552,325	$1,990,882	1.6%	0.3%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 269,446	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 150,477	$ 186,189	-3.6%	-8.1%
Individuals with Disabilities Education Act (IDEA)	81,721	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	97,850	1.8%	3.0%
School lunchroom	147,407	150,394	139,096	178,764	175,753	182,836	190,093	181,902	200,412	202,943	208,392	3.5%	2.7%
Medicaid	24,257	31,671	50,758	34,937	72,343	92,736	41,523	44,801	42,524	34,806	58,000	9.1%	-9.0%
Other	223,198	237,410	471,144	562,876	536,871	292,313	242,678	237,531	198,582	327,290	310,269	3.3%	1.2%
Total federal	$ 746,029	$ 876,041	$1,125,580	$1,180,148	$1,144,884	$ 935,951	$ 845,796	$ 907,241	$ 798,931	$ 808,999	$ 860,700	1.4%	-1.7%
Total revenue	$ 4,820,020	$5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$5,437,265	$5,272,667	$6,098,325	2.4%	1.1%
Change in revenue from previous year	$303,093.00	$ 198,384	$ 1,174	$ 284,450	$ 355,969	$ 100,422	$ (371,942)	$ 53,930	$ (5,142)	$ (164,598)	$ 825,658		
Percent change in revenue	6.7%	4.1%	0.0%	5.7%	6.7%	1.8%	-6.5%	1.0%	-0.1%	-3.0%	15.7%		

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS
Last Ten Fiscal Years and 2017 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:													
Teacher salaries	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,869,683	$1,773,479	-0.8%	-2.6%
ESP salaries	535,148	559,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	576,398	0.7%	-1.4%
Total salaries	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,475,500	$2,349,877	-0.5%	-2.3%
Teacher pension	282,488	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	843,643	11.6%	20.2%
ESP pension	83,317	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	92,607	1.1%	-1.5%
Hospitalization	250,765	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	359,126	3.7%	2.0%
Medicare	25,279	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	36,449	3.7%	0.9%
Unemployment insurance	8,236	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	8,499	0.3%	-13.1%
Workers' compensation	24,619	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,593	-1.8%	-4.6%
Total benefits	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,326,495	$1,360,917	7.3%	10.2%
Total compensation	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,801,995	$3,710,794	1.7%	1.3%
Non-compensation:													
Energy	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 70,227	$ 75,719	-0.2%	0.6%
Food	83,798	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	97,095	1.5%	-1.4%
Textbooks	65,772	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	37,602	-5.4%	-5.2%
Supplies	45,945	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	38,056	-1.9%	-3.5%
Commodities — other	1,072	910	998	948	478	583	408	648	474	294	394	-9.5%	-7.5%
Professional fees	322,252	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	309,401	-0.4%	-5.6%
Charter schools	141,030	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	677,988	17.0%	9.8%
Transportation	97,076	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	98,439	0.1%	-2.1%
Tuition	63,103	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	59,630	-0.6%	1.6%
Telephone and telecommunications	13,701	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	28,499	7.6%	4.0%
Services — other	13,271	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	20,430	4.4%	13.2%
Equipment	34,614	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	24,451	-3.4%	-9.8%
Repairs and replacements	32,973	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	20,537	-4.6%	-9.5%
Capital outlays	345,020	463,067	648,314	691,774	563,390	576,925	493,532	486,986	374,758	294,446	337,507	-0.2%	-10.2%
Rent	12,965	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	15,023	1.5%	5.0%
Debt service	342,179	282,142	302,206	386,597	332,097	374,494	390,409	467,904	523,113	480,288	563,735	5.1%	8.5%
Other	6,429	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	245,813	44.0%	91.0%
Total non-compensation	$1,698,333	$1,905,798	$2,262,565	$2,378,835	$2,326,181	$2,355,923	$2,388,534	$2,599,955	$2,585,642	$2,361,447	$2,650,319	4.6%	2.4%
Total expenditures	$4,832,294	$5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$6,518,232	$6,163,442	$6,361,113	2.8%	1.7%
Change in expenditures from previous year	$ 223,152	$ 285,886	$ 574,070	$ 279,543	$ (166,359)	$ 34,270	$ (9,468)	$ 574,785	$ 113,211	$ (354,790)	$ 197,671		
Percent change in expenditures	4.8%	5.9%	11.2%	4.9%	-2.8%	0.6%	-0.2%	9.8%	1.8%	-5.4%	3.2%		

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017
Revenues:											
Local	$2,372,406	$ 2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$ 2,791,265	$2,911,343	$3,246,700
State	1,701,585	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,990,882
Federal	746,029	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999	860,667
Total revenues	$4,820,020	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667	$6,098,249
Total expenditures	4,832,294	5,118,180	5,692,250	5,971,793	5,805,434	5,839,704	5,830,236	6,405,021	6,518,232	6,163,442	5,514,800
Revenues less expenditures	$ (12,274)	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,080,967)	$ (890,775)	$ 583,449
Other Financing Sources:											
Bond proceeds	$ 355,805	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	982,720	131,600	561,880	724,999	$ 331,000
Net premiums/discounts	14,444	41,226	—	6,459	14,700	1,229	47,271	—	(12,502)	(110,071)	—
Proceeds from swaps	—	—	—	—	—	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—	—	—	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012	—
Payment to bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(397,090)	(120,856)	—
Transfers in/ (out)	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources	$ 395,922	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 189,792	$ 509,084	$ 331,000
Change in fund balance	$ 383,648	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	
Fund balance — beginning of period	1,354,148	1,578,331	1,726,659	1,054,500	1,187,750	1,426,320	1,750,674	2,546,502	1,722,789	831,614	
Fund balance — end of period	$1,737,796	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,722,789	$ 831,614	$ 449,923	
Revenues as a percent of expenditures	99.7%	98.1%	88.2%	88.8%	97.5%	98.6%	92.4%	85.0%	83.4%	85.5%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 296,799	$ 401,281	$ 211,422	$ 340,688	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,765	1,826	3,695	5,825	—	—	—	—	—	—	
Reserved for specific purposes	129,597	102,695	101,072	109,163	—	—	—	—	—	—	
Reserved for debt services	264,867	272,471	272,273	375,211	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	233,200	258,000	181,200	—	—	—	—	—	—	—	
Undesignated	811,568	690,386	284,838	356,863	—	—	—	—	—	—	
Nonspendable	—	—	—	—	1,972	9,003	6,108	429	429	429	
Restricted for grants and donations	—	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	
Restricted for capital improvement program	—	—	—	—	182,884	88,762	169,368	—	—	107,248	
Restricted for debt service	—	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116	
Assigned for 2017 Budget	—	—	—	—	—	—	—	—	—	—	
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225		
Assigned for debt service	—	—	—	—	231,413	254,967	269,167	193,877	57,057		
Assigned for commitments and contracts	—	—	—	—	44,924	110,397	105,664	87,067	73,101		
Unassigned	—	—	—	—	5,293	443,575	150,658	(91,953)	(29,109)	(292,840)	
Total fund balance	$1,737,796	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	$ 831,614	$ 449,923	
Unreserved/Unassigned fund balance as a percentage of revenues	21.7%	18.9%	9.3%	6.7%	0.1%	7.7%	2.8%	-1.7%	-0.5%	-5.6%	
Total fund balance as a percentage of revenues	36.1%	34.4%	21.0%	22.4%	25.2%	30.4%	34.5%	18.9%	15.3%	8.5%	

NOTE:
The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES
Last Ten Fiscal Years and 2017 Budget
(Modified Accrual Basis of Accounting)
(Thousands of Dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$1,716,516	$1,763,282	$1,867,350	$2,035,938	$1,904,169	$2,295,178	$2,157,777	$2,152,753	$2,252,828	$2,313,470	$2,607,809	4.3%	2.6%
Replacement taxes	147,403	159,805	132,819	96,816	172,384	126,786	128,212	131,075	143,867	115,961	130,531	-1.2%	0.6%
Investment income	61,595	40,905	21,405	3,084	1,920	4,363	2,207	4,458	198	1,347	—	-100.0%	-100.0%
Other	95,534	96,816	102,107	111,985	221,391	142,160	132,717	156,115	165,819	271,858	263,148	10.7%	13.1%
Total local	$2,021,048	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,636	$3,001,488	4.0%	3.2%
State Revenue:													
General state aid	$ 888,220	$ 953,783	$ 700,954	$ 801,198	$ 940,693	$ 989,943	$ 945,651	$ 972,572	$ 847,420	$ 857,601	$ 702,748	-2.3%	-6.6%
Teacher pension	75,233	75,210	74,845	74,922	42,971	10,449	10,931	11,903	62,145	12,105	227,386	11.7%	85.2%
Other	586,040	663,358	557,383	491,677	710,902	756,774	642,842	645,417	669,759	529,148	672,563	1.4%	-2.3%
Total state	$1,549,493	$1,692,351	$1,333,182	$1,367,797	$1,694,566	$1,757,166	$1,599,424	$1,629,892	$1,579,324	$1,398,854	$1,602,697	0.3%	-1.8%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 269,446	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 293,302	$ 86,521	-10.7%	-21.1%
Individuals with Disabilities Education Act (IDEA)	81,721	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	97,850	1.8%	3.0%
School lunch program	147,407	150,394	139,096	178,764	175,753	182,836	190,093	189,336	200,412	202,943	208,392	3.5%	2.7%
Medicaid	24,257	31,671	50,758	34,937	72,343	92,736	41,523	40,879	42,524	34,806	58,000	9.1%	-9.0%
Other	189,132	193,895	468,369	543,140	513,444	247,349	202,865	194,290	167,199	151,743	379,076	7.2%	8.9%
Total federal	$ 711,963	$ 832,526	$1,122,805	$1,160,412	$1,121,457	$ 890,987	$ 805,983	$ 867,512	$ 767,548	$ 776,277	$ 829,839	1.5%	-1.4%
Total revenue	$4,282,504	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,434,024	2.4%	0.8%
Change in revenue from previous year	$ 96,652	$ 303,181	$ (6,017)	$ 196,364	$ 339,855	$ 100,753	$ (390,320)	$ 115,485	$ (32,221)	$ (31,817)	$ 556,257		
Percentage change in revenue	2.3%	7.1%	-0.1%	4.3%	7.1%	2.0%	-7.5%	2.4%	-0.7%	-0.6%	11.4%		

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012
Compensation:						
Teachers' salaries	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832
ESP salaries	535,148	559,741	597,533	604,042	610,741	618,265
Total salaries	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097
Teachers' pension	282,488	350,483	392,801	475,628	306,111	335,657
ESP pension	83,317	89,776	93,791	96,913	102,158	100,026
Hospitalization	250,765	260,386	299,206	311,048	353,878	324,918
Medicare	25,279	31,075	33,667	34,826	35,004	34,900
Unemployment insurance	8,236	5,764	8,599	16,000	21,992	17,141
Workers' compensation	24,619	29,757	28,148	28,244	25,859	26,042
Total benefits	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684
Total compensation	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781
Non-compensation:						
Energy	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409
Food	83,798	83,326	89,592	93,088	93,766	104,245
Textbooks	65,772	89,514	86,356	70,596	70,249	49,147
Supplies	45,945	46,030	44,572	48,046	51,125	45,521
Commodities — other	1,072	910	998	948	478	583
Professional fees	322,252	360,277	440,921	381,851	450,127	412,072
Charter schools	141,030	189,006	256,154	326,322	377,755	424,423
Transportation	97,076	102,828	109,351	109,349	107,530	109,368
Tuition	63,103	65,105	63,858	62,568	59,102	55,001
Telephone and telecommunications	13,701	17,671	19,426	18,199	19,823	23,451
Services — other	13,271	13,253	13,935	15,688	11,789	11,010
Equipment	34,614	39,003	34,450	33,661	41,896	40,938
Repairs and replacements	32,973	36,999	34,772	31,854	37,355	33,912
Capital outlays	5	10	12	10	5	43
Rent	12,965	11,020	12,000	12,093	11,941	11,745
Debt service	1,269	21,704	1,037	2,710	—	—
Other	6,429	18,888	13,306	17,519	14,402	9,679
Total non-compensation	$1,012,408	$1,182,303	$1,313,094	$1,303,184	$1,430,699	$1,404,547
Total expenditures	$4,146,369	$4,394,685	$4,742,779	$4,896,142	$4,909,952	$4,888,328
Change in expenditures from previous year	$ 61,276	$ 248,316	$ 348,094	$ 153,363	$ 13,810	$ (21,624)
Percent change in expenditures	1.5%	6.0%	7.9%	3.2%	0.3%	-0.4%

	2013	2014	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:							
Teachers' salaries	$1,942,007	$1,921,969	$1,953,938	$1,869,683	$1,773,479	-0.8%	-2.6%
ESP salaries	633,489	619,462	622,591	605,817	576,398	0.7%	-1.4%
Total salaries	$2,575,496	$2,541,431	$2,576,529	$2,475,500	$2,349,877	-0.5%	-2.3%
Teachers' pension	374,567	740,419	826,304	811,051	843,643	11.6%	20.2%
ESP pension	102,342	101,885	102,012	102,762	92,607	1.1%	-1.5%
Hospitalization	319,792	343,308	357,124	348,083	359,126	3.7%	2.0%
Medicare	36,404	35,951	36,557	34,824	36,449	3.7%	0.9%
Unemployment insurance	9,134	16,426	8,138	9,438	8,499	0.3%	-13.1%
Workers' compensation	23,967	25,646	25,926	20,337	20,593	-1.8%	-4.6%
Total benefits	$ 866,206	$1,263,635	$1,356,061	$1,326,495	$1,360,917	7.3%	10.2%
Total compensation	$3,441,702	$3,805,066	$3,932,590	$3,801,995	$3,710,794	1.7%	1.3%
Non-compensation:							
Energy	$ 76,559	$ 87,547	$ 74,516	$ 70,227	$ 75,719	-0.2%	0.6%
Food	106,650	96,816	99,573	98,777	97,095	1.5%	-1.4%
Textbooks	68,969	52,871	55,254	54,856	37,602	-5.4%	-5.2%
Supplies	52,925	55,223	50,571	47,085	38,056	-1.9%	-3.5%
Commodities — other	408	648	474	294	394	-9.5%	-7.5%
Professional fees	398,064	441,667	395,221	314,732	309,401	-0.4%	-5.6%
Charter schools	498,162	580,652	662,553	704,981	677,991	17.0%	9.8%
Transportation	106,861	104,430	103,891	104,450	98,439	0.1%	-2.1%
Tuition	54,626	66,396	90,901	61,028	59,630	-0.6%	1.6%
Telephone and telecommunications	23,642	30,297	28,061	24,579	28,499	7.6%	4.0%
Services — other	12,438	14,126	14,133	16,471	11,665	-1.3%	1.2%
Equipment	59,654	62,757	60,962	45,407	24,451	-3.4%	-9.8%
Repairs and replacements	26,449	31,679	27,291	18,853	20,236	-4.8%	-9.8%
Capital outlays	75	—	5	1,135	301	50.6%	47.6%
Rent	10,547	12,164	13,030	16,012	15,023	1.5%	5.0%
Debt service	—	—	—	25,003	34,000	38.9%	0.0%
Other	8,639	7,792	11,340	8,961	275,577	45.6%	95.4%
Total non-compensation	$1,504,668	$1,645,065	$1,687,776	$1,612,851	$1,804,079	5.9%	5.1%
Total expenditures	$4,946,370	$5,450,131	$5,620,366	$5,414,846	$5,514,873	2.9%	2.4%
Change in expenditures from previous year	$ 58,042	$ 503,761	$ 170,235	$ (205,520)	$ 100,027		
Percent change in expenditures	1.2%	10.2%	3.1%	-3.7%	1.8%		

STATISTICAL SECTION

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)
Last Ten Fiscal Years and 2017 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017
Revenues:											
Local	$2,021,048	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,635	$3,001,500
State	1,549,493	1,692,351	1,333,182	1,367,797	1,694,566	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855	1,602,697
Federal	711,963	832,526	1,122,805	1,160,412	1,121,457	890,987	805,983	867,512	767,548	776,277	829,839
Total revenues	$4,282,504	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,434,036
Total expenditures	4,146,369	4,394,685	4,742,779	4,896,142	4,909,952	4,888,328	4,946,370	5,450,131	5,620,366	5,414,846	5,514,873
Revenues less expenditures	$ 136,135	$ 191,000	$ (163,111)	$ (120,110)	$ 205,935	$ 328,312	$ (120,050)	$ (508,326)	$ (710,782)	$ (537,079)	$ (80,837)
Other financing sources less transfers	1,904	3,813	20,389	17,851	109,830	62	439	161	(12,915)	50,162	
Change in fund balance	$ 138,039	$ 194,813	$ (142,722)	$ (102,259)	$ 315,765	$ 328,374	$ (119,611)	$ (508,165)	$ (723,697)	$ (486,917)	
Fund balance — beginning of period	495,897	474,783	669,596	526,874	424,615	740,380	1,068,754	1,592,147	1,083,982	360,285	
Fund balance — end of period	$ 633,936	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$1,083,982	$ 360,285	$ (126,632)	
Revenues as a percent of expenditures	103.3%	104.3%	96.6%	97.5%	104.2%	106.7%	97.6%	90.7%	87.4%	90.1%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 97,731	$ 132,684	$ 110,685	$ 111,166	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,765	1,826	3,695	5,825	—	—	—	—	—	—	
Reserved by law for specific purposes	129,597	102,695	101,072	109,163	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	233,200	258,000	181,200	—	—	—	—	—	—	—	
Undesignated	171,643	174,391	130,222	198,461	—	—	—	—	—	—	
Nonspendable	—	—	—	—	1,972	3,329	1,720	429	429	429	
Restricted for grants and donations	—	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	
Assigned for 2017 Budget	—	—	—	—	—	—	—	—	—	—	
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225	—	
Assigned for commitments and contracts	—	—	—	—	44,924	110,397	105,664	87,067	73,101	—	
Unassigned	—	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)	
Total fund balance	$ 633,936	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	$ 360,285	$ (126,632)	
Unreserved/unassigned fund balance as a percent of revenues	9.5%	9.4%	6.8%	4.2%	0.1%	8.5%	3.1%	0.0%	2.1%	-4.7%	
Total fund balance as a percentage of revenues	14.8%	14.6%	11.5%	8.9%	14.5%	20.5%	19.7%	8.8%	7.3%	-2.6%	

NOTE:

The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF TORT EXPENDITURES
As Required Under Section 9-103 (a-5) of the Tort Immunity Act
For the Fiscal Year Ended June 30, 2016

Eligible Expenditures:	
Other General Charges	$ 556,250
Physical Education — Athletic Claims	47,369
Legal Services	127,373
Tort Claims — Administration Fee	607,100
Tort Claims — Major Settlements	2,082,692
Tort Claims — Casualty	686,051
General Liability Insurance	1,472,401
Property Damage Insurance	2,124,685
Property Loss Reserve Fund	4,381
Charter Schools — Support Services	312,511
Investigations — Administration	37,226
School Safety Services	20,919,261
School Security Personnel	53,216,428
Central Service Security	4,707,490
Security Services	3,866,685
Crisis Intervention	11,572
Risk Management Administration	8,800
Employee Solutions	1,518
Total Eligible Expenditures	$90,789,792

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2016

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools	$19,708,021	$35,045,808	$33,556,185	$21,197,644
Child Parent Centers	46,350	50,874	53,924	43,300
Alternative Schools	22,147	30,228	30,444	21,931
Middle Schools	519,346	567,770	627,861	459,255
High Schools	19,526,645	35,573,698	34,334,583	20,765,760
	$39,822,509	$71,268,378	$68,602,997	$42,487,890
Investments:				
Elementary Schools				118,622
High Schools				913,179
Total Cash and Investments Held for Student Activities				$43,519,691

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$1,628,785	$3,502,292	$ 5,131,077
Total Elementary Students	247,487	247,487	247,487
Average Fee per Student	$ 6.58	$ 14.15	$ 20.73
Total High School Fees	$ 837,339	$9,833,923	$10,671,262
Total High School Students	86,208	86,208	86,208
Average Fee per Student	$ 9.71	$ 114.07	$ 123.79

NOTES:

A) Graduation fees are defined as all mandatory graduation fees, including cap and gown.

B) Student activity fees are defined as fees collected from students to cover activities and items necessary to complete a given curriculum and fees collected from students to cover the cost of extra-curricular activities and items.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
BROKER SERVICES	Mesirow Financial	07/01/15 — 06/30/16	$ 69,750	Insurance placement and consultation. The contract with Mesirow for these services has been extended and continues.
PROPERTY INSURANCE				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/15 — 06/30/16	$ 1,789,688	$50M per occurrence subject to $5M deductible
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/15 — 06/30/16	74,731	$25M per occurrence $50M excess $50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/15 — 06/30/16	73,553	$25M per occurrence $50M excess $50M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/15 — 06/30/16	84,792	$100M subject to $50,000 deductible
			$ 2,022,764	Total Property, Boiler & Machinery for year end 06/30/16
Property Loss Reserve			—	Self-Insurance contents/claim payments
Total Property Program			$ 2,022,764	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
LIABILITY INSURANCE				
General Liability, Auto, SBLL, EPL, Abuse	Allied World Assurance Company	07/01/15 — 06/30/16	$ 552,680	$10M excess $10M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/15 — 06/30/16	383,690	$15M excess of $10M excess $10M excess $10M Self Insured Retention
Excess Liability III	Ironshore Specialty Insurance Company	07/01/15 — 06/30/16	313,174	$20M excess of $30M excess Self Insured Retention
Special Events CGL	National Casualty Insurance Company	07/01/15 — 06/30/16	42,738	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/15 — 06/30/16	16,134	$5M excess of $5M no deductible
Fiduciary	Chartis Insurance	07/01/15 — 06/30/16	82,214	$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA	07/01/15 — 06/30/16	97,259	$6M Subject to $25,000 deductible
Total Liability Insurance Cost			$ 1,487,889	
Total Insurance Cost			$ 3,510,653	
SELF INSURANCE PROGRAMS				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc	07/01/15 — 06/30/16	$ 2,485,998	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc	07/01/15 — 06/30/16	477,750	Administration fees
			$ 2,963,748	Total General Liability Claims and Expenses

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
Workers' Compensation Claims	Sedgwick Claims Management Services, Inc	07/01/15 — 12/31/15	$ 692,924	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives. *Note: As of 01/01/16, Sedgwick is no longer the 3rd party administrator for CPS Workers Compensation Program. It will be managed by CCMSI*
	Cannon, Cochran, Management Services, Inc	01/01/16 — 06/30/16	$ 556,250	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives.
	Sedgwick Claims Management Services, Inc		$ 11,481,254	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses. *Note: As of 01/01/16, Sedgwick is no longer the 3rd party administrator for CPS Workers Compensation Program. It will be managed by CCMSI*
	Cannon Cochran Management Services, Inc		$ 8,330,115	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 21,060,543	Total Workers Compensation Claims and Expenses
Total Self Insured Program			$ 24,024,291	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
HEALTH INSURANCE / HMO/PPO				
Medical-Administrative Services	Blue Cross PPO	07/01/15 — 06/30/16	$ 3,660,561	PPO Health care for eligible employees and dependents
	United Healthcare PPO	07/01/15 — 06/30/16	1,301,094	PPO Health care for eligible employees and dependents
	United Healthcare PPO w/HRA	07/01/15 — 06/30/16	285,861	PPO and Health Reimbursement Account for eligible employees and dependents
	Blue Cross HMO Illinois	07/01/15 — 06/30/16	3,901,158	HMO Health care for eligible employees and dependents
	Blue Cross BA HMO	07/01/15 — 06/30/16	5,846,596	HMO Health care for eligible employees and dependents
	United Healthcare HMO (EPO)	07/01/15 — 06/30/16	1,119,483	HMO Health care for eligible employees and dependents
Medical Total Administrative Fees			$ 16,114,753	
Medical PPO Claim	Blue Cross/Blue Shield of Illinois	07/01/15 — 06/30/16	$ 88,260,589	PPO Health care of eligible employees & dependents
	United Healthcare PPO	07/01/15 — 06/30/16	32,911,558	PPO Health care of eligible employees & dependents
	United Healthcare PPO w/HRA	07/01/15 — 06/30/16	3,469,184	PPO and Health Reimbursement Account for eligible employees and dependents
Medical Total PPO Claims			$124,641,331	
Medical HMO Claims	Blue Cross HMO Illinois	07/01/15 — 06/30/16	$129,253,513	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
	United Healthcare HMO	07/01/15 — 06/30/16	34,537,058	HMO Healthcare for eligible employees and dependents
	Blue Cross BA HMO	07/01/15 — 06/30/16	645,338	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
Medical Total HMO Claims			$164,435,909	
Medical Claims Total		07/01/15 — 06/30/16	$289,077,240	
Medical Claims and Administration		07/01/15 — 06/30/16	$305,191,993	
Managed Mental Health Service	United Behavioral Health	07/01/15 — 06/30/16	$ 2,846,187	Mental health care for PPO eligible employees and dependents
Utilization Review and Case Management	Encompass	07/01/15 — 06/30/16	$ 1,215,383	Pre-certification, utilization review and case management for PPO eligible employees and dependents
Prescription Drugs	Caremark	07/01/15 — 06/30/16	$ 83,000,000	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/15 — 06/30/16	$392,253,563	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/15 — 06/30/16	$ 2,819,598	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/15 — 06/30/16	7,891,795	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 10,711,393	
Vision Plan	Vision Service Plan (VSP)	07/01/15 — 06/30/16	$ 180,473	Vision services for eligible employees and dependents
Term Life Insurance	Aetna Life Insurance	07/01/15 — 06/30/16	$ 1,506,468	Life insurance policy at $10,000 per eligible employee
Total Dental/Vision/Life			$ 12,398,334	
Total Health/Life Benefit Expenses			$ 404,651,897	

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STATISTICAL SECTION

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY
For the Fiscal Year Ended June 30, 2016
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013 (B)	2014 (C)	2015	2016 (D)
Unexpended (over expended)	$496.8	$ 646.4	$565.7	$ 73.9	$261.6	$182.2	$ 88.1	$174.2	$ (91.9)	$(157.1)
Proceeds available from bond issuance	370.2	252.5	—	803.8	382.3	402.4	508.9	131.3	148.5	364.0
Property Taxes										42.5
State aid	18.1	0.1	—	—	2.8	1.3	6.9	37.8	31.6	39.4
Federal aid	34.1	43.5	2.8	12.3	4.4	18.1	13.6	14.9	6.5	7.7
Investment income	35.6	25.9	12.5	2.0	2.1	5.5	1.9	0.8	0.4	0.1
Other income	36.6	60.4	127.5	83.1	91.5	54.2	88.0	31.3	107.2	62.9
Total	$991.4	$1,028.8	$708.5	$975.1	$744.7	$663.7	$707.4	$390.3	$ 202.3	$ 359.5
Expenditures	345.0	463.1	634.6	666.7	562.3	576.8	493.4	482.2	359.4	293.1
Operating transfers in (out)	—	—	—	(46.8)	(0.2)	1.2	(41.6)	—	—	—
Unexpended	$646.4	$ 565.7	$ 73.9	$261.6	$182.2	$ 88.1	$172.4	$ (91.9)	$(157.1)	$ 66.4
Encumbrances	199.1	268.6	73.9	229.5	182.2	88.1	172.4	(91.9)	(157.1)	66.4
Available balance	$447.3	$ 297.1	$ —	$ 32.1	$ —	$ —	$ —	$ —	$ —	$ —

NOTES:

A) The above amounts do not include construction expenditures made by the Public Building Commission.

B) Beginning in FY2013, the proceeds available from bond issuance includes both premiums and gross amounts from debt issuances.

C) In FY2015, CPS changed its revenue recognition policy resulting in a restatement to FY2014 balances.

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM
Last Five Fiscal Years
(Thousands of dollars)

	2012	2013	2014	2015 (A)	2016 (A)
DAYS MEALS SERVED:					
National School Lunch Program	$ 173	$ 181	$ 177	$ 178	$ 176
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	1,715,302	1,528,287	1,324,623	—	—
Reduced lunches (regular)	2,219,797	1,919,787	1,353,204	—	—
Free lunches (regular)	39,439,339	40,730,512	40,531,544	43,507,955	42,061,499
TOTAL PUPIL LUNCHES SERVED	$43,374,438	$44,178,586	$43,209,371	$43,507,955	$42,061,499
Daily Average	250,719	244,081	244,121	244,427	238,986
Change from Previous Year	(361,900)	804,148	(969,215)	298,584	(1,446,456)
Daily Percentage Change	-0.8%	-2.6%	0.0%	0.1%	-2.2%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	1,852,888	1,694,160	1,534,733	—	—
Reduced breakfasts (regular)	1,276,808	1,023,368	724,873	—	—
Free breakfasts (regular)	23,935,561	24,138,173	23,724,239	26,144,917	24,850,825
TOTAL PUPIL BREAKFASTS SERVED	$27,065,257	$26,855,701	$25,983,845	$26,144,917	$24,850,825
Daily Average	156,447	148,374	146,801	146,882	141,198
Change from Previous Year	6,011,770	(209,556)	(871,856)	161,072	(1,294,092)
Daily Percentage Change	28.6%	-5.2%	-1.1%	0.1%	-3.9%
TOTAL MEALS SERVED	$70,439,695	$71,034,287	$69,193,216	$69,652,872	$66,912,324
Daily Average	407,166	392,455	390,922	391,308	380,184
Total Change From Previous Year	5,649,870	594,592	(1,841,071)	459,656	(2,740,548)
Daily Percentage Change	8.7%	-3.6%	-0.4%	0.1%	-2.8%
NUMBER OF ADULT LUNCHES (REGULAR)	114,583	61,741	429,877	241,263	241,533
Daily Average	662	341	2,429	1,355	1,372
Total Change From Previous Year	(28,249)	(52,842)	368,136	(188,614)	270
Daily Percentage Change	-19.8%	-48.5%	612.2%	-44.2%	1.3%

NOTE:

A) Beginning in fiscal year 2015 through fiscal year 2018 all breakfasts and lunches are provided to pupils free of charge per the Community Eligibility Provision Program.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)
Last Five Fiscal Years
(Thousands of dollars)

	2012	2013	2014	2015	2016
REVENUE:					
Federal and State Sources	$196,000	$197,514	$189,152	$204,975	$207,506
Local Sources	27,645	32,137	13,698	7,747	8,428
Total Revenue	$223,645	$229,651	$202,850	$212,722	$215,934
EXPENDITURES:					
Career Service Salaries	$ 71,007	$ 71,124	$ 60,680	$ 60,303	$ 61,566
Career Service Pension	12,074	12,136	10,282	10,374	11,121
Hospitalization	22,557	22,907	23,567	23,562	23,770
Food	102,365	103,972	92,984	94,576	94,619
Professional and Special Services	2,167	1,544	2,927	3,942	4,234
Administrative Allocation	9,833	14,624	10,124	7,665	11,184
Other	3,642	3,344	2,286	2,174	3,351
Total Expenditures	$223,645	$229,651	$202,850	$202,596	$209,845
Revenues Less Than Expenditures	$ —	$ —	$ —	$ 10,126	$ 6,089
DAILY AVERAGE					
Revenues	$ 1,293	$ 1,269	$ 1,146	$ 1,195	$ 1,227
Expenditures	$ 1,293	$ 1,269	$ 1,146	$ 1,138	$ 1,192
PERCENTAGE CHANGE					
Revenues	8.1%	2.7%	-11.7%	4.9%	1.5%
Expenditures	8.1%	2.7%	-11.7%	-0.1%	3.6%

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2016

With Comparative Amounts for the Period Ended June 30, 2015

	2016 Schools	2016 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 49,639,877	$ 128,922	$ 49,768,799
Kilowat Hours	527,270,030	1,189,074	528,459,104
Charge per Kilowatt Hour	$ 0.09415	$ 0.10842	$ 0.09418
Gas			
Total Gas Charges	$ 20,459,051	$ —	$ 20,459,051
Therms	26,555,109	—	26,555,110
Charge per Therm	$ 0.77044	$ —	$ 0.77044

	2015 Schools	2015 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 48,927,513	$ 372,130	$ 49,299,643
Kilowat Hours	561,374,276	4,310,321	565,684,597
Charge per Kilowatt Hour	$ 0.08716	$ 0.08633	$ 0.08715
Gas			
Total Gas Charges	$ 25,107,307	$ 108,843	$ 25,216,150
Therms	33,742,528	176,107	33,918,635
Charge per Therm	$ 0.74408	$ 0.61805	$ 0.74343

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY SALES AND PURCHASES

For the Fiscal Year Ended June 30, 2016

	Sales*			
Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain / (Loss) on Sale
1450 N. Larrabee	N/A	$1,040,513	$ —	(1,040,513)
115 W. 108th Street	1903	58,200	3,000**	(55,200)
511 S. Plymouth Court	2000	450,000	551,155	101,155
5211-29 S. Prairie	2015	7,700	124,890	117,190
2221 South Lawndale Ave	N/A	—	3,800**	3,800
2620 W. Hirsch	1885, 1918	—	2,726,980	2,726,980
221 E. 49th Street (Main)	1963	—	285,855	285,855
739 N. Ada	1884	18,520	4,492,292	4,473,772
1540 W. 84th Street	N/A	—	2,250	2,250
230 N. Kolmar	1962	—	10,000	10,000
4525 N. Kenmore	1906, 1941	—	4,469,783	4,469,783
2722 S. Martin Luther King Drive	1961	—	1,321,381	1,321,381
		$1,574,933	$13,991,386	$12,416,454

NOTE:

* Historical records related to the month and day of acquisition are not available.

** Sale Price instead of Net Proceeds were used to calculate Gain/(Loss)

There were no purchases in fiscal year 2016

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TEACHERS' BASE SALARIES
(Annual School Year Salary)
Last Ten Fiscal Years

Fiscal Year	Minimum Salary (A)	Median Salary	Maximum Salary (B)	Percent Change (C)
2007	$40,405	$57,215	$74,025	4.00%
2008	42,021	59,504	76,986	4.00%
2009	43,702	62,384	81,065	4.00%
2010	45,450	64,879	84,308	4.00%
2011	47,268	67,974	88,680	4.00%
2012	47,268	68,474	89,680	0.00%
2013	48,686	70,644	92,602	3.00%
2014	49,660	72,163	94,666	2.00%
2015	50,653	73,706	96,759	2.00%
2016	50,653	73,706	96,759	0.00%

NOTES:

A) The minimum salary represents the minimum amount a CPS teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on education attainment and years of service. Minimum salary excludes pension and hospitalization benefits.

B) The maximum salary represents the maximum amount a CPS teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on educational attainment and years of service. The majority of the Chicago Public Schools Teaching Staff receive the maximum salary due to the 16 years minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.

C) The percent change is the official CTU (Chicago Teachers Union) agreed to minimum salary increase for that year, net of any changes to the salary schedule or step advances on the pay schedule.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TEACHERS' PENSION FUNDING ANALYSIS
Last Five Fiscal Years
(Thousands of dollars)

Fiscal Year	Employer and Employee Contribution	Net Assets of Plan (Fair Market Value)	Unfunded Obligation (Assets at Fair Market Value)	% Funded of Pension Obligation Fund at Year End (Assets at Fair Market Value)	% Unfunded (Assets at Fair Market)
2011	$306,111	$10,109,315	$6,831,312	59.7%	40.3%
2012	335,657	9,364,077	8,011,584	53.9%	46.1%
2013	374,567	9,422,519(A)	9,622,014(A)	49.5%(A)	50.5%
2014	740,419	10,045,543	9,458,351	51.5%	48.5%
2015	826,304	10,344,375	9,606,915	51.9%	48.1%

NOTE:

A) The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.

STATISTICAL SECTION

B-105

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

AVERAGE DAILY ATTENDANCE AND PER PUPIL COSTS

Last Five Fiscal Years

Fiscal Year	School Year	Average Daily Attendance (A)	Operating Expenses Per Pupil (B)	Per Capita Tuition Charge (C)
2012	2011-12	367,883	$13,433	$ 9,462
2013	2012-13	365,974	13,791	10,412
2014	2013-14	366,077	15,120	11,707
2015	2014-15	363,276	15,310	12,229
2016	2015-16	361,764	N/A	N/A

NOTES:

A) *Source:* Department of Finance, Grants Management.

B) *Source:* Illinois State Board of Education — Operating Expense Pupil is the total operating cost of regular K-12 programs divided by the nine-month average daily attendance. This measure excludes expenditures related to Pre-school, Summer School, Adult Education, Capital Expenditures, and Board Principal and Interest.

C) *Source:* Illinois State Board of Education — Per Capita Tuition Charge is the amount a local school district charges as tuition for non-resident students per Section 18-3 of the School Code. It is a reasonable measure of basic education program costs. Per Capita Tuition is calculated by deducting the costs of supplemental programs from operating expenses and dividing the result by the nine- month average daily attendance.

N/A: Not available at publishing.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL STUDENT MEMBERSHIP

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary										
Pre-Kindergarten	21,363	21,388	23,325	24,370	23,705	24,232	24,507	23,671	22,873	22,555
Kindergarten	28,403	27,901	28,975	29,632	28,812	29,594	30,936	30,166	28,978	27,651
Grades 1-3	95,744	93,853	93,416	92,581	91,899	92,302	91,880	92,251	92,526	91,347
Grades 4-6	94,235	90,701	89,234	88,695	87,834	87,630	86,966	86,244	86,066	85,391
Grades 7-8	62,385	62,217	59,839	58,231	56,791	56,520	56,773	56,184	54,233	54,174
Total Elementary	302,130	296,060	294,789	293,509	289,041	290,278	291,062	288,516	284,676	281,118
Secondary										
9th Grade	37,514	35,151	34,233	32,877	31,081	30,336	29,812	30,069	30,366	29,130
10th Grade	30,286	31,994	32,177	34,659	33,303	32,230	31,343	30,963	31,130	31,189
11th Grade	23,871	24,608	25,292	25,436	26,277	27,039	26,610	26,500	26,378	26,714
12th Grade	19,893	20,788	21,464	22,798	22,979	24,268	24,634	24,497	24,133	24,134
Total Secondary	111,564	112,541	113,166	115,770	113,640	113,873	112,399	112,029	112,007	111,167
Grand Total	413,694	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary	21.1	20.0	23.5	21.3	23.2	23.3	24.6	25.2	25.4	25.8
Secondary	19.6	16.3	19.5	19.7	19.8	19.2	19.8	21.5	21.9	20.3

Source: Illinois State Board of Education

NOTE:

Starting in 2009, the ratio includes Charter Schools.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION

Last Five Fiscal Years

As of June 30, 2016

Functions	2012	2013	2014	2015	2016
Instruction	25,884	26,909	26,123	26,261	25,615
Support services:					
Pupil support services	4,841	5,010	4,676	4,652	4,415
Administrative support services	1,129	1,063	1,042	1,038	705
Facilities support services	1,666	1,633	1,527	1,468	1,427
Instructional support services	3,134	3,311	2,920	2,965	2,788
Food services	3,688	3,562	2,860	2,762	2,721
Community services	326	339	266	247	250
Total government employees	40,668	41,827	39,414	39,393	37,921

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Number of Schools										
Elementary (A)	472	474	474	474	474	473	468	422	426	425
Special (C)	18	17	17	13	12	12	12	5	—	—
High School	93	98	98	109	107	103	98	109	121	122
Vocational/Technical (C)	12	10	10	8	8	8	8	—	—	—
Charter Schools	27	28	67	71	82	87	95	126	131	129
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	—	5	—	—
Total Schools	622	627	666	675	683	683	681	667	678	676
School Enrollment (B)										
Elementary (A)	287,252	279,823	274,875	272,308	264,569	263,540	261,638	254,864	251,554	247,487
Special (C)	3,222	2,846	2,762	2,073	1,940	1,839	1,961	907	—	—
High School	88,487	88,936	90,055	91,390	87,061	85,068	81,735	86,184	88,183	86,208
Vocational/Technical (C)	15,313	14,219	11,251	9,956	8,833	8,226	7,927	—	—	—
Charter Schools	19,420	22,777	29,012	33,552	40,278	45,478	50,200	54,572	56,946	58,590
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	—	4,018	—	—
Total School Enrollment	413,694	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285
Number of High School Graduates	18,235	20,285	18,972	22,245	20,131	20,914	22,447	22,817	22,825	22,839

Source: Office of Accountability, Data Quality and Management

NOTES:

A) Elementary schools include the traditional classification of middle schools.

B) School enrollment includes the number of students in each type of school regardless of the students' grades.

C) The governance and school types in fiscal year 2015 has changed compared to FY14 and prior years. As a result, there is no longer a category for "Vocational/Technical", "Special" or "Kindergarten to H.S (K-12)" in fiscal year 2016.

RSM US LLP

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 Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chicago Public Schools (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements, and have issued our report thereon dated January 23, 2017. Our report includes an emphasis of matter paragraph relative to management's plan for future sustainability. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPS's 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*.

Response to Finding

CPS's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CPS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

RSM US LLP

Chicago, Illinois
January 23, 2017

RSM US LLP

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

Independent Auditor's Report

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Chicago Public Schools' (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CPS's major federal programs for the year ended June 30, 2016. CPS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CPS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CPS's 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 CPS's compliance.

Opinion on Each Major Federal Program

In our opinion, CPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

CPS's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. CPS's 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 CPS 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 CPS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPS's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004 and 2016-005 that we consider to be significant deficiencies.

CPS's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. CPS's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CPS as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements. We issued our report thereon dated January 23, 2017, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter paragraph relative to management's plan for future sustainability. Our opinion is not modified with respect to this matter. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States, CPS's basic financial statements as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 16, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Our report includes emphasis of matter paragraphs relative the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, the change in measurement period for revenue recognition for governmental funds and management's plan for future sustainability. The implementation of GASB Statements No. 68 and No. 71 and the change in the measurement period for revenue recognition resulted in a restatement of opening July 1, 2014 net position. Our opinion is not modified with respect to these matters. The schedule of expenditures of federal awards for the year ended June 30, 2015 is presented for purposes of additional analysis 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 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 those basic financial statements or to those 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 for the year ended June 30, 2015.

RSM US LLP

Chicago, Illinois
January 23, 2017

Chicago Public Schools

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BOARD OF EDUCATION OF THE CITY OF CHICAGO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status Cumulative Expenditures Through June 30, 2016
NATIONAL SECURITY AGENCY														
Direct Funding														
Language Grant Program	Startalk Arabic and Chinese Language Institute	N/A	12.900	H-98230-14-1-0013	04/07/14-02/28/15	$ 89,992	$ 3,077	$ —	$ (3,077)	$ (3,077)	$ —	$ —	$ 93,069	$ 89,992
		N/A	12.900	H-98230-15-1-0073	03/13/15-02/28/16	89,865	6,018	(89,863)	83,845	83,845	—	—	6,018	89,863
		N/A	12.900	H-98230-16-1-0085	04/01/16-02/28/17	89,984	—	—	4,267	4,267	—	4,267	—	4,267
	TOTAL NATIONAL SECURITY AGENCY					**$ 269,841**	**$ 9,095**	**$ (89,863)**	**$ 85,035**	**$ 85,035**	**$ —**	**$ 4,267**	**$ 99,087**	**$ 184,122**
U.S. DEPARTMENT OF AGRICULTURE														
Passed Through Illinois State Board of Education (ISBE)														
National School Lunch Program	Lunch Program	4210	10.555	15-4210-00	09/01/14-09/30/15	$ N/A	$ 9,417,109	$ (9,417,109)	$ 1,497,589	$ 1,497,589	$ —	$ 1,497,589	$127,698,215	$129,195,804
		4210	10.555	16-4210-00	09/01/15-09/30/16	N/A	—	(123,279,259)	131,211,635	131,211,635	—	7,932,376	—	131,211,635
Food Donation Program	Food Donation Program * Noncash Awards	4290	10.555	16-4290-00	07/01/15-06/30/16	N/A	—	(13,113,493)	13,113,493	13,113,493	—	—	—	13,113,493
School Breakfast Program	Breakfast Program	4220	10.553	15-4220-00	09/01/14-09/30/15	N/A	3,792,681	(9,151,369)	5,358,687	5,358,687	—	—	43,384,827	48,743,514
		4220	10.553	16-4220-00	09/01/15-09/30/16	N/A	—	(40,384,481)	43,987,777	43,987,777	—	3,603,296	—	43,987,777
	Total Child Nutrition Cluster					**$ —**	**$13,209,790**	**$(195,345,711)**	**$195,169,181**	**$195,169,181**	**$ —**	**$13,033,261**	**$171,083,042**	**$366,252,223**
Passed Through Illinois State Board of Education (ISBE)														
Child and Adult Care Food Program	Child & Adult Care Food Program	4226	10.558	15-4226-00	09/01/14-09/30/15	$ N/A	$ 1,237,528	$ (1,477,968)	$ 240,440	$ 240,440	$ —	$ —	$ 6,959,125	$ 7,199,565
		4226	10.558	16-4226-00	09/01/15-09/30/16	N/A	—	(6,471,359)	7,533,432	7,533,432	—	1,062,073	—	7,533,432
														—
Fresh Fruit and Vegetable Program	Fresh Fruits and Vegetables	4240	10.582	11-4240-10	07/01/10-06/30/11	N/A	94	—	(94)	(94)	—	—	94	94
		4240	10.582	15-4240-15 / 15-4240-16	07/01/14-09/30/15	1,869,132	494,712	(494,053)	(659)	(659)	—	—	1,869,790	1,869,131
		4240	10.582	16-4240-15 / 16-4240-16	07/01/15-09/30/16	2,169,265	—	(1,790,449)	2,169,265	2,169,265	—	378,816	—	2,169,265
Team Nutrition Grants	Healthier US Challenge	N/A	10.574	N/A	07/01/15-06/30/16	N/A	—	(52,500)	52,500	52,500	—	—	—	52,500
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (not including cluster)					**$ 4,038,397**	**$ 1,732,334**	**$ (10,286,329)**	**$ 9,994,884**	**$ 9,994,884**	**$ —**	**$ 1,440,889**	**$ 8,829,009**	**$ 18,823,987**
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (including cluster)					**$ 4,038,397**	**$14,942,124**	**$(205,632,040)**	**$205,164,065**	**$205,164,065**	**$ —**	**$14,474,150**	**$179,912,051**	**$385,076,210**
Passed Through Natural Resources Conservation Services														
Soil and Water Conservation	Community Gardens for Agricultural Sciences Region	N/A	10.902	65-5A12-14-335	09/22/14-12/31/15	$ 2,500	$ —	$ (2,500)	$ 2,500	$ 2,500	$ —	$ —	$ —	$ 2,500
	Total U. S. Department of Agriculture Through Natural Resources Conservation Services					**$ 2,500**	**$ —**	**$ (2,500)**	**$ 2,500**	**$ 2,500**	**$ —**	**$ —**	**$ —**	**$ 2,500**
Passed Through Northwestern Illinois Association														
Team Nutrition Grants	Illnet Mini Grants	N/A	10.574	N/A	09/01/10-05/31/16	$ 5,500	$ 1,200	$ —	$ —	$ —	$ —	$ 1,200	$ 5,500	$ 5,500
	Total U. S. Department of Agriculture Passed Through Northwestern Illinois Association					**$ 5,500**	**$ 1,200**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,200**	**$ 5,500**	**$ 5,500**
Passed Through Illinois Department of Human Services														
Supplemental Nutrition Assistance Program	Homeless Services & Supportive Housing	N/A	10.561	FCSSQ01324	07/01/14-06/30/15	$ 422,914	$ 24,786	$ (24,786)	$ —	$ —	$ —	$ —	$ 257,073	$ 257,073
		N/A	10.561	FCSUQ01324	07/01/15-06/30/16	343,406	—	(57,847)	57,847	57,847	—	—	—	57,847
	Total U.S. Department of Agriculture Passed Through Illinois Department of Human Services					**$ 766,320**	**$ 24,786**	**$ (82,633)**	**$ 57,847**	**$ 57,847**	**$ —**	**$ —**	**$ 257,073**	**$ 314,920**
	TOTAL U.S. DEPARTMENT OF AGRICULTURE					**$ 4,812,717**	**$14,968,110**	**$(205,717,173)**	**$205,224,412**	**$205,224,412**	**$ —**	**$14,475,350**	**$180,174,624**	**$385,399,130**
U.S. DEPARTMENT OF EDUCATION														
Passed Through Illinois State Board of Education (ISBE)														
Education of Homeless Children and Youth Cluster														
Education for Homeless Children and Youth	McKinney Education for Homeless Children	4920	84.196A	15-4920-00	07/01/14-06/30/15	$ 807,100	$ 801,289	$ (801,289)	$ —	$ —	$ —	$ —	$ 803,565	$ 803,565
		4920	84.196A	16-4920-00	07/01/15-06/30/16	838,820	—	—	803,127	803,127	—	803,127	—	803,127
	Total Education for Homeless Children and Youth Cluster					**$ 1,645,920**	**$ 801,289**	**$ (801,289)**	**$ 803,127**	**$ 803,127**	**$ —**	**$ 803,127**	**$ 803,565**	**$ 1,606,692**
Passed Through Illinois State Board of Education (ISBE)														
School Improvement Grants Cluster														
School Improvement Grants	School Improvement — Cohort 3	4339	84.377A	15-4339-13	07/01/14-08/31/15	$ 9,088,410	$ 1,556,239	$ (1,509,172)	$ (47,067)	$ (47,067)	$ —	$ —	$ 7,619,242	$ 7,572,175
	School Improvement — Cohort 4	4339	84.377A	15-4339-14	07/01/14-08/31/15	3,680,906	474,620	(778,501)	303,881	303,881	—	—	3,051,454	3,355,335
	School Improvement — Cohort 5	4339	84.377A	15-4339-15	07/30/14-08/31/15	5,552,415	792,858	(1,484,399)	691,541	691,541	—	—	4,117,416	4,808,957
	School Improvement — Cohort 3	4339	84.377A	16-4339-13	09/30/15-08/31/16	2,500,000	—	(647,407)	1,717,802	1,717,802	—	1,070,395	—	1,717,802
	School Improvement — Cohort 4	4339	84.377A	16-4339-14	07/01/15-08/31-16	3,658,904	—	(1,626,770)	2,630,069	2,630,069	—	1,003,299	—	2,630,069
	School Improvement — Cohort 5	4339	84.377A	16-4339-15	07/01/15-08/31/16	6,295,873	—	(2,935,647)	4,562,358	4,562,358	—	1,626,711	—	4,562,358
	School Improvement — Cohort 6	4339	84.377A	16-4339-16	01/01/16-08/31/16	500,000	—	(118,008)	453,015	453,015	—	335,007	—	453,015
School Improvement Grants, Recovery Acts	ARRA-School Improvement Grant — Harper	4855	84.388A	12-4855-11	08/15/11-08/31/12	1,910,000	1,121	—	(1,121)	(1,121)	—	—	1,836,228	1,835,107
	ARRA-School Improvement Grant — Tilden	4855	84.388A	12-4855-12	09/01/11-08/31/12	1,865,150	644,406	—	(644,406)	(644,406)	—	—	976,871	332,465
	ARRA-School Improvement Grant — Transformation	4855	84.388A	13-4855-12	07/01/12-08/31/13	1,651,428	(1)	—	1	1	—	—	16,030,438	16,030,439
	Total School Improvement Grants Cluster					**$36,703,086**	**$ 3,469,243**	**$ (9,099,904)**	**$ 9,666,073**	**$ 9,666,073**	**$ —**	**$ 4,035,412**	**$ 33,631,649**	**$ 43,297,722**
Passed Through Illinois State Board of Education (ISBE)														
Special Education Cluster (IDEA)														
Special Education Grants to State	IDEA — Flow Through Instruction	4620	84.027A	10-4620-00	07/01/09-08/31/10	$96,011,080	$ 125,436	$ —	$ (125,436)	$ (125,436)	$ —	$ —	$ 91,007,811	$ 90,882,375
		4620	84.027A	15-4620-00	07/01/14-08/31/15	95,604,447	664,252	(664,252)	—	—	—	—	95,604,447	95,604,447
		4620	84.027A	16-4620-00	07/01/15-08/31/16	90,119,237	—	(84,612,767)	89,199,602	89,199,602	—	4,586,835	—	89,199,602
	Room and Board	4625	84.027A	16-4625-00	09/01/15-08/31/16	N/A	—	(2,578,098)	2,578,098	2,578,098	—	—	—	2,578,098

STATUTORY REPORTING SECTION

Supplementary Schedule of Expenditures of Federal Awards (continued)

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FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	15-4600-00	07/01/14-08/31/15	1,267,600	424,509	(716,651)	292,142	292,142	—	—	957,716	1,249,858
		4600	84.173A	16-4600-00	07/01/15-08/31/16	1,311,409	—	(690,439)	1,163,840	1,163,840	—	473,401	—	1,163,840
	IDEA — Pre-School Discretionary	4605	84.173A	15-4605-01	07/01/14-06/30/15	489,250	169,499	(192,594)	23,095	23,095	—	—	466,155	489,250
		4605	84.173A	16-4605-01	07/01/15-08/31/16	489,250	—	(191,220)	381,434	381,434	—	190,214	—	381,434
	Total Special Education Cluster (IDEA)					**$ 285,292,273**	**$ 1,383,696**	**$ (89,646,021)**	**$ 93,512,775**	**$ 93,512,775**	**$ —**	**$ 5,250,450**	**$ 188,036,129**	**$ 281,548,904**
Passed Through Illinois State Board of Education (ISBE)														
Title I, Part A Cluster														
Title I Grants to Local Education Agencies	Title I — Low Income	4300	84.010A	12-4300-00	07/01/11-08/31/12	$ 332,558,791	$ 450,001	$ —	$ —	$ —	$ —	$ 450,001	$ 290,751,234	$ 290,751,234
		4300	84.010A	14-4300-00	07/01/13-08/31/14	308,559,813	(1,062,981)	—	1,062,981	1,062,981	—	—	283,491,894	284,554,875
		4300	84.010A	15-4300-00	07/01/14-08/31/15	291,933,677	35,167,648	(52,851,018)	17,683,370	17,683,370	355,498	—	213,275,574	230,958,944
		4300	84.010A	16-4300-00	07/01/15-08/31/16	323,134,906	—	(234,440,219)	272,206,021	272,206,021	41,300,010	37,765,802	—	272,206,021
	ESEA — School Improvement	4331	84.010A	15-4331-SS	07/01/14-06/30/15	3,915,800	2,003,972	(1,960,411)	(43,561)	(43,561)	—	—	2,362,114	2,318,553
		4331	84.010A	16-4331-SS	07/01/15-06/30/16	3,915,800	—	(1,621,027)	3,481,037	3,481,037	—	1,860,010	—	3,481,037
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	15-4305-00	07/01/14-08/31/15	693,584	178,927	(583,398)	282,658	282,658	—	(121,813)	317,773	600,431
		4305	84.010A	16-4305-00	07/01/14-08/31/16	680,886	—	(190,953)	399,273	399,273	—	208,320	—	399,273
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	12-4306-00	07/01/11-08/31/12	774,664	18,216	—	(18,216)	(18,216)	—	—	648,199	629,983
		4306	84.010A	15-4306-00	07/01/14-08/31/15	947,785	259,557	(350,414)	90,857	90,857	—	—	624,989	715,846
		4306	84.010A	16-4306-00	07/01/15-08/31/16	1,166,491	—	(497,962)	762,882	762,882	—	264,920	—	762,882
	Total Title I, Part A Cluster					**$1,268,282,197**	**$37,015,340**	**$(292,495,402)**	**$295,907,302**	**$295,907,302**	**$41,655,508**	**$40,427,240**	**$ 791,471,777**	**$1,087,379,079**
Passed Through Illinois State Board of Education (ISBE)														
Improving Teacher Quality State Grants	Title IIA — Teacher Quality	4932	84.367A	14-4932-00	07/01/13-08/31/14	$ 56,200,586	$ (2,269,107)	$ 2,269,107	$ —	$ —	$ —	$ —	$ 46,851,060	$ 46,851,060
	Title IIA — Teacher Quality	4932	84.367A	15-4932-00	07/01/14-08/31/15	43,713,318	10,662,545	(15,121,775)	4,459,230	4,459,230	268,263	—	29,885,201	34,344,431
	Title IIA — Teacher Quality	4932	84.367A	16-4932-00	07/01/15-08/31/16	43,655,852	—	(21,828,562)	27,012,189	27,012,189	5,450,228	5,183,627	—	27,012,189
	Title II — Teacher Quality Leadership	4935	84.367A	16-4935-02	05/06/16-08/31/16	62,512	—	—	—	—	—	—	—	—
Career and Technical Education	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	11-4745-00	07/01/10-08/31/11	7,974,040	(99,900)	—	99,900	99,900	—	—	7,874,120	7,974,020
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	15-4745-00	07/01/14-08/31/15	5,978,354	2,173,123	(2,651,420)	478,297	478,297	—	—	5,500,057	5,978,354
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	16-4745-00	07/01/15-08/31/16	5,960,454	—	(3,014,104)	4,937,757	4,937,757	—	1,923,653	—	4,937,757
	Perkins Leadership High Schools that Work	4720	84.048A	11-4720-01	08/10/10-07/31/11	10,000	5,118	—	(5,118)	(5,118)	—	—	8,061	2,943
Twenty-First Century Community Learning Centers	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-13	07/1/15-08/31-16	2,835,000	—	(953,618)	2,196,890	2,196,890	—	1,243,272	—	2,196,890
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-15	07/1/15-08/31-16	540,000	—	(253,907)	439,484	439,484	—	185,577	—	439,484
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-35	07/1/15-08/31-16	540,000	—	(197,867)	414,602	414,602	—	216,735	—	414,602
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-45	07/1/15-08/31-16	540,000	—	(216,294)	456,004	456,004	—	239,710	—	456,004
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-55	07/1/15-08/31-16	540,000	—	(149,109)	333,929	333,929	—	184,820	—	333,929
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-65	07/1/15-08/31-16	540,000	—	(260,014)	476,832	476,832	—	216,818	—	476,832
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-25	07/1/15-08/31-16	540,000	—	(179,177)	409,817	409,817	—	230,640	—	409,817
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-13	07/01/14-08/31/15	3,150,000	1,080,218	(1,695,094)	614,876	614,876	—	—	2,535,124	3,150,000
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-15	11/01/14-08/31/15	540,000	211,173	(371,162)	159,989	159,989	—	—	281,550	441,539
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-25	11/01/14-08/31/15	540,000	263,052	(485,623)	222,571	222,571	—	—	308,912	531,483
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-35	11/01/14-08/31/15	540,000	173,685	(466,505)	292,820	292,820	—	—	195,671	488,491
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-45	11/01/14-08/31/15	540,000	223,349	(463,220)	239,871	239,871	—	—	239,558	479,429
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-55	11/01/14-08/31/15	540,000	207,588	(477,671)	270,083	270,083	—	—	207,588	477,671
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-65	11/01/14-08/31/15	540,000	311,015	(447,158)	136,143	136,143	—	—	403,857	540,000
	Title IV — 21st Century Comm Learning Centers	N/A	84.287C	Agreement	11/01/14-08/31/15	32,110	32,110	(32,110)	—	—	—	—	32,110	32,110
Race to the Top	Race to the Top	4901	84.395	15-4901-00	07/01/14-06/30/15	5,603,712	2,495,946	(2,642,254)	146,308	146,308	—	—	4,492,690	4,638,998
		4901	84.395	16-4901-00	07/01/15-12/31/16	2,541,974	—	(1,779,857)	1,955,336	1,955,336	—	175,479	—	1,955,336
	Race to the Top — Early Learning Challenge	4999	84.412	15-4999-00	07/01/14-06/30/15	193,655	27,314	(25,493)	(1,821)	(1,821)	—	—	193,655	191,834
	Race to the Top — Early Learning Challenge	4998	84.412	16-4998-00	07/01/15-06/30/16	70,000	—	—	70,000	70,000	—	70,000	—	70,000
English Language Acquisition Grants	Title III — Lang Inst Prog — Limited Eng LIPLEP	4909	84.365A	15-4909-00	09/01/14-08/31/15	12,746,883	2,184,417	(3,041,555)	857,138	857,138	—	—	7,180,582	8,037,720
		4909	84.365A	16-4909-00	09/01/15-08/31/16	13,883,538	—	(6,433,020)	7,177,942	7,177,942	406,799	744,922	—	7,177,942
	Title III — Sheltered Instruction	4998	84.365A	16-4998-SI	07/01/15-09/30/15	7,700	—	(7,700)	7,700	7,700	—	—	—	7,700
	International Baccalaureate	4999	84.365A	4999-IB	07/01/10-06/30/14	494,424	(62,498)	291,158	(229,200)	(229,200)	—	(540)	940,699	711,499
		4999	84.365A	4999-IB	07/01/15-06/30/16	291,158	—	(291,158)	291,158	291,158	—	—	—	291,158
Preschool Development Grants	Preschool Expansion	4999	84.419B	15-4999-PE	02/24/15-08/31/15	804,253	4,500	(708,635)	704,135	704,135	—	—	4,500	708,635
		4902	84.419B	16-4902-PE	07/01/15-06/30/16	5,400,000	—	(3,083,682)	5,119,961	5,119,961	—	2,036,279	—	5,119,961
	Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)					**$ 218,089,523**	**$17,623,648**	**$ (64,717,479)**	**$ 59,744,823**	**$ 59,744,823**	**$ 6,125,290**	**$12,650,992**	**$ 107,134,995**	**$ 166,879,818**
	Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)					**$1,810,012,999**	**$60,293,216**	**$(456,760,095)**	**$459,634,100**	**$459,634,100**	**$47,780,798**	**$63,167,221**	**$1,121,078,115**	**$1,580,712,215**
Direct Funding														
Impact Aid	Federal Impact Aid Grant	N/A	84.041	S041Z-2008-1446	07/01/15-06/30/16	$ 76,411	$ —	$ (60,496)	$ 76,411	$ 76,411	$ —	$ 15,915	$ —	$ 76,411
Indian Education — Grants to Local Education Agencies	Indian Elementary/Secondary School Assistance Program	N/A	84.060A	S060A140666	07/01/14-06/30/15	234,313	58,709	(63,494)	4,785	4,785	—	—	203,369	208,154
		N/A	84.060A	S060A140666	07/01/15-06/30/16	239,087	—	(196,523)	211,833	211,833	—	15,310	—	211,833

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Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
Fund for the Improvement of Education	Carol M. White Physical Education Program	N/A	84.215F	S215F130218	10/01/14-09/30/15	717,383	229,278	(314,060)	84,782	84,782	—	—	467,789	552,571
		N/A	84.215F	S215F130218	10/01/14-09/30/16	750,000	—	(220,604)	348,845	348,845	—	128,241	—	348,845
Safe and Drug-Free Schools and Communities	School Emergency Response to Violence (Project SERV)	N/A	84.184S	S184S160005	04/29/16-09/28/16	70,650	—	—	70,650	70,650	—	70,650	—	70,650
	Start on Success Program	N/A	84.215H	U215H150069	10/01/15-09/30/16	395,455	—	(109,219)	162,859	162,859	—	53,640	—	162,859
Arts in Education	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140052	10/01/14-09/30/15	349,851	95,993	(106,533)	10,540	10,540	—	—	98,292	108,832
		N/A	84.351C	U351C140052	10/01/14-09/30/16	349,888	—	(150,960)	247,514	247,514	—	96,554	—	247,514
Early Reading First	Enhancing Early Reading in Chicago (EERIC)	N/A	84.359B	S359B050093	10/01/05-06/30/09	846,947	69,116	—	—	—	—	69,116	69,116	69,116
High School Graduation Initiative	Pathways to Accelerated Student Success (PASS)	N/A	84.360A	S360A100176	10/01/14-09/30/15	5,003,347	599,563	(858,480)	258,917	258,917	—	—	2,069,708	2,328,625
		N/A	84.360A	S360A100176	10/01/15-09/30/16	2,674,722	—	(868,033)	924,113	924,113	—	56,080	—	924,113
TRIO — Talent Search	Pullman Talent Search	N/A	84.044A	P044A110797	09/01/14-08/31/15	252,133	66,389	(119,971)	53,582	53,582	—	—	212,178	265,760
		N/A	84.044A	P044A110797	09/01/15-08/31/16	216,373	—	(173,526)	187,452	187,452	—	13,926	—	187,452
	Total U.S. Department of Education — Direct Funding (not including cluster)					**$ 12,176,560**	**$ 1,119,048**	**$ (3,241,899)**	**$ 2,642,283**	**$ 2,642,283**	**$ —**	**$ 519,432**	**$ 3,120,452**	**$ 5,762,735**
Passed Through Illinois Department of Human Services														
Rehabilitation Grants to States	Secondary Transitional Experience Program (STEP)	N/A	84.126	46CTD00155	07/01/14-06/30/15	$ 1,124,571	$ 149,390	$ (165,429)	$ 10,417	$ 10,417	$ —	$ (5,622)	$ 542,428	$ 552,845
		N/A	84.126	46CUD00155	07/01/15-06/30/16	925,074	—	(12,560)	357,223	357,223	—	344,663	—	357,223
Rehabilitation Services Vocational Rehabilitation Grants to States	IDHS-Community Based Employment Services	N/A	84.126	46CTD03159	07/01/14-06/30/15	250,000	63,907	(52,221)	(11,685)	(11,685)	—	1	158,604	146,919
	Total U.S. Department of Education Passed Through IDHS					**$ 2,299,645**	**$ 213,297**	**$ (230,210)**	**$ 355,955**	**$ 355,955**	**$ —**	**$ 339,042**	**$ 701,032**	**$ 1,056,987**
Passed Through WestED														
Improving Teacher Quality	Improving Teacher Quality — RA Leadership & Sustainability	N/A	84.367D	S000029593.0	10/01/15-09/30/16	$ 79,500	$ —	$ —	$ 26,304	$ 26,304	$ —	$ 26,304	$ —	$ 26,304
	Total U.S. Department of Education Passed Through WestED					**$ 79,500**	**$ —**	**$ —**	**$ 26,304**	**$ 26,304**	**$ —**	**$ 26,304**	**$ —**	**$ 26,304**
Passed Through Illinois Board of Higher Education														
Improving Teacher Quality Through Human Relationships	Title II T.Q.E. (Depaul University)	N/A	84.367A	500194SG014	01/01/04-09/30/05	$ 27,000	$ (58,741)	$ 58,741	$ —	$ —	$ —	$ —	$ —	$ —
	Total U.S. Department of Education Passed Through Illinois Higher Board of Education					**$ 27,000**	**$ (58,741)**	**$ 58,741**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Passed Through American Institute for Research														
Back on Track Study	Back on Track Study	N/A	84.305A	R305A110149	06/01/11-08/31/11	$ 181,720	$ —	$ (107,105)	$ 107,105	$ 107,105	$ —	$ —	$ —	$ 107,105
	Total U.S. Department of Education Passed Through American Institute for Research					**$ 181,720**	**$ —**	**$ (107,105)**	**$ 107,105**	**$ 107,105**	**$ —**	**$ —**	**$ —**	**$ 107,105**
Passed Through University of Illinois at Chicago														
UIC — Substitute Reimbursement	UIC — Substitute Reimbursement	N/A	84.305F	R305F100007	01/24/14-06/30/17	$ 35,000	$ 14,577	$ (5,434)	$ —	$ —	$ —	$ 9,143	$ 14,577	$ 14,577
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 35,000**	**$ 14,577**	**$ (5,434)**	**$ —**	**$ —**	**$ —**	**$ 9,143**	**$ 14,577**	**$ 14,577**
Passed Through University of Southern California														
Pathways for Success University of Southern California	Pathways For Success — University of Southern California	N/A	84.305a	R305A140281-15/55562128	07/01/15-06/30/16	$ 19,310	$ —	$ —	$ 11,126	$ 11,126	$ —	$ 11,126	$ —	$ 11,126
	Total U.S. Department of Education Passed Through University of Southern California					**$ 19,310**	**$ —**	**$ —**	**$ 11,126**	**$ 11,126**	**$ —**	**$ 11,126**	**$ —**	**$ 11,126**
Passed Through National Opinion Research Center														
Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A120809	07/01/13-06/30/14	$ 681,525	$ 281	$ —	$ (281)	$ (281)	$ —	$ —	$ 348,578	$ 348,297
		N/A	84.305	R305A120809	07/01/14-06/30/15	579,877	110,486	(106,732)	(3,753)	(3,753)	—	—	316,899	313,146
		N/A	84.305	R305A120809	07/01/15-06/30/16	435,932	—	(100,170)	192,494	192,494	—	92,324	—	192,494
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	R01HD067500	12/01/13-11/30/14	313,705	155,793	—	—	—	—	155,793	274,293	274,293
		N/A	93.865	R01HD067500	12/01/14-11/30/15	245,500	146,998	(155,435)	8,437	8,437	—	—	236,400	244,837
	Total U.S. Department of Education Passed Through National Opinion Research Center					**$ 2,256,539**	**$ 413,558**	**$ (362,337)**	**$ 196,897**	**$ 196,897**	**$ —**	**$ 248,117**	**$ 1,176,170**	**$ 1,373,067**
Passed Through Northeastern Illinois University														
Gaining Early Awareness and	Gear-Up 4 (Year 3)	N/A	84.334A	P334A100031 / P0019677	10/01/12-09/30/13	$ 413,322	$ 1	$ —	$ —	$ —	$ —	$ 1	$ 413,322	$ 413,322
Readiness for Undergraduate Program	Gear-Up 4 (Year 6)	N/A	84.334A	P334A100031 / P0042020	10/01/15-09/30/16	344,263	—	—	283,714	283,714	—	283,714	—	283,714
	Gear Up 5 (Year 5)	N/A	84.334A	P334A110082 / P0042021	09/26/15-09/25/16	968,178	—	—	605,631	605,631	—	605,631	—	605,631
	Gear-Up 4 (Year 5)	N/A	84.334A	P334A100031 / P00371701	10/01/14-09/30/15	333,037	97,274	(159,131)	61,857	61,857	—	—	232,985	294,842
	Gear-Up 5 (Year 3)	N/A	84.334A	P334A110082 / P0032423	09/26/13-09/25/14	1,097,940	31,316	—	(31,316)	(31,316)	—	—	1,129,256	1,097,940
	Gear-Up 5 (Year 4)	N/A	84.334A	P334A110082 / PO037306	08/26/14-09/25/15	849,195	266,665	(458,119)	191,455	191,455	—	—	596,220	787,675
	Gear Up 6 (Year 1)	N/A	84.334A	P334A140132 /PO038883	09/25/14-09/24/15	534,244	93,039	(253,274)	160,235	160,235	—	—	93,039	253,274
	Gear Up 6 (Year 2)	N/A	84.334A	P334A140132 / P0042022	09/25/15-09/24/16	806,155	—	—	492,786	492,786	—	492,786	—	492,786
	Gear-Up-Kelly High School — (NEIU)	N/A	84.334A	PO#017870	06/20/11-08/08/11	12,326	10,956	—	(10,956)	(10,956)	—	—	10,956	—
	Gear-Up-Harlan High School — (NEIU)	N/A	84.334A	PO#018067	06/27/11-08/08/11	10,408	7,437	—	(7,437)	(7,437)	—	—	7,437	—
	Gear-Up-Wells High School — (NEIU)	N/A	84.334A	PO#017869	06/20/11-08/08/11	12,326	11,996	—	(11,996)	(11,996)	—	—	11,996	—
	Gear-Up-Curie High School — (NEIU)	N/A	84.334A	PO#017886	06/20/11-08/08/11	12,326	10,653	—	(10,653)	(10,653)	—	—	10,653	—
Twenty-First Century Community Learning Centers	Illinois 21st Century CLC NEIU — Ella Flagg Young	N/A	84.287	PO#035851	10/13/14-08/15/15	43,623	20,357	(20,357)	—	—	—	—	43,623	43,623
		N/A	84.287	PO#0040535	10/15/15-08/31/16	38,102	—	(12,151)	38,102	38,102	—	25,951	—	38,102
	Illinois 21st Century CLC NEIU- Duke Ellington	N/A	84.287	PO#036419	10/13/14-08/15/15	18,423	7,799	(7,799)	—	—	—	—	15,194	15,194
		N/A	84.287	PO#0040534	10/15/15-06/15/16	23,597	—	(6,389)	23,597	23,597	—	17,208	—	23,597
	Illinois 21st Century CLC NEIU- Michelle Clark Academic	N/A	84.287	PO#035853	10/13/14-08/15/15	10,753	3,526	(3,526)	—	—	—	—	6,286	6,286
		N/A	84.287	PO#0040533	11/01/15-08/31/16	21,834	—	(1,694)	21,834	21,834	—	20,140	—	21,834
	Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	PO#035852	10/13/14-08/15/15	11,890	5,187	(5,187)	—	—	—	—	7,103	7,103
		N/A	84.287	PO#041070	10/15/15-08/15/16	6,839	—	—	6,839	6,839	—	6,839	—	6,839
	Total U.S. Department of Education Passed Through Northeastern Illinois University					**$ 5,568,781**	**$ 566,206**	**$ (927,627)**	**$ 1,813,692**	**$ 1,813,692**	**$ —**	**$ 1,452,270**	**$ 2,578,070**	**$ 4,391,762**
Passed Through University of Illinois at Chicago														
Teacher Quality Partnership Grants	Increase Teacher Quality	N/A	84.336S	U336S090013	10/01/11-09/30/12	$ 91,645	$ 29,103	$ —	$ —	$ —	$ —	$ 29,103	$ 46,453	$ 46,453
		N/A	84.336S	U336S090013	10/01/13-09/30/15	91,425	21,881	—	(21,881)	(21,881)	—	—	21,881	—
	ISU Chicago Teacher Education Pipeline	N/A	84.336S	U336S090145	01/15/15-09/30/15	225,000	164,828	(175,882)	11,054	11,054	—	—	198,828	209,882

STATUTORY REPORTING SECTION

STATUTORY REPORTING SECTION

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Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Final Status: Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 408,070**	**$ 215,812**	**$ (175,882)**	**$ (10,827)**	**$ (10,827)**	**$ —**	**$ 29,103**	**$ 267,162**	**$ 256,335**
Passed Through University of Minnesota														
Midwest Expansion of the Child Parent Center	Midwest Expansion of the Child Parent Center Education Program	N/A	84.411B	U411B110098	01/01/13-12/31/13	$ 2,112,985	$ (30,327)	$ 30,327	$ —	$ —	$ —	$ —	$ 2,277,740	$ 2,277,740
Education		N/A	84.411B	U411B110098	01/01/14-12/31/14	2,001,576	1,603,223	—	(699,107)	(699,107)	—	904,116	2,642,037	1,942,930
		N/A	84.411B	U411B110098	01/01/15-06/30/16	1,564,904	—	—	1,486,894	1,486,894	—	1,486,894	—	1,486,894
Investing In Innovation (i3)	Comprehensive Strategies to Promote Social and Emotional Learning	N/A	84.411C	U411C130091	07/01/14-06/30/15	207,120	57,635	(51,425)	(6,210)	(6,210)	—	—	140,879	134,669
		N/A	84.411C	U411C130091	07/01/15-06/30/16	108,160	—	(39,045)	52,131	52,131	—	13,086	—	52,131
	Total U.S. Department of Education Passed Through University of Minnesota					**$ 5,994,745**	**$ 1,630,531**	**$ (60,143)**	**$ 833,708**	**$ 833,708**	**$ —**	**$ 2,404,096**	**$ 5,060,656**	**$ 5,894,364**
Passed Through Columbia College — Chicago														
Investing In Innovation(i3)	i3 Convergence Academies: Digital Media Whole School Reform Model Project	N/A	84.411	Agreement	07/01/14-06/30/15	$ 108,776	$ 43,336	$ (40,618)	$ (2,717)	$ (2,717)	$ —	$ —	$ 110,049	$ 107,332
		N/A	84.411	Agreement	07/01/15-06/30/16	103,875	—	(70,959)	103,875	103,875	—	32,916	—	103,875
	Total U.S. Department of Education Passed Through Columbia College — Chicago					**$ 212,651**	**$ 43,336**	**$ (111,577)**	**$ 101,158**	**$ 101,158**	**$ —**	**$ 32,916**	**$ 110,049**	**$ 211,207**
Passed Through Old Dominion University Research Foundation / Success for All Foundation														
Investing In Innovation(i3)	Investing In Innovation (i3)	N/A	84.411A	U411A110004/14-138-317101	07/01/13-06/30/14	$ 95,000	$ —	$ (16,387)	$ 16,387	$ 16,387	$ —	$ —	$ —	$ 16,387
			84.411A	U411A110004/14-138-317101	07/01/14-06/30/15	95,000	31,748	(31,748)	—	—	—	—	31,748	31,748
			84.411A	U411A110004/14-138-317101	07/01/15-06/30/16	95,000	—	(22,961)	79,020	79,020	—	56,059	—	79,020
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation					**$ 285,000**	**$ 31,748**	**$ (71,096)**	**$ 95,407**	**$ 95,407**	**$ —**	**56,059**	**$ 31,748**	**$ 127,155**
	TOTAL U.S. DEPARTMENT OF EDUCATION					**$1,839,557,520.00**	**$64,482,588.00**	**$(461,994,664.00)**	**$465,806,908.44**	**$465,806,908.44**	**$47,780,798.00**	**$68,294,829.44**	**$1,134,138,031.00**	**$1,599,944,939.44**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES														
Passed Through Centers for Disease Control														
Community Transformation Grants	Healthy Chicago Public Schools	N/A	93.737	1H75DP004181-01	09/30/13-09/29/14	$ 4,398,118	$ 14,204	$ —	$ (14,204)	$ (14,204)	$ —	$ —	$ 3,213,155	$ 3,198,951
Cooperative Agreements to Promote Adolescent	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14	225,000	18,627	—	(18,627)	(18,627)	—	—	237,123	218,496
Health through	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	5U87PS004162-02	08/01/14-07/31/15	400,000	142,520	(196,767)	54,247	54,247	—	—	288,902	343,149
	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	320,000	—	(209,170)	253,257	253,257	1,115	44,087	—	253,257
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14	50,000	3,467	—	(3,467)	(3,467)	—	—	50,197	46,730
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U87PS004162-02	08/01/14-07/31/15	50,000	10,710	(16,246)	5,536	5,536	—	—	34,590	40,126
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	50,000	—	(39,967)	44,229	44,229	—	4,262	—	44,229
Substance Abuse and Mental Health Services	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/15	49,931	1,584	(42,754)	52,243	52,243	—	11,073	3,915	56,158
	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/16	49,184	—	(16,258)	16,727	16,727	—	469	—	16,727
	Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control					**$ 5,592,233**	**$ 191,112**	**$ (521,162)**	**$ 389,941**	**$ 389,941**	**$ 1,115**	**$ 59,891**	**$ 3,827,882**	**$ 4,217,823**
Passed Through Aids Foundation of Chicago														
Preventive Health Services	CDC Community Approaches to Reducing STD	N/A	93.978	Agreement	10/01/15-09/30/16	$ 20,000	$ —	$ —	$ 12,504	$ 12,504	$ —	$ 12,504	$ —	$ 12,504
		N/A	93.978	Agreement	01/01/15-09/30/15	17,968	—	(2,947)	2,947	2,947	—	—	—	2,947
	Passed Through Aids Foundation of Chicago					**$ 37,968**	**$ —**	**$ (2,947)**	**$ 15,451**	**$ 15,451**	**$ —**	**$ 12,504**	**$ —**	**$ 15,451**
Passed Through City of Chicago														
Head Start	Head Start — Child Development	N/A	93.600	PO#28837-2	12/01/14-11/30/15	38,796,279	$ 7,775,145	$ (19,523,288)	$ 11,748,143	$ 11,748,143	$ —	$ —	26,139,448	37,887,591
			93.600	PO#33360-1	12/01/15-11/30/16	36,517,007	—	(18,471,593)	25,444,587	25,444,587	—	6,972,994	—	25,444,587
	Head Start — Supp DIS SP initiatives	N/A	93.600	PO#38583	12/01/14-11/30/15	975,000	611,146	(928,887)	317,741	317,741	—	—	611,146	928,887
		N/A	93.600	IGA	12/01/15-11/30/16	975,000	—	—	426,771	426,771	—	426,771	—	426,771
	Total U.S. Department of Health and Human Services Passed Through City of Chicago-Head Start Cluster					**$ 77,263,286**	**$ 8,386,291**	**$ (38,923,768)**	**$ 37,937,242**	**$ 37,937,242**	**$ —**	**$ 7,399,765**	**$ 26,750,594**	**$ 64,687,836**
Direct Funding														
Teenage Pregnancy Prevention Program	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-05-00	09/01/14-08/31/15	$ 3,268,237	$ 1,048,790	$ (1,752,231)	$ 703,441	$ 703,441	$ —	$ —	$ 2,682,796	$ 3,386,237
		N/A	93.297	TP1AH000066-05-00	09/01/15-08/31/16	979,953	—	(752,161)	752,161	752,161	—	—	—	752,161
Projects of Regional and National Significance	Enhancing Students Skills for Success	N/A	93.243	1U79SM060297-01	09/30/10-09/29/11	99,456	2,053	—	(2,053)	(2,053)	—	—	2,053	2,053
		N/A	93.243	5U795M060297-03	09/30/14-09/29/15	302,697	39,501	(57,040)	17,539	17,539	—	—	89,929	107,468
		N/A	93.243	5U795M060297-03	09/30/15-09/29/16	99,115	—	(92,994)	99,115	99,115	—	6,121	—	99,115
	Total U.S. Department of Health and Human Services — Direct Funding					**$ 4,749,458**	**$ 1,090,344**	**$ (2,654,426)**	**$ 1,570,203**	**$ 1,570,203**	**$ —**	**$ 6,121**	**$ 2,774,778**	**$ 4,347,034**
Passed Through Illinois Department of Human Services														
Refugee and Entrant Assistance	Refugee Children Impact Grant	N/A	93.576	FCSSK01131	07/01/14-06/30/15	$ 48,750	$ 15,681	$ (15,681)	$ —	$ —	$ —	$ —	$ 48,750	$ 48,750
		N/A	93.576	FCSUK01131	07/01/15-06/30/16	57,525	—	(36,794)	55,267	55,267	—	18,473	—	55,267
	Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services					**$ 106,275**	**$ 15,681**	**$ (52,475)**	**$ 55,267**	**$ 55,267**	**$ —**	**$ 18,473**	**$ 48,750**	**$ 104,017**
Passed Through Illinois Department of Healthcare and Family Services (IDHFS)														
Medical Assistance Program	Medicaid — Administrative Services	N/A	93.778	95-4900-00	07/01/13-06/30/16	$ N/A	$ 6,204,190	$ (8,278,570)	$ 8,180,133	$ 8,180,133	$ —	$ 6,105,753	$ 24,377,509	$ 32,557,642
	Total U.S. Department of Health and Human Services Passed Through IDHFS					**$ —**	**$ 6,204,190**	**$ (8,278,570)**	**$ 8,180,133**	**$ 8,180,133**	**$ —**	**$ 6,105,753**	**$ 24,377,509**	**$ 32,557,642**
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**$ 87,749,220**	**$ 15,887,618**	**$ (50,433,348)**	**$ 48,148,237**	**$ 48,148,237**	**$ 1,115**	**$ 13,602,507**	**$ 57,779,513**	**$ 105,929,803**

STATUTORY REPORTING SECTION

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Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
U.S. DEPARTMENT OF JUSTICE														
Passed Through Illinois Department of Human Services														
Juvenile Accountability Block Grants	Restorative Justice Conflict Resolution	N/A	16.523	FCSTR03403	07/01/14-06/30/15	$ 114,312	$ 91,487	$ (91,487)	$ —	$ —	$ —	$ —	$ 114,312	$ 114,312
		N/A	16.540	FCSTR03403	07/01/14-06/30/15	42,698	29,200	(29,200)	—	—	—	—	35,734	35,734
		N/A	16.523	FCSUR03403	07/01/15-06/30/16	76,589	—	(49,628)	76,589	76,589	—	26,961	—	76,589
	Total U.S. Department of Justice Passed Through Illinois Department of Human Services					**$ 233,599**	**$ 120,687**	**$ (170,315)**	**$ 76,589**	**$ 76,589**	**$ —**	**$ 26,961**	**$ 150,046**	**$ 226,635**
Passed Through the Chicago Police Department														
Public Safety Parntership and Community Policing Grants	DOJ — Secure Our Schools	N/A	16.710	2008-CK-WX-0661	09/01/08-02/28/15	$ 305,819	$ 58,741	$ (58,741)	$ —	$ —	$ —	$ —	$ 305,819	$ 305,819
	Total U.S. Department of Justice Passed Through Chicago Police Department					**$ 305,819**	**$ 58,741**	**$ (58,741)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 305,819**	**$ 305,819**
Passed Through the City of Chicago														
National Forum on Youth Violence Prevention	National Youth Forum on Violence	N/A	16.819	2013-NY-FX-K001	10/01/13-09/30/16	$ 200,000	$ 91,505	$ —	$ 28,795	$ 28,795	$ —	$ 120,301	$ 91,505	$ 120,300
	Total U.S. Department of Justice Passed Through City of Chicago					**$ 200,000**	**$ 91,505**	**$ —**	**$ 28,795**	**$ 28,795**	**$ —**	**$ 120,301**	**$ 91,505**	**$ 120,300**
Direct Funding														
National Institute of Justice Research, Evaluation, and		N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/15	$ 737,861	$ 18,528	$ (182,583)	$ 208,175	$ 208,175	$ —	$ 44,120	$ 18,528	$ 226,703
Development Project Grants	Connect and Redirect to Respect	N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/16	720,009	—	—	116,476	116,476	—	116,476	—	116,476
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113003	02/01/14-01/31/15	118,896	799	—	(799)	(799)	—	—	104,414	103,615
		N/A	16.609	113004	02/01/15-01/31/16	118,896	36,813	(96,720)	62,843	62,843	—	2,936	57,138	119,981
	Total U.S. Department of Justice — Direct Funding					**$ 1,695,662**	**$ 56,140**	**$ (279,303)**	**$ 386,695**	**$ 386,695**	**$ —**	**$ 163,532**	**$ 180,080**	**$ 566,775**
	TOTAL U.S. DEPARTMENT OF JUSTICE					**$ 2,435,080**	**$ 327,073**	**$ (508,359)**	**$ 492,079**	**$ 492,079**	**$ —**	**$ 310,794**	**$ 727,450**	**$ 1,219,529**
U.S. DEPARTMENT OF LABOR														
Passed Through Manufacturing Renasissance														
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17	06/01/14-06/30/15	$ 37,317	$ 40,515	$ (37,317)	$ (3,198)	$ (3,198)	$ —	$ —	$ 40,515	$ 37,317
		N/A	17.274	YC-25414-14-60-A-17	07/01/15-06/30/16	148,683	—	—	148,683	148,683	—	148,683	—	148,683
	Total U.S. Department of Labor Passed Through Manufacturing Renaissance					**$ 186,000**	**$ 40,515**	**$ (37,317)**	**$ 145,485**	**$ 145,485**	**$ —**	**$ 148,683**	**$ 40,515**	**$ 186,000**
Passed through the Illinois Deparment of Commerce and Economic Opportunity														
Coastal Zone Management Administration Awards	CIMBY Gets Wet	N/A	11.419	14-013-N12-11	04/19/14-05/31/15	$ 134,736	$ 57,649	$ (67,993)	$ 10,344	$ 10,344	$ —	$ —	$ 116,795	$ 127,139
	CIMBY-IDNR	N/A	11.419	16-065-N15-23	10/17/15-04/30/16	100,000	—	(12,126)	35,112	35,112	—	22,986	—	35,112
Incentive Grants — WIA Section 203	Illinois Innovation Talent Program — Schurz	N/A	17.267	Agreement	07/01/10-05/31/11	5,000	(5,000)	—	5,000	5,000	—	—	—	5,000
	Total U.S. Department of Labor Passed Through Illinois Department of Commerce and Economic Opportunity					**$ 239,736**	**$ 52,649**	**$ (80,119)**	**$ 50,456**	**$ 50,456**	**$ —**	**$ 22,986**	**$ 116,795**	**$ 167,251**
	TOTAL U.S. DEPARTMENT OF LABOR					**$ 425,736**	**$ 93,164**	**$ (117,436)**	**$ 195,941**	**$ 195,941**	**$ —**	**$ 171,669**	**$ 157,310**	**$ 353,251**
U.S. DEPARTMENT OF TRANSPORTATION														
Passed Through Illinois Department of Aviation														
Airport Improvement Program	Noise Abatement -Farnsworth	N/A	20.106	3-17-0022-106-2009	09/23/09-09/22/11	$ 350,000	$ (148,099)	$ 148,899	$ —	$ —	$ —	$ 800	$ 291,791	$ 291,791
		N/A	20.106	3-17-0022-125-2012	09/06/12-09/07/15	4,500,000	178,196	—	—	—	—	178,196	4,730,610	4,730,610
	Noise Abatement — Ebinger	N/A	20.106	3-17-0022-134	04/08/14-06/30/16	$ 375,000	$ —	$ —	$ —	$ —	$ —	$ —	$ 44,138	$ 44,138
		N/A	20.106	3-17-0022-142	09/16/14-06/30/16	6,000,000	—	—	5,330,461	5,330,461	—	5,330,461	—	5,330,461
	Total U.S. Department of Transportation Passed Through Illinois Department of Aviation					**$ 11,225,000**	**$ 30,097**	**$ 148,899**	**$ 5,330,461**	**$ 5,330,461**	**$ —**	**$ 5,509,457**	**$ 5,066,539**	**$ 10,397,000**
OFFICE OF NAVAL RESEARCH														
Passed Through City Colleges of Chicago														
Basic and Applied Scientific Research	Critical MASS	N/A	12.300	15-12-1-0738	07/01/14-06/30/15	$ 514,181	$ 207,694	$ (181,309)	$ (26,385)	$ (26,385)	$ —	$ —	$ 383,634	$ 357,249
	Critical MASS Year 3	N/A	12.300	16-12-1-0738	04/01/15-03/31/16	542,072	—	(251,659)	357,816	357,816	—	106,157	—	357,816
	Critical MASS Year 4	N/A	12.300	17-12-1-0738	04/01/16-03/31/17	420,000	—	—	101,126	101,126	—	101,126	—	101,126
	Total Office of Naval Research Passed Through City Colleges of Chicago					**$ 1,476,253**	**$ 207,694**	**$ (432,968)**	**$ 432,557**	**$ 432,557**	**$ —**	**$ 207,283**	**$ 383,634**	**$ 816,191**
US ARMY RESEARCH														
Basic Scientific Research	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/15-06/30/16	$ 1,084,253	$ 974	$ (323,439)	$ 620,119	$ 620,119	$ —	$ 297,654	$ 974	$ 621,093
	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/16-06/30/17	883,925	—	—	69,742	69,742	—	69,742	—	69,742
	Total US Army Research Office					**$ 1,968,178**	**$ 974**	**$ (323,439)**	**$ 689,861**	**$ 689,861**	**$ —**	**$ 367,396**	**$ 974**	**$ 690,835**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES														
National Leadership Grant for Libraries	Re-enVision to Intergrate Technology and Libraries (REVITAL)	N/A	45.312	LG-07-13-0288-13	10/01/13-06/30/15	$ 249,999	$ 249,502	$ (249,502)	$ —	$ —	$ —	$ —	$ 249,502	$ 249,502
	Total Institute of Museum and Library Services					**$ 249,999**	**$ 249,502**	**$ (249,502)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 249,502**	**$ 249,502**
NATIONAL SCIENCE FOUNDATION														
Passed Through DePaul University														
Computer and Information Science and Engineering	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	10/15/15-0/30/16	$ 114,346	$ —	$ —	$ 21,645	$ 21,645	$ —	$ 21,645	$ —	$ 21,645
	Total National Science Foundation Passed Through DePaul University					**$ 114,346**	**$ —**	**$ —**	**$ 21,645**	**$ 21,645**	**$ —**	**$ 21,645**	**$ —**	**$ 21,645**
U.S. DEPARTMENT OF COMMERCE														
Passed Through NIST Summer Institute Program														
Science, Technology, Business and/or Education Outreach	NIST Summer Institute for Middle School Science Teachers	N/A	11.620	70NANB16H0132	05/15/16-9/30/16	$ 24,000	$ —	$ (24,000)	$ 24,000	$ 24,000	$ —	$ —	$ —	$ 24,000
	Total U.S. Department of Commerce Passed Through NIST Summer Institute Program					**$ 24,000**	**$ —**	**$ (24,000)**	**$ 24,000**	**$ 24,000**	**$ —**	**$ —**	**$ —**	**$ 24,000**
	GRAND TOTAL					**$1,950,307,890**	**$96,255,915**	**$(719,741,853)**	**$726,451,136**	**$726,451,136**	**$47,781,913**	**$102,965,198**	**$1,378,776,664**	**$2,105,229,948**

STATUTORY REPORTING SECTION

BOARD OF EDUCATION OF THE CITY OF CHICAGO
SINGLE AUDIT

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. SCOPE OF SINGLE AUDIT

General — The Board of Education of the City of Chicago ("CPS") is a body politic and corporate of the State of Illinois. All significant federal financial and compliance operations of CPS are included in the scope of the Title 2 U.S. Code of Federal Regulations Part 20 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The U.S. Department of Education (the "USDEd") is CPS' cognizant federal agency for the Single Audit. Cognizant duties have been delegated to the Illinois State Board of Education (the "ISBE") by the USDEd, which, in turn, oversees the performance of such duties.

2. NATURE OF FEDERAL FINANCIAL ASSISTANCE

Generally, federal awards are granted for the purpose of providing specific goods or services or aid to specific individuals. In addition to the purposes they serve, federal programs can be classified according to the basis under which the federal programs are funded. For certain federal programs, funds are received based upon actual qualified expenditures up to the total federal awards amount (expenditure-driven federal programs). For other federal programs, funds are received based on an approved formula such as a standard reimbursement rate applied to qualified unit of service provided (formula-driven federal program).

The majority of CPS' federal awards are passed through and received from the ISBE. For those pass-through federal awards, CPS' direct reporting responsibility is to ISBE, which, in their capacity as sub-grantors, oversee and monitor the utilization of such federal awards by CPS.

3. BASIS OF PRESENTATION IN THE SCHEUDLE OF GRANT ACTIVITY

General — The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CPS under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and the pass through requirements of ISBE. Because the schedule presents only a selected portion of the operations of CPS, it is not intended to and does not present the financial position or changes in net position of CPS. Only federal programs considered active during the year ended June 30, 2016, are reflected in the Schedule. An active federal program is defined as a federal program that incurred expenditures (adjustments) of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Revenues — Grant revenues for expenditure-driven federal programs are recognized in the Schedule based on expenditures incurred during the fiscal year. Grant revenues for formula-driven federal programs are recognized based on units of services provided as of June 30, 2016.

Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA").

Expenditures — For all expenditure-driven federal programs, expenditures included on the Schedule represent actual expenditures incurred (governmental fund basis) during the fiscal year ended June 30, 2016. In accordance with Uniform Guidance, pension costs are uniformly charged to all positions as a direct benefit cost in proportion to pensionable salary regardless of whether the funding source is local, state, or federal.

For formula-driven federal programs, expenditures are presented on the Schedule as follows:

- The expenditures for the National School Lunch and Breakfast Program in the schedule only reflect the portion funded by the Program.
- Expenditures for the Food Donation Program represent commodities received at amounts per the USDA standard price listings.

Adjustments to Increase (Decrease) Accrued Grant Revenue — Adjustments reflected in the Schedule of Expenditures of Federal Awards represent (1) adjustments for recorded expenditures that have been determined to be unallowable by respective funding agencies, (2) corrections of prior year's estimated accruals.

Accrued and Unearned Grant Revenue — Various funding schedules are used for the federal awards received by CPS. Consequently, timing differences between the recognition of revenues and related cash receipts can exist at the beginning and end of the fiscal year. Accrued grant revenue balances represent the excess of revenue recognized over cash received to date. Unearned grant revenue balances represent the excess of cash received over revenue recognized to date.

Indirect Cost Rate — The amount expended includes amounts claimed as indirect cost recovery using an approved indirect cost rate percent by the Illinois State Board of Education or as per the funding agencies approved budget. The Chicago Public Schools has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. RELATIONSHIP TO THE FINANCIAL STATEMENTS INCLUDED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The following is a reconciliation of federal grant revenues as reflected in the Supplementary Schedule of Expenditures of Federal Awards in CPS' Comprehensive Annual Financial Reports:

"Revenue recognized" per the Schedule	$726,451,136
E-Rate program revenues not included in the Schedule	16,577,751
Medicare Part D Revenue not included in the Schedule	517,070
Medicaid Fee for Service Revenue not included in the Schedule	26,607,632
Build America Bonds (BABS) revenue not included in the Schedule	25,011,602
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	5,708,666
Adjustments to record revenue that do not provide current financial resources	8,124,546
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$808,998,403

STATUTORY REPORTING SECTION

Expenditures relating to individual federal programs are not represented separately from other CPS expenditures in CPS' Comprehensive Annual Financial Report. Accordingly, a similar reconciliation of expenditures is not included herein.

5. FINAL CLAIMS

Some final claims for federal programs with a contractual funding period ended June 30, 2016, were filed prior to recording certain year-end adjustments and, therefore, do not agree with the related amounts accrued and reported in the Schedule. CPS plans to submit a program liquidation report to the respective grantor agencies, which will revise the outstanding obligation amounts per the final claim, thereby reflecting the appropriate year-end adjustments for these federal awards.

6. FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the fiscal year ended June 30, 2016, Single Audit are disclosed in the accompanying Schedule of Findings and Questioned Costs and Auditee Corrective Action Plan. The presentation conforms to the formatting requirements of the ISBE. The questioned cost reflected in such schedule reflect the potential reimbursement effect of costs which were deemed as inappropriately allocated to a federal program or which could have been allocated to a federal program, but were not.

Board of Education of the City of Chicago

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified?	_X_ Yes ___ No
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified?	_X_ Yes ___ No

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	_X_ Yes ___ No

Identification of major programs:

CFDA Number	Name of Federal Program	Amount Expended
84.010	Title I — Grants to Local Education Agencies	$295,907,302
84.027	Special Education Grants to States	91,652,264(1)
84.173	Special Education — Preschool Grants	1,860,511(1)
84.048	Career and Technical Education — Basic Grants	4,966,440
84.377	School Improvement Grants	10,311,599(2)
84.388	School Improvement Grants, Recovery Act	(645,526)(2)
84.419B	Preschool Development Grant	5,824,096
84.334A	Gaining Early Awareness and Readiness for Undergraduate Program	1,723,319
93.778	Medical Assistance Program	7,421,767
		$419,021,772

Notes:

(1) Part of Special Education cluster
(2) Part of School Improvement Grants cluster

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	___ Yes _X_ No

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II. FINANCIAL STATEMENT FINDINGS

2016-001: Maintenance of Capital Asset Records

Criteria:
Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* require that:

- Capital assets be reported at historical cost and that capital assets include land, improvements to land, buildings, building improvements, vehicles, equipment, and all other tangible or intangible assets that are used in operations and have a useful life extending beyond a single reporting period;
- Governments may use any established depreciation method
- Capital assets are to be depreciated over their estimated useful lives;
- Governments should consider how long an asset is expected to meet service demands
- Depreciation expense be reported in the statement of activities
- Governments provide detail in the notes to the financial statements about capital assets, including beginning- and end-of-year balances with accumulated depreciation presented separately from historic cost, capital acquisitions, sales or other dispositions, and current-period depreciation expense.
- In determining estimated useful life, a government should consider an asset's present conditions and how long it is expected to meet service demands.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* defines asset impairment as a "significant, unexpected decline in the service utility of a capital asset." An unexpected decline results when "at the time the capital asset was acquired, the event of change in circumstance would not have been expected to occur during the useful life of the capital asset." GASB 42 lists five indicators of impairment, with indicator #4 being "a change in the manner or expected duration of use of a capital asset, such as closure of a school prior to the end of its useful life." Under this impairment indicator, it appears as though school buildings scheduled for closure would meet the impairment requirement.

Management of the District should have policies, procedures and controls in place to provide reasonable assurance that the District meets the various financial reporting requirements in preparing its annual Comprehensive Annual Financial Report.

Condition:
Based on our testing, we noted the following issues in relation to the District's capital asset record maintenance:

- The District does not have controls in place to provide reasonable assurance that schools and departments maintain accurate fixed asset inventory listings or update the listings quarterly in accordance with board policy.
- The District does not reconcile fixed assets in a timely manner.
- The District did not identify, and subsequently record an impairment charge, for a school which was approved for closure subsequent to year-end.
- The District does not have physical security in place to secure the property which is maintained at the warehouse where surplus assets are stored.

Context:

Asset Management Noncompliance
The District's board policy requires schools to maintain a fixed asset inventory listing, update the listing quarterly, and perform a physical inventory annually. The asset listing should include all tangible assets with a value of $500 or more and a useful life over a year. Each asset should be tagged, and the tag number should be referenced in the asset register. The listing should include any assets purchased, capital leases or assets donated to the school. Examples of assets commonly held by schools include computers, printers, other electronics, office furniture, gym equipment and engineer's equipment.

At the end of the school year the physical inventory allows for schools to test for the accuracy of the fixed asset listing. Previously, each school independently monitored its fixed asset records and submitted their final registers to Internal Accounts. Historically, these records have been inaccurate and unreliable. An electronic asset register is more efficient and significantly more accurate in preserving information.

Maintaining proper controls over fixed assets with costs over $25,000 has a direct impact on the financial statements, as these assets are required to be capitalized for financial reporting purposes. Although assets below this amount may not be capitalized on the financial statements, strong controls are still critical for operational purposes and to ensure compliance with state and federal requirements over asset management.

Internal Audit and Compliance performs school based audits on various areas of school level operations, including fixed assets. During our audit, we reviewed the audit work of CPS' Internal Audit and Compliance department for twelve internal audit school visits during fiscal year 2016, and performed audit procedures at 3 schools. In total, we performed audit procedures or reviewed the work of internal audit for 375 assets and noted exceptions with 125 (33%) of these.

Type of Exception:	# of Instances
Identification issues (tags/serial #'s/duplicates)	85
Asset not found	38
Asset not recorded in Oracle	1
Asset register amount overstated	1
Total	125

The District requires individual schools to track equipment in registers that are designed to comply with State and Federal requirements. Many equipment items lacked all data required to by Federal and State requirements.

Fixed Asset Registers Noncompliance — Acquisitions Through State and Federal Grants
Effective controls over fixed assets are critical for compliance with State and Federal Grant Requirements. Federal Grant requirements include specific identification requirements over fixed assets purchased with federal funds, including that all assets be added to asset registers, purchase price, serial numbers, tag numbers and funding source be included. The District also is required to have controls in place such as the performance of an annual physical inventory, and that all deletions are properly documented and approved.

Equipment purchases do not represent a material portion of the total expenditures of the affected grant programs.

The following conditions were noted during testing for fiscal year 2016:

- 18 out of 68 equipment additions tested were recorded in the District asset registers, but were missing required information as to the unique identification number assigned to the property.
- 36 out of 140 equipment items tested do not meet the requirements of federal equipment and real property management guidelines, such as missing asset tags and serial numbers.
- 78 out of 140 equipment items tested, an annual equipment inventory has not been performed for.
- 83 out of 140 equipment items tested, a physical inventory was not taken within the last two years.

Maintenance of Fixed Assets Records
We also observed that the fixed asset ledger is not reconciled to the general ledger in a timely manner. We believe that timely reconciliation is a critical control to help ensure fixed asset additions and retirements are properly recorded. Subsequent to year-end, the District capitalized approximately $255 million of additions.

School Impairment
Through our testing of fixed assets, we noted that the District failed to record an impairment charge for a school that was approved for closure subsequent to year-end. The District properly identified the school as scheduled for closing, but did not record an impairment charge because the closure happened subsequent to fiscal year-end. However, this is a subsequent event that requires adjustment to the financial statements. As such, the District wrote-down the remaining asset, resulting in an adjustment of approximately $3.8 million.

Warehouse
The District operates a warehouse which contains various items (mainly furniture and supplies) that the District has either received from an outside entity or which came from a closed school. We visited the warehouse and noted there was both a lack of security cameras and security professionals on site.

Cause and Effect:
These errors are due to 1) the ineffectiveness of the maintenance of asset registers and records, 2) the lack of timely reconciliation of accounting records, and 3) the lack of controls over evaluating school impairment.

Individual schools are required to maintain their equipment registers and annually perform a physical inventory of their property and reconcile the results with their equipment register. A number of schools failed to perform the physical inventory and update their registers. Central Office staff did not adequately follow up on incomplete physical inventories to understand if proper updates and corrections were made to equipment registers, including the identification of lost, stolen or disposed of equipment.

Based on discussions with school administrators, employee turnover, lack of record keeping for the movement of assets between classrooms and employees, and insufficient training on how to use the fixed asset application contribute to the asset management issue.

The District's fixed asset subsidiary ledgers were not reconciled timely throughout the fiscal year. Failure to close out fixed assets in a timely manner results in significant year end reporting and audit timeline delays.

The District did not properly record an impairment charge for a school which was closed subsequent to year-end. This resulted in an audit adjustment of approximately $3.8 million to write-down the value of the school at year-end.

The District has not taken adequate measures to secure the inventory located at the warehouse.

Recommendations:
We recommend that the District begin using radio-frequency identification devices for the purpose of automatically identifying and tracking tags attached to fixed assets. Use of this technology could improve the effectiveness of asset tracking and maintenance.

Additional training at the school level and increased oversight by the School Support Center would improve asset management. We recommend that the District work with the schools to enforce the requirements in these areas.

We recommend the District update its procedures on how to account for impairment once a school has been approved for closure.

We recommend the District implement security measures at the warehouse.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2016-002: Subrecipient Monitoring

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Criteria:
Uniform Administrative Requirements and Cost Principles for Federal Awards (2 CFR Part 200, "Uniform Guidance") requires pass-through to ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification (2 CFR Part 200.331). Subawards must include the following federal award identification information:

- Subrecipient name
- Subrecipient's unique entity identifier
- Federal Award Identification Number (FAIN)
- Federal Award Date (see 2 CFR Part 200.39 Federal award date) of award to the recipient by the Federal agency
- Subaward Period of Performance start and end date
- Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
- Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation
- Total amount of the federal award committed to the subrecipient by the pass-through entity
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA)

STATUTORY REPORTING SECTION

- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity
- CFDA Number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
- Identification of whether the award is Research and Development
- Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Part 200.414).

Condition:
In 6 out of 6 subrecipient awards selected for testing, management was unable to demonstrate they communicated the following at the time of subaward:

- Federal Award Identification Number (FAIN)
- Federal Award Date (see 2 CFR Part 200.39 Federal award date) of award to the recipient by the Federal agency
- Subaward Period of Performance start and end date
- Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
- Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation
- Total amount of the federal award committed to the subrecipient by the pass-through entity
- CFDA Number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement

Context:
The amount of grant funds passing through to subrecipients is not a significant portion of total grant expenditures.

Questioned costs:
None.

Cause:
Due to staffing limitations and changes in the district, the new uniform grant guidance implementation was delayed. The Grants Operation Team has recently taken the lead to update, address and/or implement the new requirements for 2 CFR Part 200, “Uniform Guidance”.

Effect:
Subrecipients may not be aware of federal compliance requirements at the time of an award and may be deficient in complying with those requirements.

Recommendation:
We recommend CPS standardize its subaward notification documentation, through revised written policies and procedures, to include the federal award identification information required by 2 CFR Part 200.331. The subaward notification should be available to the subrecipient at the time of subaward and prior to disbursement.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-003: Standards for Documentation of Personnel Expenses

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Career and Technical Education (V.E. — Perkins — Title IIC — Secondary); Illinois State Board of Education; CFDA number 84.048A; ISBE project numbers 2015-4745-00, 2016-4745-00; award years July 1, 2014 through August 31, 2016

Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up 6); Northeastern Illinois University; CFDA number 84.334A; project numbers P334A140132/P0042022; award years September 25, 2015 through September 24, 2016

School Improvement Grants (School Improvement Cohort 4-6); Illinois State Board of Education; CFDA number 84.377A; ISBE project numbers 15-4339-14, 16-4339-14, 16-4339-15, 16-4339-16; award years July 1, 2014 through August 31, 2016

Criteria:
Costs of compensation are allowable to the extent that they satisfy the Uniform Administrative Requirements and Cost Principles for Federal Awards (2 CFR Part 200, “Uniform Guidance”). Paragraph (i) of 2 CFR Part 200.430, *Standards for Documentation of Personnel Expenses*, requires charges to federal awards for salaries and wages be based on records that accurately reflect the work performed. These records must reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.

Condition:
In reviewing CPS’s established written policy for compliance with *Standards for Documentation of Personnel Expenses*, we noted:

1. The policy refers to OMB Circular A-87, Attachment B, Section 11 as being the source of rules and regulations related to compensation for personnel services. This was true prior to Uniform Guidance being effective.
2. CPS’s written policy does not require, for all employees, the personnel expense documentation to reflect total activity for which the employee is compensated (not exceeding 100% of compensated activities). Specifically, the use of the “Bucket Position” and “Personal Activity Report” options under CPS’s written policy, result in noncompliance with 2 CFR Part 200.430.

Context:
A majority of the personnel expenses charged to federal awards are supported by documentation that is compliant with 2 CFR Part 200.430. Of the $237,000 amount tested in fiscal year 2016, $14,600 was out of compliance. The amount for each grant is as follows:

- Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016 — $1,091

- Career and Technical Education (V.E. — Perkins — Title IIC — Secondary); Illinois State Board of Education; CFDA number 84.048A; ISBE project numbers 2015-4745-00, 2016-4745-00; award years July 1, 2014 through August 31, 2016—$1,057
- Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up 6); Northeastern Illinois University; CFDA number 84.334A; project numbers P334A140132/P0042022; award years September 25, 2015 through September 24, 2016 — $488
- School Improvement Grants (School Improvement Cohort 4-6); Illinois State Board of Education; CFDA number 84.377A; ISBE project numbers 15-4339-14, 16-4339-14, 16-4339-15, 16-4339-16; award years July 1, 2014 through August 31, 2016 — $11,930

Cause:
In the absence of clear guidance from major funding agencies, CPS was not aware that they needed update and/or change the process for out of school time documentation. The “Time and Effort” that is correctly in place did document the out of school time questioned above, but may not have meet the current guidance.

Effect:
Recipients that do not comply with all the requirements related to a particular grant risk future reductions in funding or the grantor agency may require CPS to reimburse for questioned costs.

Questioned costs:
$14,568

Recommendation:
We recommend CPS request implementation guidance from its major funding agencies (U.S. Department of Education and Illinois State Board of Education) regarding employees who have additional responsibilities beyond their regular schedules. We also recommend CPS update is written policies and procedures to require in all instances documentation reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-004: Procurement

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Special Education Grants; Illinois State Board of Education; CFDA number 84.027A; ISBE project number 16-4625-00; award year September 1, 2015 through August 31, 2016

Preschool Development Grants; Illinois State Board of Education; CFDA number 84.419B; ISBE project number 15-4999-PE; award year February 25, 2015 through August 31, 2015

Criteria:
The A-102 Common Rule (§ .36(b)(9)) requires grantees and subgrantees to maintain records sufficient to detail the significant history of a procurement. These records should include: rationale for

the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:
CPS was unable to locate certain procurement files that contain the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis of contract price. Specifically, the exceptions were as follows:

- Title I Grants to Local Education Agencies (Low Income) — CPS was unable to locate the contract files for one selection.
- Special Education Grants — CPS was unable to locate the contract files for one selection.
- Preschool Development Grants — CPS was unable to locate the contract files for two selections.

Context:
Although CPS was unable to locate the procurement files, invoices and contracts did exist that evidence the allowability of the expenditures. Additionally, CPS was able to provide support that the procurement action was properly approved (Chief Purchasing Officer over $25,000 and Board Report over $75,000).

Cause:
CPS recently relocated and various procurement files were sent to storage misfiled.

Effect:
Noncompliance with federal administrative requirements could result in a lack of documentation to support procurement actions.

Questioned costs:
None.

Recommendation:
We recommend CPS ensure its written policies and procedures require that supporting documentation is maintained as evidence that contracts undergo the proper procurement process and that execution of those procedures is monitored for compliance by supervisory level personnel.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-005: Special Education Funding and Child Tracking System

Federal Agency: US Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Special Education Grants; Illinois State Board of Education; CFDA number 84.027A; ISBE project number 16-4625-00; award year September 1, 2015 through August 31, 2016

Criteria:
Requirements regarding the *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB Nos. 1820-0030 and 1875-0240), require* the Illinois State Board of Education to report to the US Department of Education an unduplicated count of children with disabilities receiving special education

and related services. CPS is required to report in accordance with the ISBE established procedure, which is through the Special Education Funding and Child Tracking System (FACTS). ISBE specifies that only students with an individualized educational program (IEP) or individualized service plan (ISP) should be reported on the FACTS.

Condition:
CPS was unable to provide support that students listed in their FACTS had an IEP or ISP.

Context:
For 1 out of 60 students tested, CPS was unable to provide support that the student has an IEP or ISP.

Cause:
There was an error in the data collection and student, who had an IEP in a previous was improperly included in the report.

Effect:
Noncompliance with this requirement can lead to inaccurate reporting of data by ISBE to the federal government related to its special education funding.

Questioned costs:
None.

Recommendation:
We recommend CPS develop controls to identify that all special needs students have an Individualized Educational Program in place.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Board of Education of the City of Chicago

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

I. FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Fixed Assets

Correction Action Plan: See prior year report.

Current Status: Certain components of the prior year corrective action plan has been taken. See 2016-001.

Finding 2015-002: Accrued Sick Leave Calculation

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2015-003: Grants Management

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2015-004: Accounts Payable

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The prior year single audit disclosed no federal award findings or questioned costs in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior year's Summary Schedule of Prior Year Audit Findings.

Chicago Public Schools

Office of The Controller · 42 West Madison, 2nd Floor · Chicago, Illinois 60602
Telephone: 773-553-2710 · Fax: 773-553-2711

RSM US LLP
One South Wacker Drive
Chicago, IL 60601

The Chicago Public School's Corrective Action Plan for the findings identified in connection with your audit of federal awards conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for the year ended June 30, 2016 are identified below. The findings are titled and numbered consistently with the titles and numbers assigned in the schedule of findings and questioned costs.

Finding 2016-001:

Corrective Action Plan:

As of the report date, CPS Facilities and Finance departments are in the process of implementing a new inventory software system which will not only aid in tracking assets but also reduce expenditures for new assets, when comparable and existing resources are currently located within CPS and may be redeployed. Currently a pilot program is underway that utilizes asset tagging and radio-frequency identification (RFID) to conduct inventories and track existing assets going forward. New asset management procedures and training will be updated as the implementation occurs and will be aligned with Federal grant and ISBE inventory requirements.

As noted in the audit finding, equipment purchases do not represent a material portion of the total expenditures of the affected grant programs. Such equipment purchases are expensed when acquired and CPS maintains compensating controls over the acquisition process. Examples of such controls include system-requirements for an approved purchase order before an invoice can be entered and three-way match before payment.

The timeliness issue in the recording of FY2016 assets had two underlying causes: the loss of staff with institutional knowledge and implementing new procedures performed to improve system controls. In prior years, CPS has relied on manual workarounds to accommodate unexpected system behaviors. In the course of recording FY16 assets, CPS spent significant time working to identify and resolve software issues and outdated system configurations, with a goal towards eliminating these workarounds. As a result, the need for manual processes has been reduced and control over the completeness and accuracy of financial records for assets in FY16 and future fiscal years has been increased.

In order to avoid future issues related to the proper recording of impairments for closed schools, additional guidance will be added to existing Finance procedures that clearly state the proper treatment of closed and closing schools.

Contact person: Jose Alfonso de Hoyes Acostas, Chief Administrative Officer

Anticipated completion date: 6/30/2017

Finding 2016-002:

Corrective Action Plan:

Chicago Public Schools is in the process of standardizing its subaward notification documentation to include the federal award identification information required by 2 CFR Part 200.331. This subaward notification will be made available to the subrecipient at the time of the subaward and prior to disbursement.

For the 2016-2017 school year, Chicago Public Schools will re-issue budget "one-pagers" (document identifying all funding streams each school will receive) including all required information to satisfy federal compliance requirements per recent uniform grant guidance. We will provide instruction and information regarding changes under the new guidance and require each subrecipient to provide their DUNS number and SAM verification during this redistribution process, with a due date of February 28, 2017. This will ensure that CPS has accurate, up-to-date and verifiable information on file. For all future award cycles, this same information will be included in the district's annual budget release. Should any new subrecipients come on board, we will request the required information during this process.

Contact person: Kimberly Thomas, Deputy Grants Director

Anticipated completion date: 6/30/2017

Finding 2016-003:

Corrective Action Plan:

CPS will follow-up and continue to request implementation guidance from its major funding agencies (U.S. Department of Education and Illinois State Board of Education) regarding employees who have additional responsibilities beyond their regular schedules. CPS will also reach out to other K-12 organizations to inquire about their processes. In the absence of clear guidance CPS will continue to use our current process to document time.

Additionally, CPS is in the process of updating written policies and procedures for full and split funded positions to more align "Time and Effort" at the activity level as required in the new guidance. For out of school time, guidance will be updated as we receive clarification on how to document this time.

Contact person: Kimberly Thomas, Deputy Grants Director

Anticipated completion date: 6/30/2017

Finding 2016-004:

Corrective Action Plan:

CPS will review, sort and refile procurement files by designated specification number to easily track and locate procurement documentation for future requests.

Contact person: Charles Mayfield, Procurement Director

Anticipated completion date: 6/30/2017

Finding 2016-005:

Corrective Action Plan:

In the collection of the FACTS report for ISBE, additional vetting of ensuring that students who are exited are not included in the FACTS report. CPS will create a mechanism in the SSM to close out the student records that are exited within the year.

Contact person: Elizabeth Keenan, Deputy Chief and Director of Special Education

Anticipated completion date: 6/30/2017

STATUTORY REPORTING SECTION

APPENDIX C

THE REAL PROPERTY TAX SYSTEM

Real Property Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "**County**") applicable to the School District. The following is not an exhaustive discussion, nor is there any assurance that the procedures described in this Appendix will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (35 ILCS 200) (the "**Property Tax Code**").

Substantially all (approximately 99.99%) of the **"Equalized Assessed Valuation"** (as herein defined) of taxable property in the School District is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth in this Appendix and elsewhere in this Official Statement with respect to taxable property of the School District does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the **"Assessor"**) is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The real property within the School District was last reassessed in 2015 and will be reassessed again in 2018.

Pursuant to the Cook County Real Property Assessment Classification Ordinance (the "**Classification Ordinance**"), real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the **"Assessed Valuation"**) for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the Classification Ordinance pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the **"Board of Review"**). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the **"PTAB"**), a state-wide administrative body, or to the Circuit Court of Cook County (the **"Circuit Court"**). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The Board believes that the impact of any such case on the Board would be minimal, as the Board's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year, including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the **"Equalization Factor"**), commonly called the *"multiplier,"* for each county. The purpose of equalization is to bring the aggregate assessed value of all real property in each county, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, to the statutory requirement of 33-1/3% of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the **"Equalized Assessed Valuation"** or **"EAV"**).

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the **"Assessment Base"**). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. In addition, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. See the discussion under the heading "**Property Tax Extension Limitation Law"** below. For a listing of the Equalization Factors for the ten years ended December 31, 2016, see the section of the Official Statement entitled **"FINANCIAL INFORMATION – Property Tax Revenues –** *Property Tax Base, Tax Extensions and Collections***.**"

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of $7,000 in the County and $6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $5,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $100,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by $2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in their residential property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called *"freeze"* and each year thereafter in which the qualifying criteria are maintained.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

In 2001, the County enacted the *"Longtime Homeowner Exemption Ordinance,"* which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115% of the "*Chicago Primary Metropolitan Statistical Area"* median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

<u>Tax Levy</u>. There are over 800 units of local government (the **"Units"**) located in whole or in part in the County that have taxing power. There are six major units of local government located in whole or in part within the boundaries of the School District which are: the City; the Chicago Park District; Community College District Number 508; the County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real property taxes, proceedings are adopted by the governing body of each Unit. Typically, real property taxes are levied in one calendar year and collected in the following calendar year. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real property taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the **"County Collector"**).

The Local Government Debt Reform Act (30 ILCS 350/16) (the "**Debt Reform Act**") includes special provisions applicable to tax levies to pay debt service on general obligation bonds, including Alternate Revenue Bonds, such as the Bonds. A governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds, including Alternate Revenue Bonds, at any time prior to March 1 of the calendar year during which the tax will be collected. The County Clerk is required to accept the filing of the ordinance levying such tax notwithstanding that such time is subsequent to the end of the calendar year next preceding the calendar year during which such tax will be collected.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law. Pursuant to the Debt Reform Act, in extending taxes for general obligation bonds, including Alternate Revenue Bonds, such as the Bonds, the County Clerk is required to increase the levy for debt service on such bonds to provide an allowance for loss in collections, in an amount sufficient, in view of all losses and delinquencies in tax collection, to produce tax receipts adequate for the prompt payment of such debt service.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the **"Warrant Books"**) the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the **"Truth in Taxation Law"**) contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service (including debt service on Alternate Revenue Bonds, such as the Bonds), levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the Unit's general obligations bonds and notes (including payment of debt service on Alternate Revenue Bonds, such as the Bonds).

<u>Collection</u>. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2007 to 2016; the first installment penalty date has been March 2 or March 3 for all years.

Second Installment

Tax Year	**Penalty Date**
2016	August 1, 2017
2015	August 1, 2016
2014	August 3, 2015
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the **"Annual Tax Sale"**). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue interest at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the **"Scavenger Sale"**), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the Board has a provision for an allowance for uncollectible taxes for debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2016, collectible in 2017, the allowance for uncollectible taxes is about four percent of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the Board after four years, but are fully reserved after one year.

Property Tax Extension Limitation Law

The Property Tax Code specifically limits the annual growth in property tax extensions for certain Units pursuant to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18-185) (the **"PTELL"**). The effects of the PTELL are to limit or retard the growth in the amount of property taxes that can be extended for a non-home rule taxing body and to impose direct referendum requirements upon the issuance of certain types of general obligation bonds by such non-home rule taxing bodies.

The PTELL was extended in 1995 (effective as of the 1994 assessment year) to non-home rule taxing districts in the County, including the Board. The PTELL limits the annual growth in certain property tax extensions by the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction and referendum approval of tax or limitation rate increases. The PTELL requires the County Clerk in extending taxes to use the Equalized Assessed Valuation of all property within the taxing district for the levy year prior to the levy year for which taxes are then being extended.

The PTELL does not limit the rate or amount of taxes extended by the Board to pay its Alternate Revenue Bonds, including the Bonds.

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City of Chicago, whose boundaries are coterminous with the boundaries of the School District governed by the Board. Sources of information are set forth in footnotes. With respect to non-Board sources, the Board considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Overview

The Chicago metropolitan area has a population of 9.5 million people, with over 4.7 million employees. [1, 2] Chicago's large and diverse economy contributed to a gross regional product of more than $651 billion in 2016.[3]

Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.75 million tons of freight, mail, and goods annually.[4]

The Chicago Public School system is the third largest school district in the nation and the City Colleges of Chicago operate seven colleges and serve approximately 91,626 students.[5]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality, and manufacturing.[6]

Transportation

According to statistics compiled by Airports Council International in 2016, O'Hare ranked sixth worldwide and third in the United States in terms of total passengers while Midway ranked 26th in the United States. [7] According to the Chicago Department of Aviation, O'Hare and Midway had 78.0 and 22.7 million in total passenger volume in 2016, respectively. O'Hare supports substantial international

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1 U.S. Census Bureau (2016). American Community Survey 1-year estimates. Retrieved from Census Reporter Profile page for Chicago-Naperville-Elgin, IL-IN-WI Metro Area https://censusreporter.org/profiles/31000US16980-chicago-joliet-naperville-il-in-wi-metro-area/

2 U.S. Bureau of Labor Statistics, "Chicago Area Employment – August 2017," https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm

3 U.S. Bureau of Economic Analysis, "Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," https://www.bea.gov/newsreleases/regional/gdp_metro/2017/pdf/gdp_metro0917.pdf

4 Chicago Department of Aviation, "Monthly Operations, Passengers, Cargo Summary by Class, December 2016," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

5 City Colleges of Chicago, "Fiscal Year 2016 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx

6 U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, September 27, 2017," https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf

7 Airports Council International "2016 North American (ACI-NA) Top 50 Airports," http://www.aci-na.org/content/airport-traffic-reports

service with international passengers constituting approximately 15% of total enplaned passengers in 2016.[8]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,888 buses operating over 130 routes and 1,301 route miles, making 18,843 trips per day and serving 10,813 bus stops; 1,492 rail cars operating over 8 routes and 224 miles of track, making 2,276 trips each day and serving 145 stations; and 1.64 million rides on an average weekday and over 515 million rides a year (bus and train combined).[9]

Population

Chicago is home to over 2.7 million people that live in more than one million households.[10] The City's population increased nearly .3% since the 2010 Census.[11]

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimate for 2016 is set forth below.

Population[12]
1980—2016

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2016 Estimate	323,127,513	12,801,539	5,203,499	2,704,958

35.6% of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 29.8%.[13]

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8 Chicago Department of Aviation Airport Budget Statistics, "Monthly Operations, Passengers, Cargo Summary by Class, December 2016," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

9 Chicago Transit Authority, "CTA Facts at a Glance, Spring 2016," http://www.transitchicago.com/about/facts.aspx

10 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/fact/table/chicagocityillinois,US/PST045216 (accessed October 16 2017).

11 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 16 2017).

12 U.S. Census Bureau, "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Cook County, Illinois," https://www.census.gov/quickfacts/table/RHI805210/17031; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 16 2017).

13 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 16 2017).

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago MSA is set forth below for the years 2007 through 2016.

Per Capita Income[14]
2007—2016

Year	United States	State of Illinois	Cook County	Chicago MSA
2007	39,821	42,265	46,662	45,763
2008	41,082	43,358	47,176	46,488
2009	39,376	40,994	43,289	43,264
2010	40,277	41,698	43,664	43,803
2011	42,461	43,724	45,332	45,807
2012	44,282	45,654	47,872	48,281
2013	44,493	46,646	49,141	49,057
2014	46,464	48,563	52,380	51,597
2015	48,190	50,377	54,714	53,886
2016	49,571	52,098	Unavailable	Unavailable

Chicago's 2015 median household income is $48,522, compared to $57,574 in Illinois and $53,889 in the U.S., and Chicago ranks 7th among other major metropolitan areas on the cost of living index.[15, 16]

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14 U.S. Bureau of Economic Analysis, "Interactive Data," http://www.bea.gov/iTable/index.cfm (accessed October 17, 2017).

15 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/RHI805210/1714000; "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 16 2017).

16 World Business Chicago, "Cost of Living Index – Top 10 Metros (2015)" http://www.worldbusinesschicago.com/cost-living-index/ (accessed October 16, 2017).

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2008 through 2017 is set forth below.

Employment (in thousands)[17,18]
2008—2017

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2008	1,238	2,461	4,528	5,949
2009	1,172	2,327	4,291	5,657
2010	1,182	2,301	4,246	5,613
2011	1,120	2,316	4,305	5,677
2012	1,202	2,359	4,375	5,751
2013	1,216	2,365	4,443	5,805
2014	1,228	2,450	4,502	5,873
2015	1,255	2,495	4,623	5,958
2016	1,282	2,577*	4,651	6,012
2017**	1,278	Unavailable	4,611	6,037

* September 2016 data.
** August 2017 data.

17 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/bls/employment.htm (accessed October 17, 2017).
18 US Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://beta.bls.gov/dataViewer/view/timeseries/LAUCT171400000000005 (accessed October 16, 2017).

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for August 2017 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
August 2017*[19, 20]

Sector	Chicago MSA	Illinois	United States
Trade, Transportation and Utilities	19.8%	20.0%	18.7%
Government	10.9%	13.7%	15.2%
Education and Health Services	15.4%	15.3%	15.8%
Professional and Business Services	18.7%	15.7%	14.2%
Leisure and Hospitality	10.4%	9.9%	10.8%
Manufacturing	7.5%	9.4%	8.5%
Financial Activities	7.2%	6.5%	5.8%
Construction	3.7%	3.6%	4.7%
Other Services	4.3%	4.2%	3.9%
Information	2.0%	1.7%	1.9%
Mining and Logging	0.0%	0.1%	0.5%
Total	100.0%	100.0%	100.0%

*not seasonally adjusted

19 U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm https://www.bls.gov/eag/eag.il.htm (accessed October 17, 2017).

20 U.S. Bureau of Labor Statistics, "Current Employment Statistics (National)," http://www.bls.gov/web/empsit/ceseeb1a.htm (accessed October 17, 2017).

The City of Chicago's average annual unemployment rate decreased from 11.2% in 2010 to 5.9% in 2016, while statewide, Illinois' unemployment rate dropped from 10.4% in 2010 to 5.7% in 2016.[21] In August 2017, the Chicago MSA's preliminary unemployment rate was 4.8%.[22]

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2008 through year-to-date for 2017.

Annual Unemployment Rates [23]
2008—2017

Year	Chicago	Cook County	Chicago MSA	State of Illinois	United States
2008	7.0	6.4	6.1	6.3	5.8
2009	11.1	10.6	10.2	10.2	9.3
2010	11.2	10.9	10.6	10.4	9.6
2011	10.9	10.4	9.9	9.7	8.9
2012	10.0	9.6	9.1	9.0	8.1
2013	10.1	9.7	9.1	9.1	7.4
2014	7.8	7.5	7.1	7.1	6.2
2015	6.6	6.2	5.9	6.0	5.3
2016	6.5	6.2	5.8	5.9	4.9
2017*	6.1	5.7	5.3	5.2	4.4

* August 2017 data.

21 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/news.release/archives/laus_01242017.pdf (accessed October 17, 2017).

22 U.S. Bureau of Labor Statistics, "Local Area Employment Statistics," https://www.bls.gov/news.release/pdf/laus.pdf (accessed October 17, 2017).

23 Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/ILCOOK1URN (accessed October 17, 2017).

Employers

The principal non-governmental employers in the Chicago MSA for 2016 are set forth below.

Principal Chicago MSA Non-Governmental Employers[24]

2016

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	18,930	1.48%
University of Chicago	16,374	1.28
Northwestern Memorial Healthcare	15,747	1.23
J.P. Morgan Chase & Co.	15,229	1.19
United Continental Holdings Inc.	15,157	1.18
Walgreens Boots Alliance Inc.	12,685	0.99
Northwestern University	10,241	0.80
Presence Health	10,183	0.79
Abbott Laboratories	9,800	0.76
Jewel Food Stores, Inc.	9,660	0.75

[24] See the Board's Comprehensive Annual Financial Report set forth in APPENDIX B to this Official Statement. See also Chicago Comprehensive Annual Financial Report for the year ended December 31, 2016, https://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2016/CAFR_2016.pdf

Top Taxpayers

The top property taxpayers in Chicago in 2015 based on 2015 EAV are shown in the following table.

Top Ten Property Taxpayers 2015[25]
($ in thousands)

Rank	Property	2015 EAV	% of Total EAV
1	Willis Tower	$ 386,933	0.55%
2	AON Building	239,092	0.34
3	Blue Cross Blue Shield Tower	238,631	0.34
4	Water Tower Place	215,481	0.30
5	300 N. LaSalle	196,095	0.28
6	Franklin Center	194,504	0.27
7	Chase Plaza	193,365	0.27
8	Citadel Center	187,291	0.26
9	Prudential Plaza	186,795	0.26
10	Three First National Plaza	182,523	0.26
	Total	$2,220,710	3.13%

As shown in the table, the top ten taxpayers account for less than 3.5% of the City's total tax base.

[25] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2016, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2015_Financial_Statements.html

APPENDIX E

PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

TABLE OF CONTENTS

Introduction

Employees of the Board of Education of the City of Chicago (the "Board") participate in one of two defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Pension Code, Chapter 40, Act 5, Articles 1, 1A, 17, 20 and 22 of the Illinois Compiled Statutes (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The two Retirement Funds are: (i) the Public School Teachers' Pension and Retirement Fund of Chicago (the "Pension Fund"), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Annuity Fund"), which covers non-teacher employees of the Board and most civil servant employees of the City of Chicago (the "City").

The Pension Annual Financial Information is sourced primarily from documents published by the Retirement Funds (such information is collectively referred to as the "Third-Party Source Pension Information"). Except for certain information derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2016, the information contained herein pertaining to the Pension Fund relies on (i) the Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016 (the "2016 Actuarial Valuation Report"), prepared by The Segal Company, independent actuaries and consultants engaged by the Pension Fund Board defined below (the "Pension Fund Actuaries"), and (ii) the comprehensive annual financial report of the Pension Fund for its Fiscal Year ending June 30, 2016 (the "Pension Fund 2016 CAFR"), prepared by the Pension Fund's administrative staff and its independent auditors Plante & Moran, PLLC Southfield, MI (the "Pension Fund Auditors"). The 2016 Actuarial Valuation Report and the Pension Fund 2016 CAFR are referred to herein as the "Pension Fund Source Information."

At the time of the preparation of this Disclosure, the Pension Fund 2016 CAFR and the 2016 Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Pension Fund available to the Board. Copies of the Pension Fund 2016 CAFR and the 2016 Actuarial Valuation Report, as well as Pension Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be accessed at http://www.ctpf.org/general_info/Financial_lists.htm. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Pension Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Pension Fund Source Information.

Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein pertaining to the Annuity Fund relies on (i) the comprehensive annual financial reports of the Annuity Fund for its Fiscal Years ending December 31, 2015 and December 31, 2016 (the "Annuity Fund 2016 CAFR"), prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois, and (ii) the actuarial valuation of the Annuity Fund as of December 31, 2016 (the "2016 Annuity Fund Actuarial Valuation" and, together with the Annuity Fund 2016 CAFR, the "Annuity Fund Source Information"), prepared by The Segal Company, independent actuaries and consultants engaged by the Annuity Fund Board (the "Annuity Fund Actuaries," and, together with the Pension Fund Actuaries, referred to herein as the "Actuaries").

At the time of the preparation of this Disclosure, the Annuity Fund 2016 CAFR and the 2016 Annuity Fund Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the

Annuity Fund available to the Board. Copies of the Annuity Fund 2016 CAFR and the 2016 Annuity Fund Actuarial Valuation, as well as Annuity Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be viewed at http://www.meabf.org/publications/. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Annuity Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Annuity Fund Source Information.

Healthcare benefits for certified teachers and administrators employed by the Board are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein regarding the Health Insurance Program can be found in the Pension Fund 2016 CAFR in accordance with GASB Statement No. 43, as well as the Public School Teachers' Pension and Retirement Fund of Chicago 2016 Health Insurance Plan Actuarial Valuation (the "2016 Health Insurance Plan Actuarial Valuation" and, together with relevant information in the Pension Fund 2016 CAFR, the "Health Insurance Plan Source Information"), prepared by the Actuaries. At the time of the preparation of this Disclosure, the Pension Fund 2016 CAFR and the 2016 Health Insurance Plan Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Health Insurance Program available to the Board. The Board has not independently verified the Health Insurance Plan Source Information and makes no representations nor expresses any opinion as to the accuracy of the Health Insurance Plan Source Information.

Capitalized terms used in this Disclosure and not otherwise defined have the meanings assigned to them in the respective Official Statements related to the particular series of bonds related to the Undertakings.

Overview of Retirement Funds

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees, the Board, the City, the State of Illinois (the "State") and, in certain instances, approved City charter schools make contributions to the Retirement Funds (the "Statutory Contributions"). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. The Retirement Funds invest these contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds. Information, as reported by the Board, pertaining to the Retirement Funds and the Board's Statutory Contributions is contained in the Board's Comprehensive Annual Financial Reports of the Chicago Public Schools for each Fiscal Year, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2016.

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds.

Forward-Looking Statements and Actuarial Assumptions

The information included under the headings "–Background Information Regarding the Pension Fund," "– Pension Fund Contributions," "– Pensions for Other Board Personnel" and "– Other Post-Employment Benefits and Other Board Liabilities" relies to a large extent on Pension Fund Source Information. Actuarial assessments contained under such headings and in the Pension Fund Source Information are "*forward-looking*" information that reflects the judgment of the Pension Fund fiduciaries, including the Pension Fund Actuaries. A variety of factors impact the Unfunded Actuarial Liabilities and Funded Ratios of the Pension Fund and the Annuity Fund. Increases in member salaries and benefits, a lower rate of return on investment than that assumed by the respective Fund and insufficient contributions when compared to the employer's normal cost plus interest on the Unfunded Actuarial Liability will all cause an increase in the Unfunded Actuarial Liability and a decrease in the Funded Ratio. Conversely, decreases in member salaries and benefits, a higher return on investment than assumed and employer contributions in excess of the employer's normal cost plus interest will decrease the Unfunded Actuarial Liability and increase the Funded Ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the Unfunded Actuarial Liability and the Funded Ratio. No assurances can be given that the Board, the City or the State will make the contributions necessary to meet any escalating costs incurred by the Retirement Funds.

The projections herein, including those in Table 4 under "– Pension Fund Contributions," are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on actuarial assumptions and assumptions made regarding such future events, including but not limited to the assumptions that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in Table 4 or with respect to any other statements and projections that constitute forward-looking statements or are based on actuarial assumptions.

Background Information Regarding the Pension Fund

General. The Pension Fund is a multiple-employer, defined-benefit public employee retirement system established by the State to provide annuity, disability, survivor, death, and health benefits for certain certified teachers and other employees of the Chicago Public Schools, Pension Fund employees and approved City charter schools. *"Defined-benefit"* refers to the fact that the Pension Fund pays a periodic benefit to retired employees and survivors in a fixed (defined) benefit amount determined at the time of retirement (benefits are increased annually in retirement by the defined Automatic Annual Increase factor, which is 3% for the Tier 1 members (hired before 2011) and ½ the rate of inflation for the Tier 2 members (hired after 2010)). The Pension Fund has a Fiscal Year ending June 30.

Membership. Participation in the Pension Fund is mandatory for teachers, educational, administrative, professional and other certified individuals employed by the Board. In addition, certified teachers and staff employed by City charter schools must also participate in the Pension Fund. As of June 30, 2016, according to the most recently available information, the Pension Fund had 133 participating employers consisting of the primary employer, Chicago Public Schools, 129 charter schools and the Pension Fund itself. The Pension Fund included 63,556 members consisting of 28,298 retirees and beneficiaries currently receiving benefits, 5,715 terminated members entitled to benefits but not yet receiving them, 18,557 vested current members and 10,986 nonvested current members.

Governance of the Pension Fund. The Pension Fund is governed by a 12 member Board of Trustees (the "Pension Fund Board") including six trustees elected by the active teacher membership, three trustees elected by the retired teacher membership, one trustee elected by the active principals and administrators, and two trustees appointed by the Board. The Pension Fund Board is authorized by State law to make investments, pay benefits, hire staff and consultants, and carry out all necessary functions in compliance with the Pension Code.

The Pension Fund Board is a fiduciary of the Pension Fund and is authorized to perform all functions necessary for operation of the Pension Fund. The Pension Code authorizes each pension board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

The Pension Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Pension Fund, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Pension Fund are not construed to be debt imposed upon the Board. Such expenses are the obligation of the Pension Fund exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Pension Fund or any act or practice which violates any provision of the Pension Code.

Benefits and Contributions. Article 17 of the Pension Code governs the retirement, survivor and disability benefits provided by the Pension Fund and establishes the statutorily required contributions from the Board, the State and participating employees. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the Board), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. The benefits available under the Pension Fund accrue throughout the time a member is employed by the Board. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the Board. The Pension Fund also provides certain disability benefits and retiree healthcare benefits to eligible members. Section 5 of Article XIII of the Illinois Constitution (the "Illinois Pension Clause") provides as follows:

"Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

For purposes herein, references to "*employee*" or "*member*" are references to the employees of the Board; the employees of the Pension Fund and approved City charter school employees that also participate in the Pension Fund.

Public Act 96-0889. On April 14, 2010, the Governor signed Public Act 96-0889 ("P.A. 96-0889") into law. P.A. 96-0889 was designed in part to provide relief to the Board from its pension funding obligations by extending the statutory deadline for the Board to bring the ratio of the actuarially determined value of the assets of the Pension Fund to its actuarially determined accrued liabilities to 90% and substantially reducing the Board's contribution requirements for Fiscal Years 2011, 2012 and 2013. In addition it provided reduced retirement benefits for future employees who become members of the Pension Fund after January 1, 2011. P.A. 96-0889 established a "*two-tier*" benefit system with less generous benefits for future employees who become members of the Pension Fund after January 1, 2011, as compared to those provided to current Board employees. Among other reforms, P.A. 96-0889:

- Increased the minimum age at which an employee may retire with unreduced benefits to age 67, from age 60 (or even younger based on a formula combining the age of the employee and the number of years of service);
- Reduced the Automatic Annual Increase adjustment for beneficiaries in retirement to the lower of 3% or 50% of the change in the Consumer Price Index for all urban consumers, whichever is lower, for employees hired after January 1, 2011;
- Increased the minimum age for eligibility of the Automatic Annual Increase adjustment stated above from age 61 to age 67
- Calculated benefits based on the highest continuous eight years of compensation in the employee's last 10 years of employment for employees hired after January 1, 2011;
- Capped the salary on which a pension may be calculated at $106,800 in 2011 (subject to certain adjustments for future inflation); and
- Suspended retirement annuities if the annuitant accepts another public sector job covered by a public retirement system.

Pension Fund Contributions

Required Contributions. The Pension Code requires funding of the Pension Fund from contributions by the Board (the employer), the State and employees. Board (and State) contributions are required (the "Statutory Required Contributions") only if the actuarially determined value of the assets as a percentage of its actuarially determined accrued liabilities (the "Funded Ratio") is less than 90%. The Pension Code does not require that assets of the Pension Fund at any time equal or exceed the actuarially determined accrued liabilities of the Pension Fund. On an annual basis, an actuarial valuation is performed by an independent actuary firm retained by the Pension Fund Board (each an "Actuarial Valuation") in order to determine the amount of required contributions. The Pension Code provides for an actuarially based funding ramp intended to maintain the actuarial assets of the Pension Fund at a level equal to 90% of the actuarial liabilities of the Pension Fund beginning in the 2059 Fiscal Year.

Member Contributions. The Pension Fund's active contributors make biweekly contributions to the Pension Fund from their salaries which contributions are currently set at 9% of covered payroll. Historically, as part of its collective bargaining agreement with the Chicago Teachers' Union ("CTU"), the Board has paid a substantial portion of the employee contribution in an amount equal to 7% of covered payroll**.** This contribution arrangement for the current CTU Pension Fund members was reaffirmed upon the final approval by the Board of a new collective bargaining agreement between the Board and CTU on December 7, 2016. New CTU Pension Fund members hired after January 1, 2017 will make their entire 9% employee contribution, but will receive a 7% increase to their base salary such that their total compensation does not decrease. Between January 1, 2017 and June 30, 2017, new hires will have 3.5% added to compensation. Beginning July 1, 2017, and thereafter, their base pay increase increases to 7%.

Employer Required Annual Statutory Contributions. Prior to the enactment of P.A. 96-0889, the Pension Code required that the Board's minimum contributions for each Fiscal Year be in an amount sufficient to bring the Funded Ratio to equal 90% by Fiscal Year 2045. P.A. 96-0889 extended the deadline to achieve the required 90% Funding Ratio by fourteen years from Fiscal Year 2045 to Fiscal Year 2059. In addition P.A. 96-0889 specified fixed Board contribution amounts for Fiscal Years 2011, 2012 and 2013 ($187,000,000, $192,000,000 and $196,000,000, respectively) which are substantially lower than the amounts which would otherwise be required by the Pension Code (required contributions were decreased approximately $400,000,000 for each of those years). This reduction in required contributions by the Board further increased the Unfunded Actuarial Liability of the Pension Fund. See Table 2 – "Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2005-2016."

Beginning in Fiscal Year 2014, the Board's minimum contributions for Fiscal Years 2014 through 2059, as determined by the Pension Fund, are required to be sufficient to bring the Actuarial Funded Percentage to 90% by the end of Fiscal Year 2059, and the Board will be required to make annual contributions to maintain the 90% Funded Percentage in each Fiscal Year thereafter. See Table 4 – "Projections of Contributions, Liabilities and Assets."

State and Board Required Payroll Contributions. The Pension Code requires that the State and Board each make an annual contribution to the Pension Fund equal to a defined percentage of total teacher payroll (0.544% of payroll for the "*State Payroll Contribution*" and 0.580% of payroll for the Board contribution for the "*Board Payroll Contribution*"). These contributions are not required in those years in which the Pension Fund Board has certified that the Pension Fund is at least 90% funded. The required contributions based on payroll for Fiscal Year 2016 were $12,105,000 for the State and $12,906,000 for the Board. The required contributions based on payroll for Fiscal Year 2017 were $12,186,000 for the State and $12,992,000 for the Board.[1] This required payroll contribution was added to the Pension Code by Public Act 90-0582, and was intended by the General Assembly to cover part of the cost of a benefit increase resulting from that Act.

In addition, Public Act 100-465 provides for an increase in the required State Contribution to the Pension Fund beginning for Fiscal Year 2018 in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to approximately $233 million.

State Appropriation Contributions. The State historically made additional discretionary contributions to the Pension Fund from State appropriations in the amount of approximately $65,000,000 per year in addition to the State's required statutory contributions. These contributions were in furtherance of provisions of the Pension Code regarding the goal and intention of the State to make annual contributions to the Pension Fund in an amount that is between 20% and 30% of the amount of the annual State contribution to the other teachers' retirement system in the State. For several previous Fiscal Years the State discretionary appropriation was either reduced or not contributed. There were no discretionary contributions by the State in Fiscal Year 2016 or Fiscal Year 2017 to supplement the Board's required contribution. The Board does not anticipate that the State will make contributions in excess of its statutorily-required contributions in the future.

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[1] Source: Board Department of Finance.

In addition, Public Act 100-465 provides for an increase in the required State Contribution to the Pension Fund beginning for Fiscal Year 2018 in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to $233 million.

Credit for State Contributions. The Pension Code provides that "*any contribution by the State to or for the benefit of the Fund . . . shall be a credit against any contribution required to be made by the Board of Education . . . .*"

The financial health of the Pension Fund and the projected impact of the Pension Fund's underfunding on future contributions required to be made by the Board in order to mitigate such underfunding have impacted the determination of the Board's creditworthiness by municipal bond rating agencies in recent years.

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Historical Contributions. The following table provides historical contribution information and the Actuarially Required Contribution (as defined herein) for Fiscal Years 2005-2016.

Table 1

Historical Contributions
(All dollar amounts are in millions)

		Employer Contributions			
Fiscal Year	**Employee Contributions**	**State Appropriations and Payroll Contributions(1)**	**BOE Contributions(2)**	**Total Employer Contributions**	**Actuarially Required Contribution (ARC)(3)**
2005	$158.6	$65.0	$ 9.7	$ 74.7	$258.9
2006	158.6	74.9	35.2	110.1	328.4
2007	148.2	75.2	92.0	167.2	370.2
2008	161.2	75.2	149.9	225.1	290.1
2009	166.8	74.8	188.2	263.1	292.1
2010	161.2	37.6	324.6	362.2	355.8
2011	167.0	10.4	168.0	178.4	425.6
2012	167.7	10.4	195.8	206.2	510.1
2013	165.9	10.9	234.5	245.4	585.5
2014	163.8	11.9	601.6	613.0	719.8
2015	168.1	62.2	634.4	696.5	728.5
2016	158.2	12.1	675.9	688.0	749.8

Sources: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2005-2016.

(1) As discussed above under "– *State Appropriation Contributions*," the State historically appropriated $65 million in non-GSA funds to the Pension Fund except that for Fiscal Year 2004 the State failed to make such appropriation and instead provided that amount to the Board for capital purposes. The figures for Fiscal Years 2006 through 2009 reflect additional payroll contributions received from the State.

(2) "**BOE Contributions"** are comprised of a number of contributions that are described in Note 13 to the Chicago Public School Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016 and are included in the **"Total Employer Contributions"** (**"Total Employer Contributions" - "State Appropriations" = "BOE Contributions"**). The numbers may differ from actuarially or statutorily required contribution amounts and have been the subject of various litigation proceedings.

(3) **"Actuarially Required Contributions"** do not include the required contributions associated with the Health Insurance Program as described below under "– Other Post-Employment Benefits and Other Board Liabilities." Also note that this concept is referred to in the Chicago Public Schools Comprehensive Annual Financial Reports as "*Annual Required Contributions*" – see footnote to section "– *Actuarial Process*" for explanation of naming convention herein.

Funded Status of Pension Fund. As of the end of its Fiscal Year 2016, the Pension Fund had liabilities of $20,46,140,298 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) $10,610,746,831 if valued on an actuarial basis (using the "Asset Smoothing Method" (as described below), or (ii) $10,093,067,588 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $9.63 billion on an actuarial basis (using the Asset Smoothing Method), and $10.15 billion on a market value basis and Funded Ratios of 52.41% on an actuarial basis (using the Asset Smoothing Method) and 49.85% on a market value basis. The Fiscal Year 2016 Actuarial Liability of $20,246,140,298 represents a net increase of $294.9 million compared to the Actuarial Liability as of June 30, 2015. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2016 Actuarial Valuation Report. Information in the Actuarial Valuation regarding the reconciliation of change in Unfunded Actuarial Liability shows the impact of such factors as salaries, funding status and investment returns.

The following table summarizes the Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Fiscal Years 2005-2016 and the Annual Covered Payroll.

Table 2

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2005-2016

(All dollar amounts are in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2005	$10,506,471,213**	$13,295,876,206	$2,789,404,993	79.02%	$1,968,612,235	141.7%
06/30/2006	10,947,998,433**	14,035,627,452	3,087,629,019	78.00%	1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%
06/30/2014	10,045,542,575	19,503,893,632	9,458,351,057	51.51%	2,233,280,995	423.5%
06/30/2015	10,344,375,122	19,951,289,974	9,606,914,852	51.85%	2,273,551,432	422.6%
06/30/2016	10,610,746,831	20,246,140,298	9,635,393,467	52.41%	2,281,268,890	422.4%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its Fiscal Years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review, Valuation Information, Section 4, Exhibit I and Section 5, Exhibit 2 for Fiscal Years 2015-2016.

** Health Insurance Fund assets are included for Fiscal Years ending 6/30/2005 and 6/30/2006 and are excluded with the results for the Fiscal Year ending 6/30/2007 and thereafter.

Table 3

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Based on GASB No. 67 Actuarial Valuations Fiscal Years 2014-2016 (1)

Actuarial Valuation Date	Fiduciary Net Position (FNP) (a)**	Total Pension Liability (b)	Net Pension Liability (NPL) (b) - (a)	GASB 67 Funded Ratio (a) / (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2014	$10,815,694,614	$20,316,899,952	$9,501,205,338	53.23%	$2,233,280,995	425.4%
06/30/2015	$10,689,954,320	$20,713,217,296	$10,023,262,976	51.61%	$2,273,551,432	440.9%
06/30/2016	$10,093,067,588	$21,124,697,012	$11,031,629,424	47.78%	$2,281,268,890	483.57%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its Fiscal Years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review, Section 5, , Exhibit 2 for Fiscal Years 2015-2016.

(1) Excludes Health Insurance Fund Assets.

Table 4 shown on the following page presents projected required contributions, liabilities, assets, unfunded liability and funded ratios in the Fiscal Years 2016 through 2059 for the Pension Fund prepared by the Actuaries and which reflect the impact of P.A. 96-0889.

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Table 4

Projection of Contributions, Liabilities and Assets[1]

(Board contributions are based on P. A. 96-0889)
(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

Fiscal Year	Employee Contributions	Required Employer Contributions	Additional State Contribution	Additional Board Contribution	Required Board of Education Contributions[2]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio
2017	187.3	745.4	12.2	13	720.2	20,680.40	10,812.60	9,867.80	52.30%
2018	193.4	784.4	11.7	12.5	760.2	21,128.40	10,769.50	10,359.00	51.00%
2019	199.7	809.8	12.1	12.9	784.9	21,593.20	10,808.30	10,784.90	50.10%
2020	206	835.5	12.5	13.3	809.8	22,075.90	11,047.30	11,028.60	50.00%
2021	212.5	861.8	12.8	13.7	835.2	22,577.20	11,317.10	11,260.10	50.10%
2022	219.1	888.6	13.2	14.1	861.2	23,098.60	11,620.70	11,477.90	50.30%
2023	225.8	915.8	13.7	14.6	887.6	23,641.40	11,956.20	11,685.20	50.60%
2024	232.6	943.4	14.1	15	914.3	24,206.50	12,321.80	11,884.70	50.90%
2025	239.4	970.9	14.5	15.4	941	24,793.80	12,718.20	12,075.60	51.30%
2026	246.1	997.8	14.9	15.9	967.1	25,403.50	13,145.60	12,257.90	51.70%
2027	252.5	1,023.90	15.3	16.3	992.4	26,033.40	13,602.40	12,431.00	52.20%
2028	258.5	1,048.40	15.6	16.7	1,016.10	26,683.60	14,087.90	12,595.70	52.80%
2029	264.3	1,071.60	16	17	1,038.60	27,352.00	14,600.40	12,751.60	53.40%
2030	269.7	1,093.90	16.3	17.4	1,060.20	28,037.00	15,138.80	12,898.20	54.00%
2031	275	1,115.30	16.6	17.7	1,081.00	28,736.40	15,701.70	13,034.70	54.60%
2032	280.2	1,136.30	16.9	18.1	1,101.30	29,449.30	16,289.20	13,160.10	55.30%
2033	285.4	1,157.30	17.2	18.4	1,121.60	30,172.70	16,900.30	13,272.40	56.00%
2034	290.4	1,177.70	17.6	18.7	1,141.40	30,904.80	17,534.40	13,370.20	56.70%
2035	295.3	1,197.50	17.8	19	1,160.60	31,642.10	18,190.50	13,451.60	57.50%
2036	300	1,216.40	18.1	19.3	1,178.90	32,379.50	18,864.60	13,515.00	58.30%
2037	304.4	1,234.40	18.4	19.6	1,196.40	33,122.50	19,564.00	13,588.60	59.10%
2038	308.7	1,251.70	18.7	19.9	1,213.30	33,855.60	20,275.80	13,579.80	59.90%
2039	312.7	1,268.10	18.9	20.2	1,229.10	34,571.90	20,995.30	13,576.70	60.70%
2040	316.5	1,283.60	19.1	20.4	1,244.00	35,265.70	21,718.20	13,547.40	61.60%
2041	320.1	1,298.20	19.4	20.6	1,258.20	35,930.70	22,440.70	13,490.00	62.50%
2042	232.6	1,312.30	19.6	20.9	1,271.90	36,559.00	23,157.50	13,401.50	63.30%
2043	326.8	1,325.30	19.8	21.1	1,284.50	37,144.70	23,864.70	13,280.00	64.20%
2044	329.9	1,337.90	19.9	21.3	1,296.70	37,686.90	24,562.60	13,124.30	65.20%
2045	333.2	1,351.30	20.1	21.5	1,309.60	38,181.70	25,250.60	12,931.10	66.10%
2046	336.6	1,365.00	20.3	21.7	1,323.00	38,632.40	25,933.00	12,699.30	67.10%
2047	340.6	1,381.10	20.6	21.9	1,338.50	39,042.90	26,616.80	12,426.10	68.20%
2048	345.1	1,399.40	20.9	22.2	1,356.30	39,417.00	27,310.10	12,106.90	69.30%
2049	350	1,419.40	21.2	22.6	1,375.70	39,759.90	28,021.00	11,738.90	70.50%
2050	355.5	1,441.70	21.5	22.9	1,397.30	40,076.20	28,758.70	11,317.50	71.80%
2051	361.5	1,465.90	21.9	23.3	1,420.80	40,367.00	29,529.30	10,837.70	73.20%
2052	367.9	1,491.70	22.2	23.7	1,445.80	406,337.00	30,342.30	10,294.70	74.70%
2053	374.6	1,519.10	22.6	24.1	1,472.40	40,879.70	31,198.40	9,681.30	76.30%
2054	381.6	1,546.70	23.1	24.6	1,499.10	41,095.40	32,102.40	8,993.00	78.10%
2055	388.6	1,575.80	23.5	25	1,527.30	41,286.30	33,062.80	8,223.50	80.10%
2056	396.1	1,606.40	23.9	25.5	1,556.90	41,452.90	34,086.70	7,366.20	82.20%
2057	404.1	1,638.70	24.4	26	1,558.20	41,603.50	35,189.90	6,413.60	84.60%
2058	412.4	1,672.50	24.9	26.6	1,621.00	41,740.20	36,383.70	5,356.50	87.20%
2059	420.8	1,706.50	25.4	27.1	1,653.90	41,870.40	37,683.30	4,187.00	90.00%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016, Valuation Information, Section 4, Exhibit III.

(1) Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2016 actuarial valuation, including the 7.75% assumed rate of investment return, are exactly realized each year.

(2) Any discretionary contributions by the State of Illinois (other than the Additional State Contribution shown above) are to be credited against the required Board Payroll Contributions.

The projections in Table 4 rely on information produced by the Pension Fund's Actuaries (based on the actuarial assumptions employed by the Pension Fund) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results (including results of Fiscal Year 2016), and readers are cautioned not to place undue reliance on the prospective financial information. Neither the Board nor the Board's independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Investment Authority, Performance and Valuation of Assets. Investment authority for the Pension Fund is found in the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 17. A discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is available in the Pension Fund 2016 CAFR. The Pension Fund maintains a highly diversified portfolio of investments among U.S. stocks, real estate, fixed income, private equity, and international investments.

Investment Return. The 2016 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund. For valuation purposes, the assumed rate of return on the actuarial value of the assets for the year ending June 30, 2016 was 7.75%. This rate of return was the same as that used for the Fiscal Year ending June 30, 2015 and June 30, 2014 but was a decrease versus the ten Fiscal Years prior to the Fiscal Year ending June 30, 2014 where the Pension Fund assumed an investment rate of return of 8.0%. Due to the volatility of the market, however, the actual rate of return earned by the Pension Fund on its assets may be higher or lower than the assumed rate. The actual rate of return on an actuarial basis for the year ending June 30, 2016, was 8.6%. Since the actual return on an actuarial basis was greater than the assumed return, the Pension Fund experienced an actuarial gain with regard to its investments during the year ended June 30, 2016. The following table summarizes the actuarial and market investment returns on the assets in the Pension Fund for its Fiscal Years 2006-2016.

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Table 5

Investment Return

Fiscal Year	**Market Value**	**Actuarial Value**
2006	10.7%	9.6%
2007	17.7%	13.3%
2008	-5.3%	7.9%
2009	-22.4%	0.2%
2010	13.6%	-0.4%
2011	24.8%	-0.5%
2012	-0.4%	1.0%
2013	13.1%	11.2%
2014	17.9%	12.7%
2015	3.6%	8.2%
2016	-0.3%	8.6%
Average Returns		
Last 10 years:	5.3%	6.1%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016

Asset Smoothing. See "– Actuarial Methods – Actuarial Value of Assets" below for a discussion of the impact of Asset Smoothing on the valuation of investment returns.

Risks and Uncertainties. The Pension Fund invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Pension Fund's assets and impact required contributions.

The Actuarial Valuation

General. In addition to the process outlined herein, the Pension Code requires that the Pension Fund annually submit to the Board a report containing a detailed statement of the affairs of the Pension Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the funded status of the plan and establishes the statutorily required contribution amount. To calculate these amounts, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. Overall experience that is more favorable than anticipated (an actuarial gain), will have a decreasing effect on the contribution requirement. On the other hand, overall experience that is less favorable than expected (an actuarial loss) will have an increasing effect. A description of the statistics generated by the Pension Fund actuaries in the Actuarial Valuations follows in the next few paragraphs. The Governmental Accounting Standards Board ("GASB"), which is part of a private non-profit entity known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These GASB principles impact financial reporting by the Pension Fund and the employer but have no legal effect and do not impose any legal liability on the Board. Moreover, these GASB principles have no effect on the Pension Fund's statutorily required contribution amount. The references to GASB principles in this section do not suggest any legal effect or legal liability and should not be construed to suggest otherwise.

Actuarial Process. Under the Pension Code, the required employer contributions to fund the Pension Fund are determined by independent actuaries on an annual basis within nine months of the end of the Pension Fund's Fiscal Year. To meet the requirements of the Pension Code, the actuaries use demographic and other data (such as employee age, salary and service credits) and various assumptions (such as assumed investment return, estimated salary increases, interest rates, employee turnover, mortality and disability rates) to determine the amount that must be contributed in a given year. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates are made about the future. On an annual basis, the Pension Fund's actuary then produces a report called the "Actuarial Valuation," in which the actuary reports on the Pension Fund's assets, liabilities and the Required Annual Statutory Contribution for the following Fiscal Year.

Actuarial Methods

Pension Fund actuaries can employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets. The Pension Fund calculates the respective Actuarial Value of Assets by smoothing investment gains and losses over a period of four years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 25% of the investment gain or loss realized in that year and each of the previous three years. "Asset Smoothing" is an allowable method of determining the actuarial contribution and expense levels according to GASB; however, note that GASB No. 67 reporting now uses the market value of plan assets in order to calculate the NPL. As a result of the use of the Asset Smoothing Method, only a portion of investment gains or losses will be recognized in the year when realized. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. The smoothing of unexpected gains and losses occurs over a period of 4 years. The gain or loss for a year is calculated as the total investment income on the market value of assets, minus expected investment return on the prior actuarial value of assets. The final actuarial value is equal to the expected actuarial value plus (or minus) 25% of the calculated gain (or loss) in the prior 4 years. "Asset Smoothing" lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the Unfunded Actuarial Accrued Liability ("UAAL") and the Funded Ratio that may otherwise occur as a result of market volatility. However, "Asset Smoothing" delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true market value of pension plan assets at the time of the measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually (e.g., GASB No. 67 for reporting of the NPL).

Actuarial Assumptions

Use of Estimates and Assumptions. The Actuarial Valuations of the Pension Fund use a variety of estimates and assumptions to calculate the Actuarial Liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Pension Fund. Actual results almost always differ from those estimates and assumptions. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Liability, the Unfunded Actuarial Liability, the Funded Ratio or the actuarially calculated contributions and expense levels. Certain of these assumptions include the assumed rate of return on investments, mortality rates, termination rates, disability rates, retirement rates, salary progression, other interest rates used in the valuation, marital status, spouse's age and total service credit at retirement. The 2016 Actuarial Valuation Report, a copy of which may be viewed as described in "– Introduction" above, contains additional information on these assumptions.

The Pension Code requires the Pension Fund to conduct an actuarial experience review every five years. The purpose of the experience review is to determine the adequacy of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Pension Fund. Based upon the results of this review, the Pension Fund may change the actuarial assumptions as it deems appropriate.

Actuarial Valuation. The primary purpose of the Actuarial Valuation is to determine the amount the Board must contribute to the Pension Fund in a given Fiscal Year as provided in the Pension Code (the "Required Annual Statutory Contribution"). To determine the Required Annual Statutory Contribution, the actuary calculates both the "Actuarial Liability" and the "Actuarial Value of Assets." The Actuarial Liability is an estimate of the portion of the present value of the benefits that is attributable to the past service of the current employees and the retired members, which the Pension Fund is obligated to pay over time as those benefits become due. The Actuarial Liability is calculated by use of the Projected Unit Credit cost method and a variety of demographic assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). See Table 4, "Projection of Contributions, Liabilities and Assets" herein.

Any shortfall between the Actuarial Value of Assets and the Actuarial Liability is referred to as the "Unfunded Actuarial Liability" and represents the excess of the portion of the present value of benefits that is attributed to past service over the actuarial value of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Liability and is expressed as a percentage. An increasing Unfunded Actuarial Liability and a decreasing Funded Ratio from year to year signals a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing Unfunded Actuarial Liability and an increasing Funded Ratio indicates an improvement in the financial health of a pension plan because such change reflects a closing gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

The Actuaries use the Actuarial Liability, the Actuarial Value of Assets and the Unfunded Actuarial Liability to compute the Required Annual Statutory Contribution for the Pension Fund in accordance with the Pension Code. See "– State and Board Required Payroll Contributions" herein.

GASB Statements 67, 68 and 71

On June 25, 2012, GASB approved two new standards for employee pension accounting and financial reporting by state and local governments. The two new GASB statements, Nos. 67 and 68 ("GASB 67" and "GASB 68" and collectively, the "Statements"), replace some of the requirements of previous GASB statements (Nos. 25, 27, and 50) related to pension plans. Some of the key changes imposed by the Statements include: (1) requiring governments for the first time to recognize a Net Pension Liability ("NPL"), which is the difference between the Total Pension Liability ("TPL"; i.e., the portion of the present value of projected benefit payments to employees that is attributed to their past service under the level percentage of payroll Entry Age Normal cost method and the blended discount rate as described in GASB 67 and 68) and pension assets (mostly investments reported at fair market value) as a liability of the employer; (2) immediate recognition of annual service cost (net of employee contributions), interest on the Total Pension Liability, expected return on assets (a negative component of expense), and immediate recognition of the effect on net pension liability of changes in benefit terms, and amortization of gains and losses (including changes in assumptions); (3) the effects on net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the Statements will have an impact on the Unfunded Actuarial Liability. However, because the Board contributes to the Pension Fund pursuant to methods established by the Pension Code, the Statements would not impact the contributions made by the Board without legislative action. GASB 67 went into effect for Fiscal Year 2014 and GASB 68 became effective for Fiscal Year 2015.

GASB 68, Accounting and Financial Reporting for Pensions, was effective for the Board beginning with its Fiscal Year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this standard will result in an unfunded pension liability to be recognized on the Statement of Net Position.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was effective for the Board with Fiscal Year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

Actuaries, the Actuarial Process and GASB. GASB standards are completely independent from the Pension Code's requirements. GASB No. 67, which became effective for plan reporting for the Fiscal Year ending June 30, 2014 and is discussed in more detail below, relates to the reporting of an NPL and an Actuarially Determined Contribution ("ADC"). The NPL reported is equal to the difference between the TPL, as calculated using the level percentage of payroll Entry Age Normal Cost actuarial cost method and the blended discount rate as described in GASB 67, and the Plan's Fiduciary Net Position ("FNP", i.e., the market value of plan assets). The amount of the GASB No. 67 ADC reported is the employer's Normal Cost plus a 30-year fixed-period amortization payment on the UAAL beginning July 1, 2013 as a level percentage of payroll. Starting in Fiscal Years that begin after June 15, 2014, GASB Statement No. 68 changes the way that an employer's accounting expense is determined for a pension plan. Under the new method, the annual expense reported is determined on an actuarial basis (using the level percentage of payroll Entry Age Normal actuarial cost method and the blended discount rate as described in GASB 68) and by amortizing any unfunded liability over a period no longer than the average remaining service period of covered employees (actives and inactive employees combined).

Board's Contributions Not Related to GASB Standards. The Board's contribution to the Pension Fund is not based on the standards promulgated by GASB for reporting purposes. Instead, the Board's contribution is based on the requirements of the Pension Code. While both the GASB and the Pension Code calculations are determined utilizing actuarial techniques, there are many differences between these two calculations. Thus, the contribution amount required by the Pension Code is different than the GASB No, 67 ADC or the GASB No. 68 accounting expense amount. One primary difference is that the goal of the Pension Code's statutorily-required contribution amounts is to reach a Funded Percentage in the Pension Fund of 90% by 2059 via contribution amounts that remain a level percentage of salary over a 43-year period from FY 2017 to FY 2059; whereas, GASB's financial reporting standards require the calculation of an ADC or annual expense amount that amortizes the plan's entire UAAL over a shorter time period (i.e., over a 30-year fixed-period beginning July 1, 2016) and which is designed to recognize 100% of the total plan liability, rather than just 90% of the total plan liability.

Overlapping Taxing Bodies

The Board's tax base overlaps with numerous other units of government, including the Overlapping Taxing Districts and the State of Illinois. Certain of the Overlapping Taxing Districts and the State maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion of the contributions to such plans. Additional information regarding each of the Overlapping Taxing Districts and the State (including with respect to their pension plans) may be obtained on their respective websites. None of the information on such websites is incorporated by reference into this Disclosure and the Board takes no responsibility for the information contained therein nor has the Board attempted to verify the accuracy of such information.

Recent Reports Regarding the Pension Fund

For more information on the Pension Fund and the retirement funds of the overlapping taxing bodies, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website. None of the information on such website is incorporated by reference into this Disclosure and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

The COGFA is a bipartisan, joint legislative commission intended to provide the State General Assembly with information relevant to the State's economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long-range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State. As a result of these responsibilities, COGFA issues several reports on an annual basis which provide an overview of the financial condition of various Illinois pension funds, including the Pension Fund. The COGFA reports provide significant information on the funded status, historical and projected information with respect to pensions and a history of pension legislation. COGFA does not make findings in the COGFA Report.

Pensions for Other Board Personnel

Overview. Employees of the School District that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. Except as described below in the section captioned "*– Members and Member Contributions*," the Board makes no direct contributions to the Annuity Fund. The Annuity Fund receives its income from three primary sources: a City tax levy; income from investments; and deductions from participating employees' salaries.

The Annuity Fund is administered under the direction of a five-member retirement board (the "Retirement Board") comprised of three elected members and the City Treasurer and the City Comptroller serving ex-officio. The Retirement Board sets investment policies and objectives, hires investment managers and investment consultants, reviews investment performance and makes the final decision in granting or denying rights, credits and benefits to members.

The Annuity Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, death, and health benefits for certain employees of the City and the Board. It is administered in accordance with the Pension Code and has a Fiscal Year ending December 31.

Legal Authority and Funding. Article 8 of the Pension Code governs the retirement, survivor and disability benefits provided by the Annuity Fund and establishes the statutorily required contributions from participating employers and employees. Current active members (totaling 30,296 active members as of December 31, 2016) contribute 8.5% of their salary. The Pension Code requires that the City of Chicago contribute 1.25 times the amount the member contributed two years prior (the "Annuity Fund Statutory Required Contributions"). The City is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Annuity Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually. The Pension Code does not require that the Annuity Fund Statutory Required Contributions be sufficient to cover the actuarially determined contribution requirement (the "Annual Required Contribution"). For the past ten years the Annuity Fund Statutory Required Contribution has been less than the Annual Required Contribution and does not conform to the requirements of GASB 25.

Members and Member Contributions. As of December 31, 2016, the Annuity Fund had 72,408 total members including 25,236 retirees and beneficiaries, 16,876 inactive members entitled to benefits and 30,296 active members (of which 15,741 were vested and 14,555 were non-vested). As of December 31, 2015, the most recently available information, CPS employees comprised about 56% of the Annuity Fund's active participants. In Fiscal Year 2015, the Board agreed to pay (as it has done in recent years) 7% of current members salary to offset the required employees' contribution (8.5%) to the Annuity Fund. The Board received a portion of the cost of providing pension benefits from grants by the Federal government for career service employees paid from certain Federally-funded programs. In the opinion of the Board and its legal counsel, the Board has no statutory duty to contribute any sum to the Annuity Fund. In August 2015, the Board announced a scheduled end to contributions made by CPS directly on behalf of non-union employees. Over the three years ending in Fiscal Year 2019 (calendar year ending June 30, 2019), the biweekly contributions made by CPS will be phased out and replaced by offsetting increases in the biweekly contributions made directly by the employees. The CPS non-union employees who participate in either the Annuity Fund or the Pension Fund are subject to this change.

Funded Status of Annuity Fund. As of the end of its Fiscal Year 2016, the Annuity Fund had actuarial accrued liabilities of $15,055,348,696, compared to $14,655,261,717 as of the end of Fiscal Year 2015, and assets of: (i) $4,590,366,241, compared to $4,815,126,844 as of the end of Fiscal Year 2015, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) $4,436,227,596, compared to $4,741,427,557 as of the end of Fiscal Year 2015, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $10,464,982,455, compared to $9,840,134,873 as of the end of Fiscal Year 2015, on an actuarial basis (using the Asset Smoothing Method), and $10,619,121,100, compared to $9,913,834,160 as of the end of Fiscal Year 2015, on a market value basis; and Funded Percentages of 30.49% compared to 32.86% as of the end of Fiscal Year 2015, on an actuarial basis (using the Asset Smoothing Method) and 29.47% compared to 32.35% as of the end of Fiscal Year 2015, on a market value basis. The Actuaries project that, under current law and without additional funding, the Annuity Fund will not have assets on hand to make payments to beneficiaries beginning in 2025. As of the date of this Disclosure, the Actuaries have not reassessed the funding status of the Annuity Fund in light of the provisions of SB 14 (see, "– Legislation and Litigation Relevant to the Retirement Funds" below).

Other Post-Employment Benefits and Other Board Liabilities

Retiree Health Insurance Program. Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). The actuarial analysis is contained Pension Fund 2016 CAFR and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601 or as described under "– Introduction" herein. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in the Health Insurance Program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers.

Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 60% of the individual member's cost for calendar years 2012, 2013 and 2014; in 2015, the premium subsidy was lowered to 50%. Effective January 1, 2015, a premium subsidy of 50% has been used. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. This spending limit has changed several times within the last twenty years and is subject to further change if new legislation is passed. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB Statement No. 45, *Accounting and Financial Reporting of Employers for Postemployment Benefits Other than Pension*.

The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although the Board does not contribute directly to retirees' health care premiums, the impact of the annual retiree healthcare payments from the Pension Fund does require increased contributions by the Board to build assets to the 90% funded percentage requirement. As of June 30, 2016, there were 18,063 retirees and beneficiaries in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund. The Board contributes to the Pension Fund on a level percentage of pay basis to the extent the Funded Ratio of the Pension Fund is less than 90%. Amounts diverted from the Pension Fund to the Health Insurance Program reduce the Funded Ratio of the Pension Fund and require subsequently increased contributions by the Board to build assets to the 90% funded percentage requirement for the Pension Fund.

Pursuant to the 2016 Health Insurance Plan Actuarial Valuation Report, as of June 30, 2016 (a) the total actuarial liability for the Health Insurance Program has been estimated to be $2,222,546,319, (b) the actuarial value of assets is $20,229,722, (c) the unfunded actuarial liability is $2,202,316,597, (d) the funded ratio is 0.91% and (e) the annual required contribution was $135,505,273. This estimate represents the amount of healthcare benefits under the Health Insurance Program, without any assumption as to a limit on the amount the Pension Fund may divert to the Health Insurance Program.

Sick Pay Benefits. In addition to the Pension and Health Insurance benefits noted above, as of June 30, 2016, the Board had $311,378,000 in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. Additional information regarding sick pay benefits is included within Note 12 of the Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2016.

Legislation and Litigation Relevant to the Retirement Funds

From time to time, legislation has been introduced in the State General Assembly that would reform the Retirement Funds and the formulae for State funding of school districts generally. Certain of such proposed legislation in the past has addressed changes to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions and benefits (including cost of living adjustments and retirement ages). In addition, proposed legislation has addressed general State funding of schools which would incidentally impact the funds available to the Retirement Funds. The Board cannot predict if the State General Assembly will adopt and the Governor will sign any such legislation or the final form of any such legislation. In addition, the Board cannot predict if any such legislation if enacted, including particularly pension reform legislation, would withstand any legal challenges. Following is a discussion of recent legislation and certain pending legislation as of the date of the Disclosure.

Public Act 110-465 ("P.A. Act 110-465"), which became law in the summer of 2017, provides for an increase in the required annual State Contribution to the Board's Pension Fund in the amount of approximately $221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. This $221 million will increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions. See "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465" and "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS" in the Official Statement.

Public Act 099-0521. In 2016, the State General Assembly adopted and Governor Rauner signed, Public Act 099-0521 that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383%. The proceeds from this additional tax are expected to be approximately $250 million in Fiscal Year 2017 and will be paid directly to the Pension Fund and to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. Public Act 099–0521 became effective June 1, 2017 and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of $250 million with the second property tax installment payment expected to be due August 1, 2017. The Board's required Statutory Contribution to the Pension Fund was paid June 30, 2017 net of the expected Tax Year 2016 Pension Property Tax collection. The Board is negotiating an agreement with the Pension Fund relating to the treatment of the credit of the Pension Fund Property Tax against the Board's Statutory Contribution, but the Board can provide no assurance that such an agreement will be entered into with the Pension Fund.

P.A. 100-0023. Public Act 100-0023 ("P.A. 100-0023"), which became law in the summer of 2017, changed the funding requirements of the Annuity Fund and impacts the amounts of cost of living adjustments, retirement ages and employee contributions in order to address the Annuity Fund's underfunding. The impact of these changes will be seen in the information produced by the Annuity Fund in the current fiscal year ending June 30, 2018.

As of the date of this Disclosure, there is no litigation relevant to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions or benefits (including cost of living adjustments and retirement ages) related to the Retirement Funds.

APPENDIX F

FORMS OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEDGED CAPITAL IMPROVEMENT TAXES

The Board will direct the County Treasurers of each county in which the School District is located, acting as the collectors of property taxes in such counties (the "**County Collectors**" and each a "**County Collector**") to segregate from each distribution of property tax collections to the Board the amount of total tax collections attributable to the Capital Improvement Tax extended and collected and to directly deposit the amount so segregated with the Trustee under the Indenture (each a **"Deposit Direction"**). On the following pages are the forms of Deposit Direction to be executed by the Board and delivered to the County Collectors, one each for the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy.

Form of Deposit Direction Regarding Bond Resolution Series Levy

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES
EXTENDED AND COLLECTED FOR THE PAYMENT OF
DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2017
OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution 17-1025-RS4 adopted by the Board of Education of the City of Chicago (the "*Board*") on October 25, 2017, and being entitled:

> RESOLUTION Providing for the issue of One or More Series of Dedicated Capital Improvement Tax Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to exceed $75,000,000

(the "*Bond Resolution*"), a certified copy of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of $75,000,000 in one or more series (the "*Bonds*") and levied a direct annual capital improvement tax on all taxable property within the school district governed by the Board (the "*School District*") pursuant to Section 34-53.5 of the Illinois School Code (the "*Capital Improvement Tax*") for each of the years 2018 to 2044, inclusive, sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution (the "*Pledged Capital Improvement Taxes*").

The Bond Resolution further authorized the direct deposit of such direct annual capital improvement tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual capital improvement tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $64,900,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2017 (the "*Series 2017 Bonds*"). The Senior Vice President of

Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Capital Improvement Taxes to pay the principal of and interest on the Series 2017 Bonds (the "*Series 2017 Pledged Capital Improvement Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2017 Pledged Capital Improvement Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to that certain Master Trust Indenture dated as of December 1, 2016 (the "*Master Indenture*") by and between the Board and Amalgamated Bank of Chicago, as Trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture dated as of December 1, 2016 (the "*First Supplemental Indenture*") and by the Second Supplemental Indenture dated as of November 1, 2017 (the "*Second Supplemental Indenture*;" the Master Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is referred to as the "*Indenture*") by and between the Board and the Trustee.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2017 Pledged Capital Improvement Taxes are to be extended, commencing with the taxes levied for the year 2018 (collectible in 2019), the Board shall file in your office (i) evidence of the abatement in full of the Series 2017 Pledged Capital Improvement Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution to be received during such year which is attributable to the Series 2017 Pledged Capital Improvement Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2017 Pledged Capital Improvement Taxes subject to such Segregation Order.

If in any year for which any of the Series 2017 Pledged Capital Improvement Taxes have been levied (as set out in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2017 Pledged Capital Improvement Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2017 Pledged Capital Improvement Taxes levied for such year bears to the total tax extension of the Board for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2017 Pledged Capital Improvement Taxes specified for such year in *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2017 Pledged Capital Improvement Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ______________________
For Final Credit to: _____________________
Reference: ____________________________
Attention: _____________________________

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2017 Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Series 2017 Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of November, 2017.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2017 PLEDGED CAPITAL IMPROVEMENT TAXES

LEVY YEAR	TAX LEVY
2018	$ 3,245,000
2019	3,245,000
2020	3,245,000
2021	3,245,000
2022	3,245,000
2023	3,245,000
2024	3,245,000
2025	3,245,000
2026	3,245,000
2027	3,245,000
2028	3,245,000
2029	3,245,000
2030	3,245,000
2031	6,555,000
2032	6,554,500
2033	6,555,750
2034	6,558,250
2035	6,556,500
2036	6,555,250
2037	6,559,000
2038	6,557,000
2039	6,559,000
2040	6,554,250
2041	6,557,500
2042	6,557,750
2043	6,554,500
2044	6,557,250

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2016, with the Board of Education of the City of Chicago (the "*Board*"), as supplemented by the First Supplemental Indenture, dated as of December 1, 2016 and by the Second Supplemental Indenture dated as of November 1, 2017 (collectively, the "*Indenture*"), with the Board, providing for the issuance of $64,900,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2017 Bonds described in said Direction and will apply all collections of the Series 2017 Pledged Capital Improvement Taxes as provided in the Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ____________________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2044, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____

County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2044, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

Form of Deposit Direction Regarding Annual Coverage CIT Tax Levy

**DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES
EXTENDED AND COLLECTED FOR THE PAYMENT OF
ANNUAL DEBT SERVICE COVERAGE FOR THE
DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2017
OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO**

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution 17-1025-RS4 adopted by the Board of Education of the City of Chicago (the "*Board*") on October 25, 2017, and being entitled:

> RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF DEDICATED CAPITAL IMPROVEMENT TAX BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $75,000,000

(the "*Bond Resolution*"), a certified copy of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of $75,000,000 in one or more series (the "*Bonds*") and levied a direct annual capital improvement tax on all taxable property within the school district governed by the Board (the "*School District*") pursuant to Section 34-53.5 of the Illinois School Code (the "*Capital Improvement Tax*") for each of the years 2018 to 2044, inclusive, sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution (the "*Pledged Capital Improvement Taxes*").

The Bond Resolution further authorized the direct deposit of such direct annual capital improvement tax, if and when extended for collection, with the Amalgamated Bank of Chicago, as trustee (the "Trustee"), and the undersigned has designated the Trustee as escrow agent for application of collections of such direct annual capital improvement tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

The Board has entered into that certain Master Trust Indenture dated as of December 1, 2016 (the "*Master Indenture*") by and between the Board and Amalgamated Bank of Chicago, as Trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture dated as of December 1, 2016 (the "*First Supplemental Indenture*") and pursuant to the authority granted in the Bond Resolution, the Board has authorized the execution and delivery of a certain Second Supplemental Indenture dated as of November 1, 2017 (the "*Second Supplemental Indenture*" and together with the Master Indenture and the First Supplemental Indenture, the "*Indenture*") by and between the Board and the Trustee, and (ii) the issuance and delivery, pursuant to the Indenture, of its $64,900,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2017 (the "*Series 2017 Bonds*").

In the Master Indenture, the Board has covenanted to levy the Capital Improvement Tax, as required and in sufficient amounts such that, for each year that Capital Improvement Taxes are levied for the payment of Series 2017 Bonds issued pursuant to the Master Indenture, the amount of Capital Improvement Taxes (including the Pledged Taxes) levied in such year will not be less than 110% of the debt service coming due on such Series 2017 Bonds during the annual period commencing on April 2 of each calendar year (the "*Annual Debt Service Coverage Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Annual Debt Service Coverage Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to the Indenture.

In each year for which Annual Debt Service Coverage Taxes are to be extended, prior to February 15 of the succeeding calendar year the Board shall file in your office a copy of the ordinance authorizing the levy of such Annual Debt Service Coverage Taxes and specifying the amounts to be so levied. Promptly upon receipt of the first distribution of collections of property taxes in each year for which Annual Debt Service Coverage Taxes are to be extended, you are to segregate and pay directly to the Trustee for deposit to the account identified below the amount specified in such ordinance.

As of the date of filing of this Direction, the Annual Debt Service Coverage Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ____________________
For Final Credit to: ___________________
Reference: _________________________
Attention: __________________________

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2017 Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Series 2017 Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of November, 2017.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2016, with the Board of Education of the City of Chicago (the "*Board*"), as supplemented by the First Supplemental Indenture, dated as of December 1, 2016 and the Second Supplemental Indenture dated as of November 1, 2017 (collectively, the "*Indenture*"), with the Board, providing for the issuance of $64,900,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2017 with respect to the Series 2017 Bonds described in said Direction and will apply all collections of the Annual Debt Service Coverage Taxes as provided in the Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ______________________________
Authorized Officer

State of Illinois)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2044, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2044, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

APPENDIX G

FORM OF OPINIONS OF CO-BOND COUNSEL

November 30, 2017

The Board of Education
of the City of Chicago

Dear Members:

We have examined a record of proceedings relating to the issuance of $64,900,000 aggregate principal amount of Dedicated Capital Improvement Tax Bonds, Series 2017 (the "2017 Bonds") of the Board of Education of the City of Chicago, a school district of the State of Illinois (the "Board") duly organized and existing under Article 34 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"). The 2017 Bonds are authorized and issued under and pursuant to the Section 34-53.5 of the School Code and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Debt Reform Act"), and by virtue of Resolution 17-1025-RS4 adopted by the Board on October 25, 2017 (the "Bond Resolution"). The 2017 Bonds are issued and secured under the Master Trust Indenture dated as of December 1, 2016 (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture dated as of November 1, 2017 (the "Second Supplemental Indenture") by and between the Board and the Trustee. The 2017 Bonds are a Series of Additional Bonds and a Series of Consolidated Reserve Fund Bonds under the Indenture. Terms used herein that are defined in the Indenture and the Second Supplemental Indenture shall have the meaning set forth therein unless otherwise defined herein.

The 2017 Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The 2017 Bonds are dated November 30, 2017 and bear interest from their date at the rate of five per centum (5.00%) per annum, payable on April 1, 2018 and semiannually thereafter on each April 1 and October 1. The 2017 Bonds mature on April 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2033	$ 3,310,000
2034	3,475,000
2035	3,650,000
2036	3,835,000
2037	4,025,000
2042	23,355,000
2046	23,250,000

The 2017 Bonds are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a single maturity, on April 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The 2017 Bonds maturing on April 1, 2042 and April 1, 2047 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the Second Supplemental Indenture, in part and by lot, at a redemption price equal to the principal amount thereof to be redeemed, by the application of annual sinking fund installments on April 1 of the years and in the principal amounts set forth in the following tables:

2042 Term Bonds		2046 Term Bonds	
Year	Principal Amount	Year	Principal Amount
2038	$4,225,000	2043	$5,395,000
2039	4,440,000	2044	5,665,000
2040	4,660,000	2045	5,945,000
2041	4,895,000		

Pursuant to the Indenture the Board has heretofore issued and there are currently outstanding $729,580,000 aggregate principal amount of Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 Bonds"). Pursuant to the Indenture, the 2016 Bonds, the 2017 Bonds and all other Bonds hereafter issued under the Indenture are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes without limitation (i) the Capital Improvement Taxes, (ii) the Escrow Fund held by the Trustee under the Indenture; (iii) the Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Debt Service Fund into dedicated sub-funds, including the Series 2017 Dedicated Sub-Fund established and maintained for the benefit of the 2017 Bonds under the Second Supplemental Indenture and (iv) the Consolidated Debt Service Reserve Fund for Consolidated Reserve Fund Bonds issued under the Indenture.

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be provided to the purchasers of the 2017 Bonds.

The 2017 Bonds are issued for the purpose of financing Permitted Expenditures allowed under Section 34-53.5 of the School Code. The revenues collected from the Capital Improvement Tax may only be used for the capital improvement purposes allowed under Section 34-53.5 of the School Code and as security for the payment of bonds, including the 2017 Bonds, issued pursuant to Section 34-53.5 of the School Code and the Debt Reform Act.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Capital Improvement Taxes are the property of the Board. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to levy the Capital Improvement Tax, to pledge the Capital Improvement Taxes as security for the payment of the 2017 Bonds, to adopt the Bond Resolution, to enter into the Indenture and the Second Supplemental Indenture, and to issue the 2017 Bonds thereunder.

2. The Bond Resolution has been duly adopted by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable against the Board in accordance with its terms.

3. The Indenture and the Second Supplemental Indenture have been duly authorized, executed and delivered by the Board and constitute valid and binding contractual obligations of the Board enforceable in accordance with their terms.

4. The 2017 Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Board payable from the Series 2017 Dedicated Sub-Fund and the Consolidated Debt Service Reserve Fund, are entitled to the benefits and security of the Indenture and the Second Supplemental Indenture, and are enforceable against the Board in accordance with their terms. The 2017 Bonds are not general obligations of the Board. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for the payment of the principal of or interest on the 2017 Bonds.

5. All Bonds, including the 2017 Bonds, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of, lien on and security interest in the Trust Estate for the benefit and security of all Bonds, subject to application of the Trust Estate in accordance with the terms of the Indenture, including periodic withdrawals of moneys free from the lien of the Indenture.

6. Interest on the 2017 Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the 2017 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Interest on the 2017 Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2017 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the 2017 Bonds. These requirements relate to the use and investment of the proceeds of the 2017 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2017 Bonds and the use and tax ownership of the property financed with the proceeds of the 2017 Bonds. The Board has covenanted in the Second Supplemental Indenture to comply with these requirements.

Interest on the 2017 Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2017 Bonds, the Bond Resolution, the Indenture and the Second Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

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APPENDIX H

FORM OF SPECIAL REVENUES OPINION

November 30, 2017

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Dedicated Capital Improvement Tax Bonds, Series 2017 – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Dedicated Capital Improvement Tax Bonds, Series 2017, in the aggregate principal amount of $64,900,000 (the "2017 CIT Bonds"), issued pursuant to that certain Master Trust Indenture, dated December 1, 2016 (the "Master Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee") and that certain Second Supplemental Indenture, dated as of November 1, 2017 (the "Supplemental Indenture"), by and between the Board and the Trustee.

The Board authorized its issuance of the 2017 CIT Bonds pursuant to the following resolutions: (i) Resolution No. 16-1026-RS1, adopted by the Board on October 26, 2016 (the "Bond Resolution") and (ii) Resolution No. 17-1025-RS4, adopted by the Board on October 25, 2017 (the "Second Supplemental Bond Resolution"). The Board's issuance of the 2017 CIT Bonds pursuant to the Master Indenture, the Supplemental Indenture and the Resolutions is referred to herein as the "Financing." The Board has previously issued its Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 CIT Bonds") which were authorized by the Bond Resolution and Resolution No. 16-1207- RS2, adopted by the Board on December 7, 2016 (the "First Supplemental Bond Resolution" and together with the Bond Resolution and the Second Supplemental Bond Resolution, the "Resolutions").

In preparing this opinion letter, we have reviewed the Master Indenture, the Supplemental Indenture, the Resolutions, that certain Tax Regulatory Certificate, executed by the Board on November 30, 2017 (the "Tax Certificate"), the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago, dated November 20, 2017 (the "Debt Service Direction"), the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2017 of the Board of Education of the City of Chicago, dated November 20, 2017 (the "Coverage Direction, and together with the Debt Service Direction, the "Deposit Directions") and applicable statutes of the State of Illinois and the United States, as referenced herein. The Master Indenture, the Supplemental Indenture, the Resolutions, the Tax Certificate and the Deposit Directions are referred to herein, collectively, as the "Bond Documents."

The Financing will be used to fund (i) the costs to acquire, construct and equip school buildings, perform site improvements and acquire and improve other real and personal property in and for the public school district of the City of Chicago, Illinois (the "School District") as permitted by Section 34-53.5 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code") and in accordance with the Board's list of capital projects approved by the Supplemental Bond Resolution and annexed thereto as Exhibit A (the "Project List"), including reimbursement of the Board for its prior payment of costs associated with the capital improvement program, (ii) capitalized interest on the 2017 CIT Bonds, (iii) a reserve for the payment of debt service on the 2017 CIT Bonds and (iv) the costs of issuance of the 2017 CIT Bonds.

Payment of the 2017 CIT Bonds is secured by the Board's pledge of and its granting of liens upon revenues resulting from the Board's levy of the capital improvement tax (the "Capital Improvement Tax") authorized pursuant to Section 34-53.5 of the School Code upon all taxable property within the School District for the levy years 2018 through 2044, inclusive. The 2017 CIT Bonds are secured exclusively by the Pledged Capital Improvement Taxes and any interest or other income generated therefrom and are not the general obligations of the Board.

Capitalized terms used but not defined herein have the meanings assigned to them in the Master Indenture and the Supplemental Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code"), would determine that the pledged Capital Improvement Tax revenues that secure payment of the 2017 CIT Bonds (the "Pledged CIT Revenues") are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2017 CIT Bonds, under Illinois law and (ii) "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and, consequently, that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2017 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture.

In connection with the Financing, you have also requested our opinion as to whether the Board's revocation or modification of the Deposit Directions in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due on the 2017 CIT Bonds would violate the Board's covenants under the Bond Documents and Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act").

II. ASSUMPTIONS

We have examined the Bond Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Bond Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Bond Documents and that the Bond Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Bond Documents submitted to us as originals; (d) the conformity of the Bond Documents submitted to us as copies of the executed and delivered originals thereof; (e) the genuineness of all signatures on all Bond Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Bond Documents or otherwise in connection with the transactions contemplated by the Bond Documents; (g) the representations and warranties of the Board set forth in the Bond Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee, and the County Clerks and County Collectors (each, as defined below) will perform its obligations under applicable Illinois law and the Bond Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Bond Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the 2017 CIT Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Bond Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

On October 25, 2017, the Board adopted the Second Supplemental Bond Resolution for the purpose of, *inter alia*, approving the Project List – a list of capital projects to be financed with the proceeds of the 2017 CIT Bonds – and authorizing the use of the proceeds of the 2017 CIT Bonds to fund a consolidated debt service reserve fund and a capitalized interest account for the 2017 CIT Bonds. A copy of the Project List is annexed to the Second Supplemental Bond Resolution as Exhibit A.

Capital Projects

The capital projects set forth on the Project List consist of various projects to construct, renovate and/or equip school buildings and other facilities within the School District. The estimated costs of such projects aggregate approximately $70,000,000. Pursuant to the terms of the Supplemental Indenture, except to the extent the proceeds of the 2017 CIT Bonds will be used to pay capitalized interest, fund a consolidated debt service reserve and pay the costs of issuance of the 2017 CIT Bonds, such proceeds will be used exclusively to fund the costs of completing the capital projects set forth on the Project List, as further limited by the Supplemental Indenture and as may be modified or supplemented by subsequent resolutions of the Board, including, the costs of acquisition, construction and equipping of school buildings and facilities (including financing charges related to such costs), the costs of design, engineering and legal expenses, plans, specifications, surveys, as well as administrative expenses and other expenses necessary or incident to completing or determining the feasibility of completing particular projects on the Project List (collectively, "Costs of Construction"). Pursuant to Section 404 of the Supplemental Indenture, the Board has covenanted to include the construction of the projects set forth in the Project List, as further limited by the Supplemental Indenture, in each of its annual capital improvement programs until such time that the projects are completed. The Board approves by resolution and publishes its capital improvement program at least once a year and retains a copy on file with the Secretary of the Board. Accordingly, any changes to the capital projects permitted by the Supplemental Indenture must be included in the Board's capital improvement program and approved by resolution of the Board.

Pledged CIT Revenues

The 2017 CIT Bonds are payable from and secured by a valid lien upon and pledge of the Pledged CIT Revenues. As discussed below, the Pledged CIT Revenues will serve as the sole source for the payment of the 2017 CIT Bonds.

Under Section 3 of the Second Supplemental Bond Resolution, the Board has levied the Capital Improvement Tax for the years 2018 through 2044, inclusive, upon all taxable property within the School District for the purpose of providing sufficient funds to pay all principal of and interest on the 2017 CIT Bonds for each of the years that the 2017 CIT Bonds are outstanding.[1] The Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce, for each year of the levy, the amount of Capital Improvement Tax revenues set forth in a table in Section 4 of the Bond Resolution, and shall extend the Capital Improvement Tax for collection at such rates on behalf of the Board. Pursuant to Section 705 of the Master Indenture, for each year the 2017 CIT Bonds are outstanding, the Capital Improvement Tax is to be set at a rate so as to produce revenues equal to not less than 110% of all interest and principal payments due on the 2017 CIT Bonds during the next bond year.

Deposit and Application of Pledged CIT Revenues

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200 (the "Property Tax Code") and Sections 6 and 7 of the Bond Resolution, in order to secure the payment of the 2017 CIT Bonds, the Board is authorized to establish an escrow fund to hold and segregate the Pledged CIT Revenues and to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Capital Improvement Tax levied under the Bond Resolution directly into such escrow fund.

Pursuant to the Master Indenture, all of the revenues received from the collection of the Capital Improvement Tax must be paid directly by the County Collectors to the Trustee and deposited into an escrow fund created under the Master Indenture (the "Escrow Fund"). The Escrow Fund shall be an account separate and segregated from all other accounts of the Board. On November 20, 2017, the Board's Senior Vice President of Finance (who is a designated official under the Bond Resolution) issued the Deposit Directions to the County Collectors, pursuant to which the Board has irrevocably directed the County Collectors to transfer all collections of the Pledged Capital Improvement Taxes directly to the Trustee for deposit into the Escrow Fund. Section 709 of the Master Indenture provides that, as long as any of the 2017 CIT Bonds remain outstanding, the Board will not modify or amend the Deposit Directions in any way that would result in the deposit with the Trustee of less than all of the Capital Improvement Tax revenues collected on behalf of the Board in any year. Any modification of the Deposit Directions in a manner not permitted by the Master Indenture is an event of default thereunder.

Pursuant to Section 301(A) of the Supplemental Indenture, a "Series 2017 Dedicated Sub-Fund" is created within the Debt Service Fund created under the Master Indenture. On each business day commencing February 1, 2018, the Trustee is required to allocate moneys in the Escrow Fund as follows:

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[1] This opinion addresses only whether the Pledged CIT Revenues collected from the levy of the Capital Improvement Tax under the Supplemental Bond Resolution would be regarded as special revenues in a hypothetical chapter 9 case filed by the Board. Under the terms of the Supplemental Indenture, the Board has elected to capitalize interest payments due on the 2017 CIT Bonds in 2018 and April 1, 2019. Accordingly, the first cash payments to be made to holders of the 2017 CIT Bonds will begin October 1, 2019, after Capital Improvement Tax revenues collected from the levy imposed by the Supplemental Bond Resolution become available.

First, to the debt service fund established under the Supplemental Indenture until the amount deposited in that fund is sufficient to pay all interest and principal payments due on the 2017 CIT Bonds during the next bond year;[2] second, to a consolidated debt service reserve fund until the amount deposited in that fund is equal to 14% of the maximum amount of principal and interest payable on the 2017 CIT Bonds (and any other bonds issued under the Master Indenture) in any bond year that such bonds are outstanding; third, to the debt service fund again to fund any other obligations required under the Supplemental Indenture; fourth, to pay any tax anticipation notes issued by the Board in anticipation of the collection of Capital Improvement Taxes;[3] fifth, for the payment of indebtedness of the Board secured by Capital Improvement Tax revenues other than bonds issued under the Master Indenture (but which indebtedness must be subordinate to all bonds issued under the Master Indenture); and sixth, to fund a "Permitted Expenditures Account" (a subaccount of the Escrow Fund) for the purpose of paying expenses for capital projects as permitted by Section 504(B) of the Master Indenture.

Accordingly, under the terms of the Master Indenture, all of the Capital Improvement Tax revenues collected on behalf of the Board in any year are deposited directly into the Escrow Fund and then promptly transferred to fund debt service on bonds secured by such revenues, including the 2017 CIT Bonds, through the next bond year (*i.e.*, all payments due through April 1st of the year following the year of collection). After the debt service fund and the consolidated debt service reserve are fully funded to their requirements, and, further, after the payment of any tax anticipation notes and subordinated indebtedness permitted by the Master Indenture, the Pledged CIT Revenues are then deposited into a separate account – the Permitted Expenditures Account – used for funding other capital improvement projects.

Pursuant to Section 504(B) of the Master Indenture, amounts held in the Permitted Expenditures Account may be paid by the Trustee to the Board or its contractors from time to time "for the payment or reimbursement of Permitted Expenditures that are Capital Expenditures…."[4] The Master Indenture defines Capital Expenditures to mean the following:

> an authorized expenditure of the Board that is or may be capitalized under generally accepted accounting practices applicable to the Board and is made with respect to a project or system of the Board. This

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2 The Master Indenture contemplates the issuance of additional dedicated tax bonds secured by a lien of equal priority to the lien securing the 2016 CIT Bonds and the 2017 CIT Bonds against the Capital Improvement Tax revenues collected on behalf of the Board. To the extent such additional bonds are issued, the Trustee will allocate the Capital Improvement Tax revenues deposited into the Escrow Fund to the annual debt service due on all outstanding series of such bonds on a *pro rata* basis.

3 Pursuant to Section 402 of the Master Indenture, all proceeds of sale of tax anticipation notes are required to be paid to the Trustee for deposit into the Escrow Fund and allocated pursuant to Section 504(A) of the Master Indenture. Thus, the tax anticipation notes have no material impact on the application of funds under the Master Indenture.

4 As further described below, proceeds of the 2017 CIT Bonds not used to pay certain costs of financing will be used to pay Costs of Construction, *i.e.*, the costs of capital projects set forth on the Project List, as further limited by the Supplemental Indenture. Pledged CIT Revenues that are ultimately deposited into the Permitted Expenditures Account and are, therefore, in excess of the debt service requirements of the 2017 CIT Bonds (and any other bonds issued under the Master Indenture), must be used for the payment of "Permitted Expenditures that are Capital Expenditures," which will necessarily be capital improvement costs of the Board, but will not necessarily be costs associated with projects on the Project List.

> definition may be revised to reflect the requisites of "projects and systems" as such term is used in Section 902 of the United States Bankruptcy Code (11 U.S. Code 902).

The Master Indenture defines Permitted Expenditures by adopting the text of Section 34-53.5(a) of the School Code, which governs the permissible uses of the Capital Improvement Tax under Illinois law. In particular, the Master Indenture defines Permitted Expenditures to mean the following:

> expenditures for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this definition, or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings. This definition may be revised to reflect any amendment of Illinois law pertaining to permitted uses of the Capital Improvement Taxes.

Payments from the Permitted Expenditures Account pursuant to Section 504(B) of the Master Indenture may only be made after the Board provides the Trustee with a detailed requisition, identifying the person to whom payment should be made and the purpose of the expense incurred, and a certificate from the Board certifying, among other things, that the expense is a proper Permitted Expenditure and Capital Expenditure and has not been previously paid.

In addition, under Section 504(C) of the Master Indenture, the Board is entitled to request access to a revolving fund of not more $5,000,000 payable from the Permitted Expenditures Account and exclusive of any payments made by the Trustee to the Board's vendors under Section 504(B) of the Master Indenture. As with the procedures for the direct payment of vendors by the Trustee, the Board may use the revolving fund only for the payment of Permitted Expenditures that are Capital Expenditures. Further, the revolving fund must be held separate from all other funds and accounts of the Board, expressly including its general fund. The revolving fund is designed to enable the Board to pay certain vendor expenses that could not be conveniently paid under the requisition procedures of Section 504(B) of the Master Indenture. However, the Board is required to provide the same detailed requisitions and certifications to the Trustee (only, in these cases, after payment is made by the Board) before the Trustee will reimburse the revolving fund, and the Board may only make a payment from the revolving fund after it confirms that such payment matches invoiced amounts for Capital Expenditures that are Permitted Expenditures. (Master Indenture § 504(C).)

Application of Proceeds of 2017 CIT Bonds

Under Section 203(F) of the Supplemental Indenture, the net proceeds of the 2017 CIT Bonds in the aggregate amount of $69,969,767.72 will be deposited into (i) the consolidated debt service reserve fund described above in the amount of $852,597.45, (ii) a capitalized interest account in the amount of $4,335,680.56, and (iii) the "2017 Project Account" in the amount of $64,781,489.71, including the costs of issuance of the 2017 CIT Bonds. Moneys deposited into the 2017 Project Account will be used to pay for the costs of issuance of the 2017 CIT Bonds and Costs of Construction that are both Capital Expenditures and Permitted Expenditures. (Supplemental Indenture § 307(B).) Similar to Section 504(C) of the Master Indenture, Section 307(D) of the Supplemental Indenture provides for a $5,000,000 revolving fund payable by the Trustee from the 2017 Project Account to the Board, which the Board may use to pay its vendors directly subject to substantially the same requirements applicable to the Board's use of the revolving fund under the Master Indenture, provided that such disbursements of proceeds of the 2017 CIT Bonds must be for Costs of Construction in addition to being Capital Expenditures and Permitted Expenditures. Also, similar to Section 504(B) of the Master Indenture, under Section 307(E) of the Supplemental Indenture, moneys on deposit in the 2017 Project Account may be paid by the Trustee directly to the Board's vendors for the payment of Costs of Construction that are Permitted Expenditures and Capital Expenditures, but only upon the filing by the Board with the Trustee of requisitions and certifications similar to those required under Section 504(B) of the Master Indenture. Finally, under Section 307(F) of the Supplemental Indenture, upon completion of the projects set forth on the Project List, as further limited by the Supplemental Indenture, the Trustee shall pay to the Board any remaining moneys on deposit in the 2017 Project Account, which (i) may be applied for payment, purchase or redemption of 2017 CIT Bonds, or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by Section 34-53.5 of the School Code and will not adversely affect the exclusion from gross income under the Internal Revenue Code of interest on the 2017 CIT Bonds.

Accordingly, all of the proceeds of the 2017 CIT Bonds not used to pay certain financing costs associated with the 2017 CIT Bonds will be used to pay for the costs of completing capital projects identified on the Project List, as further limited by the Supplemental Indenture, except in the event that all such projects are completed before the bond proceeds are exhausted, in which case, such surplus bond proceeds will be used to pay, purchase or redeem 2017 CIT Bonds or to pay for other capital projects. Significantly, however, none of the proceeds of the 2017 CIT Bonds may be used by the Board for general operating expenses or for anything other than capital improvement projects. Likewise, all of the Pledged CIT Revenues will be used to pay debt service due on the 2017 CIT Bonds (and any other bonds issued under the Master Indenture) or, to the extent additional Pledged CIT Revenues are available in excess of debt service and reserve requirements under the Master Indenture, to pay for capital improvement costs that meet the definitions of both Permitted Expenditures and Capital Expenditures under the Master Indenture. Here, as well, none of the Pledged CIT Revenues may be used by the Board for general operating expenses or for anything other than capital improvement projects.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and its compliance with the covenants and procedures set forth in Articles V and VII of the Master Indenture and Article III and Section 404 of the Supplemental Indenture. We further assume the following:

(a) the Board has not, and as long as the 2017 CIT Bonds remain outstanding, will not amend or modify the Master Indenture or the Supplemental Indenture in any manner that violates the covenants set forth in Sections 705 or 709 of the Master Indenture or Section 404 of the Supplemental Indenture;

(b) the Board has not and, as long as the 2017 CIT Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions and the facts and assumptions in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the 2017 CIT Bonds, the Master Indenture and the Supplemental Indenture shall be the valid, binding and legal obligations of the Board;

(d) as long as any of the 2017 CIT Bonds remain outstanding, no statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the 2017 CIT Bonds, to levy Capital Improvement Tax and to direct the transfer and application of the Capital Improvement Tax revenues as contemplated and required by the Bond Documents, including, without limitation, Sections 8 and 13 of the Act, Section 34.5 of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the 2017 CIT Bonds, and the holders of the 2017 CIT Bonds or that is inconsistent with the facts and assumptions in this opinion letter;

(e) The Board is duly authorized under Illinois law to levy the Capital Improvement Tax for each year the 2017 CIT Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Capital Improvement Tax under the Bond Resolution;

(f) The Board will not use or claim the right to use the collections of the Capital Improvement Tax except as expressly permitted by the Master Indenture and the Board will not use or claim the right to use the proceeds of the 2017 CIT Bonds except as expressly permitted by the Supplemental Indenture;

(g) The Board will comply with the requisition and certification requirements of Section 504 of the Master Indenture and Section 307 of the Supplemental Indenture regarding the Board's use of Pledged CIT Revenues and the proceeds of the 2017 CIT Bonds for the payment or reimbursement of Costs of Construction that are Capital Expenditures and Permitted Expenditures;

(h) The Costs of Construction will be limited to the costs of such projects and improvements and related expenses identified and described in the Project List annexed to the Supplemental Bond Resolution as Exhibit A, as may be amended with approval of the Board;

(i) to the extent the Costs of Construction include administrative expenses, "soft costs" or expenses classified as working capital for purposes of the Internal Revenue Code, such expenses are or will be directly related to the capital projects identified on the Project List; and

(j) the Pledged CIT Revenues are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the 2017 CIT Bonds, except any liens that have been or may be granted to holders of the 2016 CIT Bonds and additional bonds that have been or may be authenticated and issued under the Master Indenture, which may be of equal priority to the lien granted to the Trustee with respect to the 2017 CIT Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board or the 2017 CIT Bonds and have conducted no independent investigation with respect to any Uniform Commercial Code filings, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that has been or may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Bond Documents set forth the complete and final understanding of the parties with respect to the

Financing. In respect of the opinions requested regarding the Financing, we believe that our reliance on the representations, covenants and other provisions in the Bond Documents relating to the purposes and permitted uses of the Pledged CIT Revenues and the proceeds of the 2017 CIT Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The Board's authority to levy the Capital Improvement Tax is derived from Section 34-53.5 of the School Code. Section 34-53.5(a) provides, in relevant part, as follows:

> *For the purpose of providing a reliable source of revenue for capital improvement purposes*, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this subsection (a), or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings, *the board may levy, upon all taxable property of the school district,* in calendar year 2003*, a capital improvement tax* to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted by (2) $142,500,000.

105 ILCS 5/34-53.5(a) (emphasis added). Section 34-53.5(b) sets forth a formula for calculating the maximum amount of Capital Improvement Tax that may be levied during calendar years 2004 to 2030 and subsequent subsections set forth the applicable formula for later years. Pursuant to Section 34-53.5(f) of the School Code, the Board is authorized to issue bonds in accordance with the Act, "against any revenues to be collected from the capital improvement tax in any year or years."

Pursuant to Section 13 of the Act, the Board may pledge as security for the payment of bonds issued pursuant to Section 34-53.5(f) of the School Code and the Act, *inter alia*, (i) moneys deposited or to be deposited into any special fund of the Board and (ii) "revenues or taxes expected to be received by the [Board] … including taxes imposed by the [Board] pursuant to [a] grant of authority by the State." 30 ILCS 350/13. Here, the Pledged CIT Revenues deposited into the Escrow Fund fall within both of these categories and, accordingly, the Pledged CIT Revenues are a revenue source that may be validly pledged to secure bonds issued by the Board, including the 2017 CIT Bonds.

Section 13 of the Act further provides that –

> Any such pledge [of qualified revenues] made by a governmental unit ***shall be valid and binding from the time such pledge is made**. **The revenues, moneys and other funds so pledged*** and thereafter received by

> the governmental unit ***shall immediately be subject to the lien of such pledge*** without any physical delivery thereof or further act; and, subject only to the provisions of prior agreements, the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the governmental unit irrespective of whether such parties have notice thereof. ***Pursuant to any such pledge, a governmental unit may bind itself to impose rates, charges or taxes to the fullest extent permitted by applicable law***. No ordinance, resolution, trust agreement or other instrument by which such pledge is created need be filed or recorded except in the records of the governmental unit.

Id. (emphasis added). In accordance with Section 34-53.5(f) of the School Code and Section 13 of the Act, under the Master Indenture and the Supplemental Indenture, the Board has granted a lien in favor of the Trustee, for the benefit of the holders of the 2017 CIT Bonds, against all Capital Improvement Tax revenues collected on behalf of the Board and deposited into the Escrow Fund or any other funds or accounts established under such indentures, as well as all other moneys and revenues maintained under such indentures. Under Section 13 of the Act, the Board's pledge of the Pledged CIT Revenues to the payment of the 2017 CIT Bonds is valid and binding on the Board at the time the Board enters into the Master Indenture and the Supplemental Indenture. In addition, the Trustee's lien against the Pledged CIT Revenues is perfected against third parties immediately upon the deposit of the Pledged CIT Revenues into the Escrow Fund at which point they may be deemed "received" by the Board for purposes of the statute.

The Deposit Directions will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated Escrow Fund* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Directions, the County Collectors are required by statute to deposit the Capital Improvement Tax revenues into the Escrow Fund. The Board, in turn, has covenanted under Section 709 of the Master Indenture not to modify or terminate the Deposit Directions so long as the 2017 CIT Bonds are outstanding in any way that would result in less than all of the required Capital Improvement Tax revenues collected by the County Collectors being deposited into the Escrow Fund.

Bankruptcy Law

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Under the Bankruptcy Code, a municipality, such as the Board, cannot file for a bankruptcy case under chapter 9 unless such municipality is specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy case. 11 U.S.C. § 109(c)(2). Presently, Illinois law does not permit the Board to be a debtor in a bankruptcy case. From time to time, however, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois units of local government to be a debtor in bankruptcy cases under the Bankruptcy Code. We cannot predict and express no opinion concerning whether the Illinois General Assembly may adopt any such legislation or the impact that such legislation would have on the Board.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

The Automatic Stay

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate; ….
>
> (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[5] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "1988 Amendments")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988) (the "*Senate Report*"). The 1988 Amendments included Section 902(2)

[5] Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

of the Bankruptcy Code, which defined the term "special revenues,"[6] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In a key decision interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (emphasis added). Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay.

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Section 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C. §§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they

[6] A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see Senate Report*, at 11. Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) … cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69.

Accordingly, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section

928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of section 552(a).[7] *Collier* ¶ 928.02, at 928-3.

<u>Special Revenues</u>

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged CIT Revenues, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. First, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[8] contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

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7 Section 552(a) applies by its terms only to "any lien resulting from any *security agreement* entered into by the debtor." 11 U.S.C. § 552(a) (emphasis added). Accordingly, Section 552(a) does not terminate statutory liens granted to bondholders against revenues of the debtor arising after the commencement of a chapter 9 case. A "statutory lien" is "a lien arising solely by force of a statute on specified circumstances or conditions…." 11 U.S.C. § 101(53); *see In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995). We express no opinion regarding whether the liens granted in favor of the Trustee on the Pledged CIT Revenues or any other moneys, funds or accounts held in trust under the Master Indenture or the Supplemental Indenture may be regarded as statutory liens under the Bankruptcy Code.

8 Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

NBC Report, at 19 (emphasis added).

Second, the Senate Report, which accompanied the Senate's version of the relevant bill (S. 1863) leading to the 1988 Amendments, contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

Senate Report, at 14. (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72

Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged CIT Revenues' Qualification as Special Revenues

In the case of the 2017 CIT Bonds, the Bond Documents and applicable Illinois statutory law provide a reasonable basis to conclude that, in a properly litigated case, the Pledged CIT Revenues would be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.[9]

With respect to the first requirement, the Resolutions, the Master Indenture and the Supplemental Indenture provide a reasonable basis to conclude that the Pledged CIT Revenues have been specifically levied to finance one or more projects. Section 4 of the Bond Resolution provides that the Capital Improvement Tax is "*hereby levied*," "[f]or the purpose of providing funds … to pay the principal of and interest on the Dedicated Tax Bonds …." (Emphasis added.) As defined by the Bond Resolution, Dedicated Tax Bonds include bonds issued by the Board pursuant to Section 34-53.5(f) of the School Code. Presently, the only "Dedicated Tax Bonds" for purposes of the Bond Resolution are the 2016 CIT Bonds and the 2017 CIT Bonds. Section 4 of the Bond Resolution further describes the Capital Improvement Tax as a "direct annual tax" levied at a rate sufficient to achieve specified amounts of revenue for each year the 2017 CIT Bonds are outstanding as set forth in a table in the Bond Resolution. Therefore, it is reasonably clear that the Capital Improvement Tax, insofar as it is levied pursuant to the Bond Resolution, has been "specifically levied" to repay the 2017 CIT Bonds. Moreover, the Bond Resolution, which imposes the levy of the Pledged CIT Revenues, was adopted for the additional purpose of authorizing the issuance of Dedicated Tax Bonds, including the 2017 CIT Bonds. Thus, consistent

[9] As a threshold matter, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the Pledged CIT Revenues are property of the Board. Section 20-90 of the Property Tax Code refers to the tax proceeds "*of any taxing district*" while Section 34-53.5 of the School Code states that "*the board may levy* … a capital improvement tax." Such provisions indicate that the Board and not the County Collectors are granted the right to levy and use the Capital Improvement Tax. Similarly, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the lien granted to the Trustee for the benefit of the holders of the 2017 CIT Bonds upon the Pledged CIT Revenues under the Master Indenture and the Supplemental Indenture is valid and binding pursuant to Section 34-53.5(f) of the School Code and Section 13 of the Act.

with the description in the *NBC Report*, the Pledged CIT Revenues have been levied and will be collected "for the specific purpose of paying principal and interest coming due on bonds *issued in conjunction with the levy of the property tax*." *NBC Report* at 19 (emphasis added).

Consideration must then be given to the purpose of the 2017 CIT Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, the Supplemental Indenture provides, and we assume, that the proceeds of the 2017 CIT Bonds will be used only to fund (i) a capitalized interest account for the 2017 CIT Bonds, (ii) a reserve for debt service due on the 2017 CIT Bonds (as well as additional bonds that may be issued under the Master Indenture) in the event of any deficiency of Pledged CIT Revenues at the time any bond payment is due, (iii) the costs of issuance of the 2017 CIT Bonds and (iv) the Costs of Construction that are also Permitted Expenditures and Capital Expenditures. (<u>Supplemental Indenture</u> § 203(F).)

As discussed above, the Costs of Construction consist of the costs of undertaking and completing the capital projects set forth on the Project List, as further limited by the Supplemental Indenture. The Project List has been approved by the Board through its adoption of the Second Supplemental Bond Resolution and the Board has pledged to include the Project List, as limited by the Supplemental Indenture and as may be modified by the Board from time to time, in its annual capital improvement program, which is also approved by resolution of the Board, until the capital projects set forth on the Project List, as limited by the Supplemental Indenture, are complete. We believe that the Project List provides a reasonably identifiable and appropriate list of capital improvement projects that is consistent with the requirement under Section 902(2)(E) of the Bankruptcy Code that the subject taxes be levied to finance one or more projects.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the capital improvement costs of their respective hospital districts. Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the Costs of Construction constitute costs of "one or more projects" for purposes of Section 902(2)(E) of the Bankruptcy Code. The Costs of Construction may include certain administrative expenses, including employee salaries appropriately allocated to capital projects set forth on the Project List or professional fees and expenses, but we assume that all such costs are or will be directly related to the Project List and that the Board will not use the proceeds of the 2017 CIT Bonds to pay its general operating expenses.

In addition, the underlying statute authorizing the levy of the Capital Improvement Tax – Section 34-53.5 of the School Code – expressly limits the permitted uses of the Capital Improvement Tax to capital improvement purposes, including the construction and equipping of new school buildings, the purchase of school grounds or the rehabilitation, renovation, and equipping of existing school buildings. Consistent with these statutory requirements, the Supplemental Indenture limits the Board's use of proceeds of the 2017 CIT Bonds deposited into the 2017 Project Account to "Permitted Expenditures," which definition in the Master Indenture adopts the language of Section 34-53.5 of the School Code, and further requires that such expenditures be "Capital Expenditures," such that they may be capitalized by the Board under generally accepted accounting principles applicable to the Board. These contractual requirements exceed (but remain consistent with) the statutory requirements and appear sufficient to satisfy the requirement of Section 902(2)(E) of the Bankruptcy Code that the Capital Improvement Tax is levied to finance one or more projects of the Board.

In addition to funding the Costs of Construction, the proceeds of the 2017 CIT Bonds will be used to pay certain financing costs associated with the 2017 CIT Bonds, including payment of the costs of issuance, funding of a capitalized interest account and funding of a debt service reserve. Section

902(2)(E) of the Bankruptcy Code refers to taxes that are specifically levied to "finance" one or more projects or systems and the legislative history of the statute clearly reflects Congress' understanding that such projects would be financed with municipal bonds. We view these additional uses of the proceeds of the 2017 CIT Bonds as typical and customary in municipal finance transactions of this type and, thus, reasonably within the scope of financing a municipal project through the issuance of bonds.

As discussed above, the Pledged CIT Revenues deposited into the Escrow Fund under the Master Indenture will be used for several purposes in addition to funding debt service due on the 2017 CIT Bonds and other bonds issued under the Master Indenture. (Master Indenture § 504(A).) In addition to funding debt service, the Pledged CIT Revenues will be used (i) to make payments due on tax anticipation notes issued by the Board in anticipation of collections of the Capital Improvement Tax, (ii) to make payments due on any subordinated indebtedness incurred by the Board that is secured by the Capital Improvement Tax revenues and (iii) to pay the Board's vendors directly for expenses that are both Permitted Expenditures and Capital Expenditures. Although none of these items will necessarily be limited to funding capital projects identified on the Project List, because of the restrictions of Section 34-53.5 of the School Code regarding the permissible uses of the Capital Improvement Tax, each of these applications may ultimately be used only for the payment or reimbursement of capital improvement projects of the Board as further limited by that statute. Moreover, although Section 902(2)(E) requires that the subject tax be levied to finance one or more projects of the debtor, it does not prohibit the use of the tax revenues for additional purposes provided that the tax revenues are not used to fund the general operating expenses of the debtor. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1005 (Spring 2015) ("The Senate Report notes that the entire amount collected by the new tax does not need to be dedicated exclusively to debt service. However, the portion of the tax that is dedicated to debt service cannot be made available for any other general municipal function."); Senate Report, at 21 ("Likewise, any special tax *or portion of a general tax* specifically levied to pay for a municipal financing shall be treated as special revenues.") (emphasis added). Here, the Capital Improvement Tax revenues collected and deposited into the Escrow Fund are required to be used for financing indebtedness incurred to pay capital improvement costs or to pay such capital improvement costs directly and all of the Capital Improvement Tax dedicated to the payment of the 2017 CIT Bonds are required to be used to finance the Costs of Construction associated with the Project List, as further limited by the Supplemental Indenture, and certain other costs of the 2017 CIT Bonds. Accordingly, we do not believe the use of the Capital Improvement Tax under the Master Indenture for purposes other than the payment of debt service on the 2017 CIT Bonds diminishes or alters the validity of our opinion herein that the Pledged CIT Revenues would be held to be special revenues in a chapter 9 case of the Board.

With respect to the second requirement under Section 902(2)(E) of the Bankruptcy Code, the Bond Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged CIT Revenues may not be used to finance the general operating expenses of the Board.

Most importantly, the Board is authorized to levy the Capital Improvement Tax pursuant to Section 34-53.5 of the School Code solely for the payment of capital improvement projects of the Board. No other purposes are authorized by the statute. Accordingly, the use of Capital Improvement Tax revenues to pay the general operating expenses of the Board would violate the terms of the authorizing statute as well as the Resolutions. Consistent with these limitations, the Master Indenture and the Supplemental Indenture provide for the application of *all* Capital Improvement Tax revenues to either finance indebtedness, including the 2017 CIT Bonds, incurred to pay capital improvement costs or to pay capital improvement costs directly. Any Capital Improvement Tax revenues in excess of debt service requirements may be used only to pay for expenses that are both Permitted Expenditures and Capital Expenditures and any excess proceeds of the 2017 CIT Bonds after completion of all projects on the Project List, as further limited by the Supplemental Indenture, may be transferred to the Board but then used only to pay for capital improvement projects permitted by Section 34-53.5 of the School Code. Thus, the Bond Documents require that no funds may be used for any purposes other than capital improvement purposes and related financing costs.

In addition, pursuant to Section 6 and 7 of the Bond Resolution, Section 5 of the First Supplemental Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Directions directing the County Collectors to deposit all collections of the Capital Improvement Tax into the Escrow Fund maintained by the Trustee under the Master Indenture. Section 20-90 of the Property Tax Code, provides that County Collectors "*shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, directly into a designated Escrow Fund established by the district." 35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Directions, the County Collectors are statutorily required to deposit the Capital Improvement Tax revenues into the Escrow Fund. On each business day funds are held in the Escrow Fund, such funds will be deposited or applied in accordance with the waterfall of Section 504(A) of the Master Indenture. The Deposit Directions and the Escrow Fund prevent the Board from receiving the collections of the Capital Improvement Tax and the waterfall provisions of Section 504(A) of the Master Indenture ensure that all debt service requirements for the 2017 CIT Bonds through the bond year ending after the year of collection may be satisfied with funds deposited in a segregated account and available to the Trustee. Only after the Pledged CIT Revenues flow through the waterfall of the Master Indenture will they become available to the Board for the direct payment of Permitted Expenditures that are Capital Expenditures (subject to the requisition and certification requirements discussed above). The application of the proceeds of the 2017 CIT Bonds under the Supplemental Indenture works similarly in that the Board may obtain access to the bond proceeds only to pay the Costs of Construction, which must also be Permitted Expenditures and Capital Expenditures and are subject to the same requisition and certification requirements applicable to the Pledged CIT Revenues. To the extent there are any surplus proceeds of the 2017 CIT Bonds after completing all projects on the Project List, as further limited by the Supplemental Indenture (which is an unlikely event given the estimated costs of such projects), the proceeds may be turned over to the Board but then may be used only to fund capital improvement projects within the scope of Section 34-53.5 of the School Code.

The direct deposit of Pledged CIT Revenues by the County Collectors into the Escrow Fund pursuant to the Master Indenture and the Deposit Directions is not necessary for the Pledged CIT Revenues to be regarded as special revenues under the Bankruptcy Code. Section 902(2)(E) of the Bankruptcy Code requires only that the Capital Improvement Tax be specifically levied to finance one or more projects of the Board and that the Pledged CIT Revenues not be used to fund the general operating expenses of the Board. Nonetheless, by preventing the Board from accessing the Pledged CIT Revenues, except to the limited extent that all debt service and other obligations under the Master Indenture are satisfied, the direct deposit pursuant to the Deposit Directions provides greater certainty to bondholders that the Pledged CIT Revenues will be applied properly and in a timely manner as required by the Bond Documents.

Pursuant to the First Supplemental Bond Resolution and the Supplemental Indenture, as well as by the terms of the Deposit Directions themselves, the Board has provided that the Deposit Directions shall be irrevocable. In the event that the Board nevertheless attempted to revoke the Deposit Directions and divert the Pledged CIT Revenues to the Board for applications other than payment of the 2017 CIT Bonds, the Board would be in violation of its covenants under the Master Indenture and Supplemental Indenture and applicable provisions of Illinois law. Pursuant to Section 13 of the Act, the Board is authorized to pledge the Pledged CIT Revenues for the payment of the 2017 CIT Bonds and, under the express language of the statute, the Board's pledge "is valid and ***binding*** from the time such pledge is made." 30 ILCS 350/13 (emphasis added). Similarly, Section 13 of the Act provides that "[p]ursuant to any such pledge, ***a governmental unit may bind itself to impose*** rates, charges or ***taxes*** to the fullest extent permitted by applicable law. To avail itself of these provisions, the Board adopted the First Supplemental Bond Resolution, which provides in Section 5 that "[p]ursuant to the authority granted in Section 13 of the Act, the Board binds itself irrevocably for the term of the Dedicated Tax Bonds to impose the Pledged Capital Improvement Taxes to the fullest extent permitted by law." Accordingly, the Board's pledge of the Pledged CIT Revenues to the payment of the 2017 CIT Bonds is binding on the Board pursuant to Section 13 of the Act. Any use of the Pledged CIT Revenues by the Board in violation of the Board's pledge to apply the Pledged CIT Revenues to the payment of the 2017 CIT Bonds under the Master Indenture and Supplemental Indenture, would be not only a breach of such indentures but a violation of Section 13 of the Act Furthermore, any use of the Pledged CIT Revenues by the Board for purposes other than capital improvement projects of the Board would be a direct violation of Section 34-53.5 of the School Code. We express no opinion regarding the remedies that may be available to any party based on such violations of Section 13 of the Act and Section 34-53.5 of the School Code.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged CIT Revenues or the proceeds of the 2017 CIT Bonds for any purpose other than to finance indebtedness authorized by the Master Indenture, including the 2017 CIT Bonds, and to pay for capital improvement costs. Thus, assuming the Bond Documents are complied with, the Pledged CIT Revenues cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, if the Board commenced a chapter 9 case, the County Collectors would be authorized to continue to transfer the collections of the Capital Improvement Tax to the Escrow Fund in accordance with the terms of the Deposit Directions and the Trustee would be authorized to continue to apply the Pledged CIT Revenues to the payment of the 2017 CIT Bonds, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged CIT Revenues in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged CIT Revenues that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Directions, the Board obtains possession of the Pledged CIT Revenues (other than amounts permitted by the Master Indenture in excess of debt service requirements), there is a risk that the payment of the 2017 CIT Bonds will be delayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. Section 922(d) creates an exception to the automatic stay and thereby authorizes the continued application of pledged special revenues to the payment of bonds, but it does not compel an unwilling debtor or another party to take such action. We express no opinion regarding the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief.

Continuation of Lien on Pledged CIT Revenues

Again, as we conclude the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, pursuant to Section 928(a) of the Bankruptcy Code, the liens granted to the Trustee under the Master Indenture and the Supplemental Indenture upon the Pledged CIT Revenues should remain valid and enforceable against any Pledged CIT Revenues collected during the bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged CIT Revenues collected prior to the commencement of such case.

As a result, even if application of the Pledged CIT Revenues to the payment of the 2017 CIT Bonds is stayed, the Trustee, on behalf of the holders of the 2017 CIT Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged CIT Revenues, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged CIT Revenues, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the 2017 CIT Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged CIT Revenues. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[10]

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that the Pledged CIT Revenues are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2017 CIT Bonds, under Illinois law and (ii) "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code. Consequently, a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2017 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture. Our opinion that the Pledged CIT Revenues would be determined to be "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code by a federal bankruptcy court, under the conditions and subject to the qualifications articulated herein, is not altered by the possibility that the Board might revoke or modify the Deposit Directions, provided that the Pledged CIT Revenues would continue to be applied only to capital improvement projects permitted by Section 34-53.5 of the School Code and not used for the general operating expenses of the Board.

In addition, based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that in the event the Board revoked or modified the Deposit Directions in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due on the 2017 CIT Bonds, the Board's actions would violate its covenants under the Bond Documents and Section 13 of the Act.

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10 Because the 2017 CIT Bonds are dedicated tax bonds secured only by the Board's pledge of Capital Improvement Tax Revenues and not a pledge of the full faith and credit of the Board, pursuant to Section 927 of the Bankruptcy Code, the holders of the 2017 CIT Bonds will not be entitled to assert a general unsecured claim against the Board in the event the Pledged CIT Revenues prove insufficient to fully satisfy their claims.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court would reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a state's authority to control its municipalities. These considerations may allow a bankruptcy court properly, among other things, to authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We express no opinion as to the availability of temporary relief by a court pending a final determination on the merits of a proceeding seeking to determine the parties' rights with respect to the Pledged CIT Revenues.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion therein of limitations and uncertainties involved in opinions of this nature.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America and the laws of the State of Illinois referenced herein or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion may be furnished to, but may not be relied upon by, the Board's professional advisors, municipal bond rating agencies engaged by the Board for the purpose of rating the 2017 CIT Bonds and the professional advisors of any such rating agencies. We further consent to the inclusion of a copy of this opinion in the appendices to the preliminary official statement and the official statement with respect to the public offering of the 2017 CIT Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

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APPENDIX I

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York ("**DTC**"), has been furnished by DTC for use in this Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "**Exchange Act**"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "**SEC**"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See "**THE BONDS - General**."

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee under the Indenture securing such Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures ("**MMI Procedures**"). Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or its Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, the Board or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board, or the Trustee under the Indenture securing such bonds, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Bonds. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates are required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE UNDER THE INDENTURE SECURING A SERIES OF BONDS HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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