

# Chicago Public Schools

## Popular Annual Financial Report

For the fiscal year ended June 30, 2010



Educate • Inspire • Transform

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Diana S. Ferguson, Chief Financial Officer  
Daryl J. Okrzesik, Controller

Richard M. Daley  
Mayor, City of Chicago, Illinois



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Norman R. Bobins  
Tariq H. Butt, M.D.  
Alberto A. Carrero, Jr.  
Peggy A. Davis  
Roxanne Ward

# CPS At A Glance

## Students

Total: 409,279 (2009-2010)

### Student Enrollment

Preschool: 24,370

Kindergarten: 29,632

Elementary (1-8): 239,507

Secondary (9-12): 115,770

### Student Racial Breakdown

African-American: 45.1%

Latino: 41.9%

White: 9.2%

Asian/Pacific Islander: 3.6%

Native American: 0.2%

### Additional Student Information (2009-2010)

87% of students from low-income families

18% of Illinois public school students attend CPS

12% are limited-English-proficient

96% attendance rate for elementary schools

97% attendance rate for middle schools

85% attendance rate for high schools

91.5% citywide attendance rate

## Schools

Total: 675 (2009-2010)

### Elementary Schools: 482

395 traditional elementary schools

36 magnet schools

10 middle schools

12 gifted centers

8 special schools

8 contract schools

5 performance schools

4 classical

4 small

### High Schools: 122

41 general/technical

8 career academy

5 magnet school

6 military academy

11 small school

8 achievement academy

8 alternative school

5 special education school

8 selective enrollment

15 performance

7 contract

### Charter Schools: 71

42 elementary

29 high school

## Employees by Function (2009-2010): 42,942

27,612 Instruction

15,330 Support Services:

4,879 Pupil support services

1,154 Administrative support services

1,698 Facilities support services

3,642 Instructional support services

3,630 Food services

327 Community Services

## Local School Councils

Each council consists of:

6 parent representatives

2 community representatives

2 teachers

1 principal

1 student representative (high school only)

## Pupil/Teacher Information (2009-2010)

21.3 pupils per teacher in elementary schools

19.7 pupils per teacher in high school

\$68,679 average teacher salary

\$114,360 average administrator salary

## Operating Budget

\$5.328 billion (2009-2010)

Local sources: \$2.283 billion

State sources: \$1.468 billion

Federal sources: \$1.471 billion

Appropriated Fund Balance: \$0.106 billion

## Per Pupil Operating Expenditures

as of 2008-2009

\$12,880 operating expenditure per pupil

\$9,519 per capita tuition

December 10, 2010

Dear Stakeholders,

Chicago Public Schools (CPS) is committed to ensuring that all students graduate prepared to succeed in their communities and in the global economy. That means success in college, at work, and in life. Over the last year, our elementary school students continued to make gains in both reading and math—with 68% of students meeting or exceeding state standards in reading and 76% meeting or exceeding standards in math. Our high school students achieved the largest-ever year-over-year gains on the Prairie State Achievement Exam, and the second-highest growth ever in ACT composite scores. While we are on track to achieve our goals, we still have a long way to go.

Test scores, of course, are just one of many measures of the success of our schools. Over the last year, we have increased the number of National Board Certified teachers in our schools, improved our efforts to recruit and retain the very best teachers and principals, introduced a series of tools and systems to better measure our performance, and collaborated with community groups and the city to reduce violence and help make our students safer. To build on our progress, we continue to invest resources in maintaining and enhancing classroom resources and enrichment opportunities, ensuring the safety of our students, and measuring the performance of our programs. Every day, we are making improvements to streamline the organization and make it more efficient.

CPS must continue to improve student achievement despite an extraordinarily difficult economic climate. Although the U.S. economy is slowly recovering from the largest economic downturn since the Great Depression, recent forecasts project only modest economic growth for the remainder of 2010 and throughout 2011. As a result, adequate funding for public schools will continue to be threatened. Further compounding this challenge, a number of one-time federal funding sources, such as stimulus funding from the American Recovery and Reinvestment Act (ARRA), will come to an end in fiscal year 2011 while the district's costs continue to rise, driven primarily by contractual salary increases.

In response to these ongoing budget pressures, in fiscal year 2010, we made very difficult budget cuts within our central office and citywide departments in order to minimize the impact of budget cuts on our schools. We cut more than \$160 million in operational and staff costs including more than 1,000 staff positions on a net basis. Non-union central office employees were required to take 15 unpaid furlough days (through March 2011) and they received no merit increases for the second year in a row, while principals and assistant principals were required to take six unpaid days and they received no merit increases.

To ensure the district spends carefully and wisely, we strengthened spending oversight by creating two oversight committees: the Non-Competitive Procurement Review Committee, which reviews all non-competitive purchasing requests; and the Finance and Audit Committee, which reviews the status of the Board's budget and expenditures and reviews all expenses of the Office of the Board.

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Mary B.  
Richardson-Lowry  
Board President



Terry Mazany  
Chief Executive  
Officer



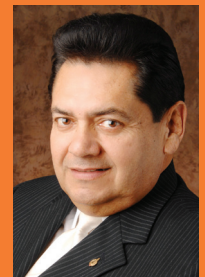
Clare Muñana  
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Norman R. Bobins  
Board Member



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Board Member



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Board Member



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Roxanne Ward  
Board Member



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In fiscal year 2011, we have been forced to balance our budget using short-term measures: ARRA funding, Education Jobs funding, temporary pension relief, and drawing down the district's fund balance. The drawdown of our reserves in fiscal year 2011 creates the risk of CPS having no cushion to protect daily operational funding at a time when the State of Illinois continues to fall behind in making its payments to the district. To counter cash flow fluctuations due to these late State payments and delayed property tax receipts, CPS secured a \$500 million line of credit in fall 2010. This line of credit is not new revenue to the district—it is temporary, short-term borrowing that can be used only to protect the district's cash flow and may not be used to replenish the fund balance.

To restore the fund balance, CPS is depositing late State payments from 2010 as we receive them, and the district has restructured a portion of its outstanding debt to reduce our debt service payments. Despite the district's current financial challenges and the State's fiscal distress, CPS has maintained its credit ratings of Aa2 from Moody's Investor Services and AA- from Standard & Poor's. Only Fitch Ratings downgraded its bond rating to A+ from AA-.

Finally, the district was able to further reduce the projected budget deficit as a result of short-term pension relief provided by the State legislature. In part because CPS is the only school district in the state that is required to make an additional contribution to its pension fund when the funded ratio is below 90%, the legislature reduced the district's contributions by approximately \$400 million annually through fiscal year 2013. However, CPS continues to make contributions to the pension fund during this relief period. This relief is temporary; mandated payments to the pension fund will increase dramatically in fiscal year 2014.

Regardless of the financial outlook, we remain optimistic about the fundamental progress we are making in improving student achievement across the city. While we expect many difficult financial decisions ahead, we will continue to do what is required to ensure our students' success.

Respectfully Submitted,



Mary B. Richardson-Lowry  
President, Chicago Board of Education



Terry Mazany  
Chief Executive Officer, Chicago Public Schools

## CPS Profile

The Chicago Public Schools is a body politic and corporate as well as a school district of the State of Illinois. CPS boundaries are coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code and is not a home rule unit of government. The Chicago Board of Education operates a system of 675 schools primarily for grades kindergarten through twelve. As the third largest school district in the nation, we serve approximately 409,000 students. CPS had 43,000 employee positions in FY2010, including more than 26,000 teacher positions.

The Chicago Public Schools is governed by a seven-member Board of Education that is appointed by the Mayor of the City of Chicago. The Board elects one of the members to serve as President of the Board. Additionally, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected school councils composed of parents, teachers, principals and community representatives exercise certain powers relating to the operation of the individual schools in the Chicago Public School system, including selection of principals and approval of school budgets.

## Introduction

This popular version of our annual financial report is designed to give our readers a snapshot of Chicago Public Schools' (CPS) financial condition and to highlight information that our parents, teachers, supporters, and community and state leaders should find helpful for improving their understanding of our operations. This report does not provide all the detailed financial information that is contained in our Comprehensive Annual Financial Report (CAFR). The CAFR includes all of the audited financial statements and disclosures. For a detailed report, please visit our website at [http://www.cps.edu/About\\_CPS/Financial\\_information/Pages/Annualreport.aspx](http://www.cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx). If you would like a copy of the CAFR, please contact us through one of the options located on the back cover of this report and we will gladly fulfill your request.

The primary function of the Office of Finance is to ensure the financial integrity of the organization and to accurately report on the Board's financial condition in accordance with all state and federal legislation, governmental regulations and Board policies. While the auditors focus primarily on verifying the accuracy of the information presented, they also assess the financial risks to the organization and review the processes that CPS has in place to reduce these risks. As highlighted throughout this report, CPS has focused on improving its financial foundation and funding those activities that will improve the educational achievement of our students.



## How We Did Last Year

The General Operating Fund ended FY2010 with a deficit of \$102 million, which is smaller than the FY2009 deficit of \$143 million. The main driver of the operating deficit for two consecutive years is the delay in State Aid payments. Although the recession ended in June 2009, U.S. and Illinois economic growth has been sluggish.

In spite of the significant decline in fund balance, CPS was able to end the fiscal year with a healthy General Operating Fund cash balance of \$755 million, a decrease of \$409 million from FY2009. The current unreserved fund balance of \$198 million declined by \$113 million from FY2009 and represents 4% of General Operating Fund expenditures.

- FY2010 budget totaled \$6.8 billion with the operating fund totaling \$5.3 billion. The capital improvement budget was \$1.0 billion and \$0.5 billion was appropriated for debt service.
- CPS operating revenues increased by \$196 million or 4% from the prior year primarily due to the \$169 million of property tax increase.
- CPS issued \$802 million of capital bonds during FY2010 and the capital outlay expenditure increased by \$44 million over the prior year for on-going construction and renovation projects.
- Total fund balance for all funds increased by \$133 million to \$1.2 billion in FY2010.
- CPS issued \$282 million of capital bonds to refund previously issued higher interest rate bonds reducing the amount of future debt service expenses.
- Looking forward, CPS' fiscal year 2011 budget of \$6.6 billion represents a 4.3% decrease or \$296 million from last year. The General Operating Fund decreased by 0.8% and accounted for \$5.3 billion of the overall budget.

# Finance Initiatives

## Balanced Budget

The FY2011 budget was the 16th consecutive balanced budget presented to the Chicago Board of Education since FY1996. This balanced General Operating Funds budget reflected total resources of \$5.3 billion which includes the use of \$190 million of general fund balance reserves. This represents a \$45 million (-0.8%) decrease in General Operating Funds over FY2010, which is largely driven by lower revenues. We were only able to balance the budget through the use of a federal stimulus allocation of \$305 million, the projected \$104 million from the federal Education Jobs Bill and a drawdown of our general fund balance reserves.

## Capital Improvement Program

Using new debt issues, refundings, and Tax Increment Financing (TIF) dollars, CPS continues to fund its Capital Improvement Program (CIP). In FY2010, \$802 million in bonds were issued for the CIP. The state launched a new major capital program to provide funding, but was unable to allocate funds in FY2010 due to its own fiscal crisis. We continue to work with the City of Chicago to fund the Modern Schools Across Chicago program, a joint effort to renovate and build 31 schools.

## New Accounting Standards

**GASB 51** Accounting and Financial Reporting for Intangible Assets

**GASB 53** Accounting and Financial Reporting for Derivative Instruments

In connection with the adoption of GASB 53, net assets at June 30, 2009 were restated to a deficit of \$491 million from a deficit of \$446 million.

## School Internal Accounts Management

The Office of School Financial Services has implemented custom integrated Internal Accounts Management System software (IAMS), which replaces the PC-based stand-alone Accounting software at the schools. The new system provides tools for sound financial management for Chicago Public Schools to record, track and maintain Internal Accounts transactions consistent with accounting principles. It enables the Board to further improve and strengthen internal controls on cash management, bookkeeping and fixed assets by enforcing policies and procedures.

The IAMS system is integrated with the PeopleSoft Human Resources, Oracle Budget, IMPACT Student and the Consolidated Banking SinglePoint systems. Thus, this one-stop system enables schools to process all vendor payments, receipts, disbursements, and book transfers easier and more efficiently. In addition, schools have the ability to view all daily bank transactions that clear the bank.

## Fixed Assets Management

The Office of School Financial Services has designed a new management tool for Chicago Public Schools to record, track and retain fixed asset information. This innovative, on-line system is integrated with the Oracle Accounts Payable and the Technology Department's computer equipment database. It replaces the stand-alone asset registers, making asset data easy to maintain and improving compliance with Board Policy.

## Professional Financial Awards

The Government Finance Officers Association (GFOA) has awarded CPS with the Certificate of Achievement for Excellence in Financial Reporting each year since 1996 for its CAFR and since 2000 for the popular version. Since 1998 CPS also has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

### Award for Outstanding Achievement in Popular Annual Financial Reporting



PRESENTED TO

Chicago Public Schools  
Illinois

for the Fiscal Year Ended

June 30, 2009



  
President  
  
Executive Director

# Funding Education

## Budget Focus on Educational Priorities

The budget for FY2011 decreased appropriations for all funds by 4.3%. Revenue changes include decreases of \$172 million in federal revenue, \$145 million in property taxes, \$9 million in personal property replacement taxes and \$105 million in other revenue and an increase of \$91 million in state revenues.

CPS has continued to cut central administrative costs and allocate those resources to schools. The majority of federal stimulus and state funds received are being applied at the school level in order to save teaching positions and restore and maintain programs and class sizes. At the same time, we have improved business services to schools and continue to streamline our operations.

## Overreliance on Local Revenues in Chicago

Chicago taxpayers fund a disproportionate amount of the costs of educating our students. Local property taxes have risen every year. Local resources have paid for over 90% of the over \$5 billion capital program, with the state contributing no capital funding during the last six years. Education funding reform has had limited political support at the state and federal levels and no significant change is imminent.

Chicago taxpayers contribute to the Chicago Teachers' Pension Fund (CTPF) through their property tax dollars and also contribute to the downstate teachers' pension fund through their state income tax dollars. Historically, the State of Illinois had contributed funding significantly below the state's original commitment to provide CTPF with between 20 and 30 percent of its annual contribution to the downstate teachers' pension fund.

## State Help to Fund Education

We are facing several state funding issues:

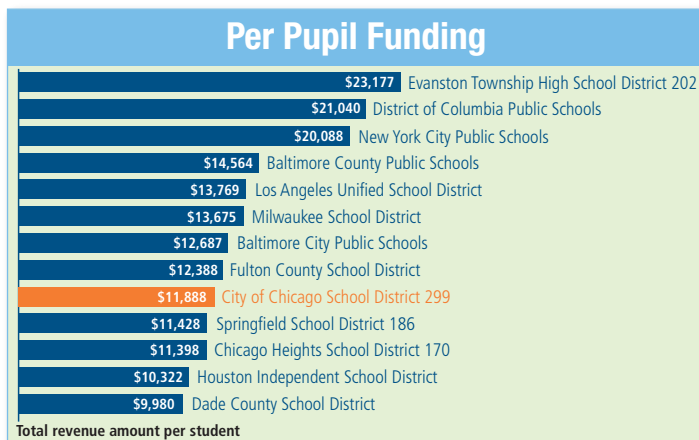
- Funding, which historically increases, decreased in FY2011
- The state is using one-time federal stimulus funds which expire in 2011
- State payments continue to be delayed by 5 months, forcing CPS to use reserves to close the shortfall.

In Illinois, the state provides funds to compensate for differences between the per-pupil foundation level and local property wealth, referred to as General State Aid (GSA). GSA represents the major portion of state support for Illinois public elementary and secondary schools. The state share of funding is very low compared to other states. In Illinois, the state provided 31% of public education funding in FY2008. This placed the state 49th out of 50 with the national average for state funding being 48%. The result in Illinois is significant inequity in school funding with some school districts being able to raise more in local property taxes and spend far more per pupil than others. The gap between well-funded schools and poorly funded schools continues to widen.

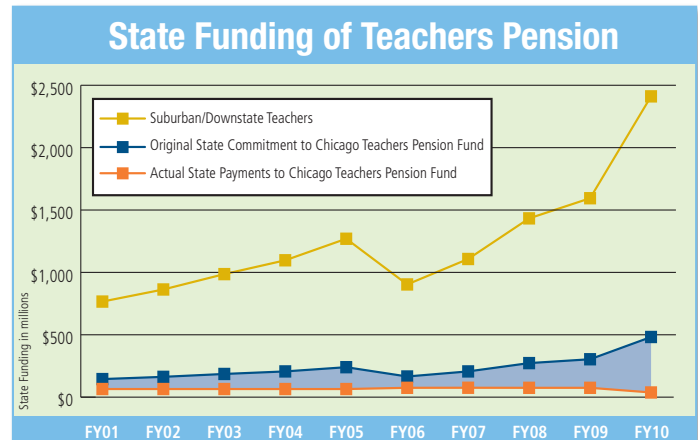
## Short-Term Pension Relief

Under State law, CPS is the only school district in Illinois that is required to make additional employer contributions to its teacher pension fund, when the funded ratio falls below 90%. In April 2010, the Governor signed into law a bill passed by the General Assembly that provided short-term pension funding relief for CPS. Under this legislation – Public Act 96-0889 – CPS will instead make pension contributions to CTPF in the amount of the “employer’s normal cost” in FY2011 through FY2013. As a result, the legislation reduced CPS’ FY2011 contribution to CTPF by approximately \$400 million, from \$587 million down to \$187 million. While this relief allows CPS to maintain vital resources in the classroom, it is temporary. In three years, or by FY2014, the district’s contribution level will return to an amount necessary to bring CTPF’s funded ratio to 90% by FY2059, most recently estimated at more than \$600 million.

The state FY2010 budget reduced the state contribution to CTPF by 50%. State aid to CTPF declined from \$74.8 million in FY2009 to \$37.5 million in FY2010. The state again failed to meet its statutory commitment, which expressed the Illinois legislature’s intention to fund the CTPF at 20% of downstate teachers’ pension funding. Had the state funded CTPF at 20% of what it provides to the downstate pension fund, CTPF would have received \$482 million in FY2010.



Source: National Center for Education Statistics, 2007-2008



Source: Chicago Public Schools



# Education Programs

CPS continues to focus on restoring and maintaining key programs which have shown success in improving student success in education.

## Early Childhood Programs

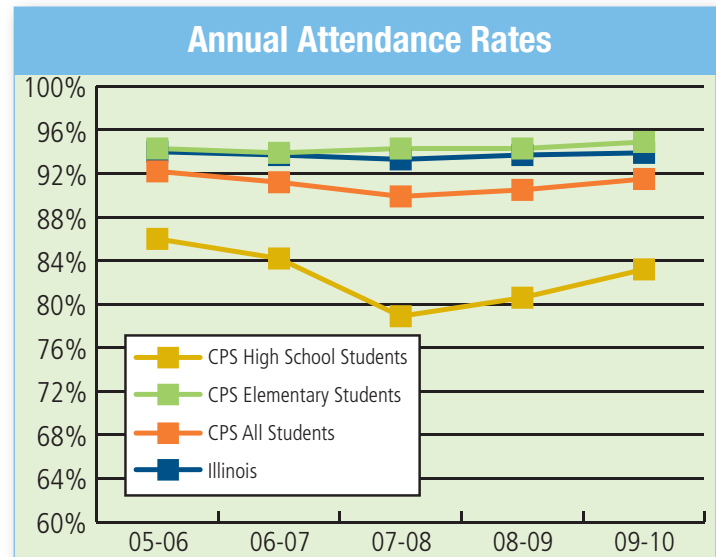
A strong foundation and interest in education is critical to developing high-performing students. Our early childhood programs are designed to do just that. The Preschool for All program prepares children for successful entry into kindergarten. Our Head Start program enables CPS to prepare low income children for entry into kindergarten and focuses on education, socio-economic development, physical and mental health and nutrition services for preschool students and their families. The full-day kindergarten program enables CPS to extend the typical 4-hour kindergarten program model.

## Year-Round Schools

The mission of year-round schools is to improve student achievement by reconfiguring the school year to increase learning opportunities. The benefits of the year-round schools include: eliminating summer learning loss for students; enhancing teachers' time management and planning; providing better opportunities for remediation; and eliminating teacher burnout. Year-round schools also provide students with the safety and security of a school environment during the summer months.

## Extended Learning Opportunities and Enrichment Programs

CPS provides academic enrichment to students through magnet schools, selective enrollment schools and programs, Advancement Placement and International Baccalaureate curriculum. CPS has continued to advance student opportunities through its network of charter schools and through the Renaissance 2010 initiative. Since 2005, CPS has opened 103 Renaissance schools, which have the capacity to serve over 54,000 students.



Source: CPS, Information and Technology Services, EIM, Data Management

## Response to Intervention (Rtl) Framework

The Rtl framework seeks to identify students who may be at risk and require intervention. The goal is to ensure that students who are not performing at expected levels, receive the support necessary to get on track and become successful.

## Student Safety

CPS believes it can play a pivotal role in reducing and preventing the violence which affects the safety, academic behavior and performance of our students. We have launched the Violence Prevention Initiative which focuses on providing services to at-risk students through student mentorship and advocacy services, promoting a culture of calm within schools and creating safe passages to and from school in high-risk areas. The security personnel placed at each school has been trained in how to recognize the potential for violence and handle incidents as they occur.

## Performance Management

In FY2010, the Performance Management process expanded to area offices and schools. At the school level, Instructional Leadership Teams and teacher teams use a myriad of academic data, such as interim assessments and student work samples, to establish strategies for improving academic performance, monitor progress and adjust action plans based on results. At the area level, Chief Area Officers monitor school strategies and implementation metrics, while also assisting principals in solving common challenges. The process was supported by providing schools with \$10 million to pay teachers for team meetings taking place outside of normal school hours and purchasing 13,000 computers to support online interim assessments. The assessments were piloted at 254 schools for grades 3-8. In fiscal 2011, the assessments will be required at all schools for students in grades 3-9.



# Education Outcomes

## More Students Meet Standards

CPS is empowering our teachers to create a culture of performance. A key part of this is ensuring that we can measure the effectiveness of our curriculum and determine if we are meeting the needs of our students. Standardized test scores provide some of the data needed to obtain a clear picture of our educational outcomes while identifying areas for improvement.

The test scores shown have been adjusted to exclude the English-Language Learning (ELL) scores because these students were not included in 2005 to 2007 data. However, the state reports of ISAT scores include ELL scores, which count toward Annual Yearly Progress.

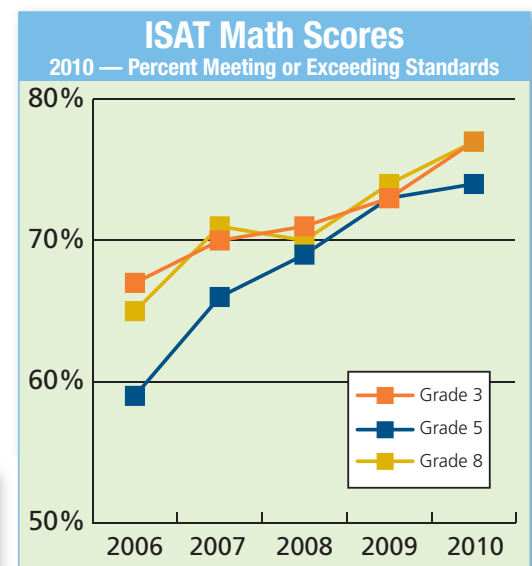
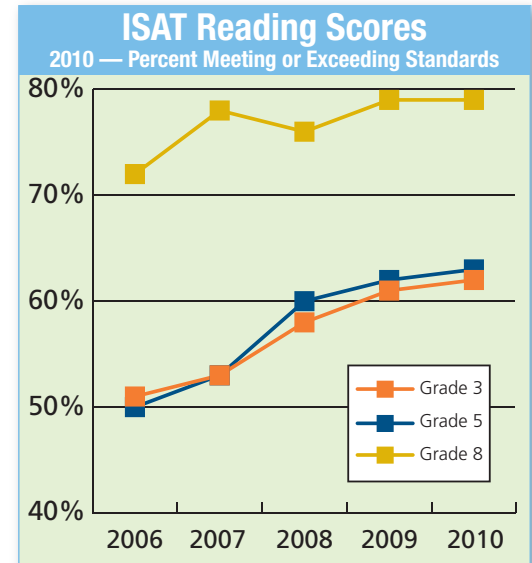
## High School ACT Results

There was a slight increase in ACT composite scores in 2010 although the scores were relatively flat from 2006 to 2010. We have seen an increase in math, reading and science from 2006 to 2010. Reading is the one area where we show steady increases from year to year.

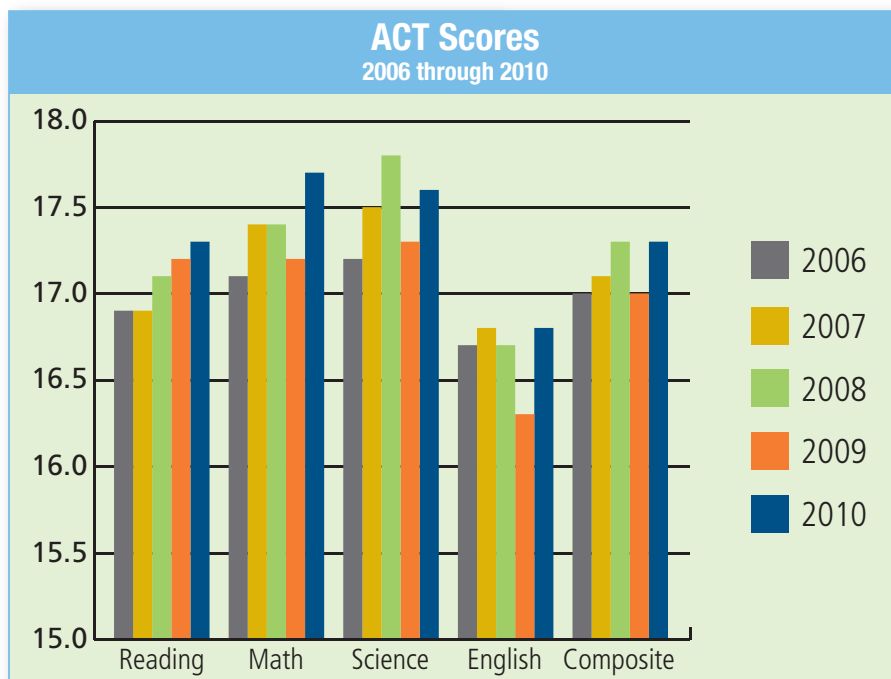
## Elementary ISAT Results

The percent of students meeting or exceeding state standards overall has grown since 2006 with fifth grade students showing the greatest increase from 2006 to 2010. From 2009 to 2010, the largest increase was measured amongst third grade students in math. Overall, the percent of students exceeding state math, science and reading standards continues to grow.

Chicago Public Schools students also showed continued progress in 2009 mathematics testing conducted by the National Assessment of Educational Program (NAEP). Newly released data shows that fourth and eighth grade CPS students who were tested last school year continued the upward trend line that began with introduction of the NAEP test in 2003.



Source: CPS, Information and Technology Services, EIM, Data Management



Source: CPS, Information and Technology Services, EIM, Data Management

## CPS Annual Financial Report and the Management's Discussion and Analysis (MD&A)

### What is included in the CPS Comprehensive Annual Financial Report (CAFR)?

Each year, in addition to this popular version of the annual report, CPS produces a Comprehensive Annual Financial Report (CAFR). The CAFR is prepared using a reporting combination of both government-wide financial statements and fund financial statements. These financial statements consist of three major components:

- Government-wide financial statements include the Statement of Net Assets and the Statement of Activities which provide a broad, long-term overview of CPS' finances
- Fund financial statements include the balance sheet and statement of revenue, expenditures, and net changes in fund balances. They provide a greater level of detail of revenues and expenditures and focus on how well CPS has performed in the short term in the most significant funds
- Notes to the basic financial statements

Financial data contained in this report is presented in conformity with Generally Accepted Accounting Principles (GAAP). CPS government funds use the modified accrual basis of accounting.

### What is the Management's Discussion and Analysis (MD&A)?

In the MD&A section of the CPS' annual report, management discusses numerous aspects of the organization, both past and present. Among other details, the MD&A provides an overview of the previous year of operations and how the CPS fared in that time period. Management also touches on the upcoming year, outlining future goals and approaches to new projects.

### Highlights from the Government-Wide Financial Statements

Total assets of \$9.45 billion increased \$598 million or 6.8% primarily due to larger accounts receivable balances and new school construction. Non-current assets increased \$491 million primarily due to the increase of capital assets. Capital assets, net of depreciation, for FY2009 totaled \$5.04 billion and \$5.47 billion in FY2010. In FY2010, CPS issued \$802 million of new bonds to fund the Capital Improvement Program.

Long-term debt increased \$683 million or 13.9% due to the issuance of new debt to fund the capital improvement program. The total long-term portion of debt outstanding and capitalized leases was \$4.9 billion in FY2009 and \$5.6 billion in FY2010.

Accrued pension increased to \$1.97 billion in FY2010 from \$1.93 billion in FY2009, an increase of \$38.8 million or 2.0%. The year end balance reflects the increase in the net pension obligation related to CTPF.

Other post-employment benefit (OPEB) liabilities increased to \$949.4 million in FY2010 from \$756.7 million in FY2009, an increase of \$192.7 million, or 25.5%. The year-end balance reflects the increase in net OPEB related to healthcare costs associated with CTPF.

Other long-term liabilities including current portion increased to \$522.2 million in FY2010 from \$472.4 million in FY2009, an increase of \$49.8 million or 11%. The year-end balance reflects an increase in accrued sick pay, vacation pay, tort liabilities and workers' compensation of \$39.7 million, \$1.2 million, \$0.5 million and \$11.9 million respectively, and a decrease in auto and general liability of \$3.5 million.

CPS' net assets decreased \$427 million to a deficit of \$918 million. Of this amount, \$137 million represents CPS' investment in capital assets, net of depreciation, and related debt. Restricted net assets of \$562 million are reported separately to present legal constraints from debt covenants and enabling legislation. The deficit of \$1,617 million of unrestricted deficit represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2010.



## Statement of Net Assets

### As Reported in Government-Wide Financial Statements

This Statement of Net Assets is aimed at citizens who are interested in a government's finance, but do not have direct access to the detailed accounting data. 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. Government-Wide Financial Statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

The Statement of Net Assets presents information on all of CPS' assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

All of CPS' services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services and food services. Property taxes, replacement taxes, state aid, interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

### Statement of Net Assets

(Millions of dollars)

	2010	2009 (as restated)	Difference	% Change
Current Assets	\$3,809	\$3,702	\$107	2.9%
Non-current Assets	5,640	5,149	491	9.5%
<b>Total Assets</b>	<b><u>\$9,449</u></b>	<b><u>\$8,851</u></b>	<b><u>\$598</u></b>	<b>6.8%</b>
Current liabilities	\$1,179	\$1,153	\$26	2.3%
Long-term liabilities	9,188	8,189	999	12.2%
<b>Total Liabilities</b>	<b><u>\$10,367</u></b>	<b><u>\$9,342</u></b>	<b><u>\$1,025</u></b>	<b>11.0%</b>
Net Assets:				
Invested in capital assets net of related debt	\$137	\$30	\$107	356.7%
Restricted for:				
Debt service	447	391	56	14.3%
Specific purposes	115	105	10	9.5%
Unrestricted	(1,617)	(1,017)	(600)	59.0%
<b>Total Net Assets</b>	<b><u>(\$918)</u></b>	<b><u>(\$491)</u></b>	<b><u>(\$427)</u></b>	<b>87.0%</b>



# FINANCIAL REPORT Resources

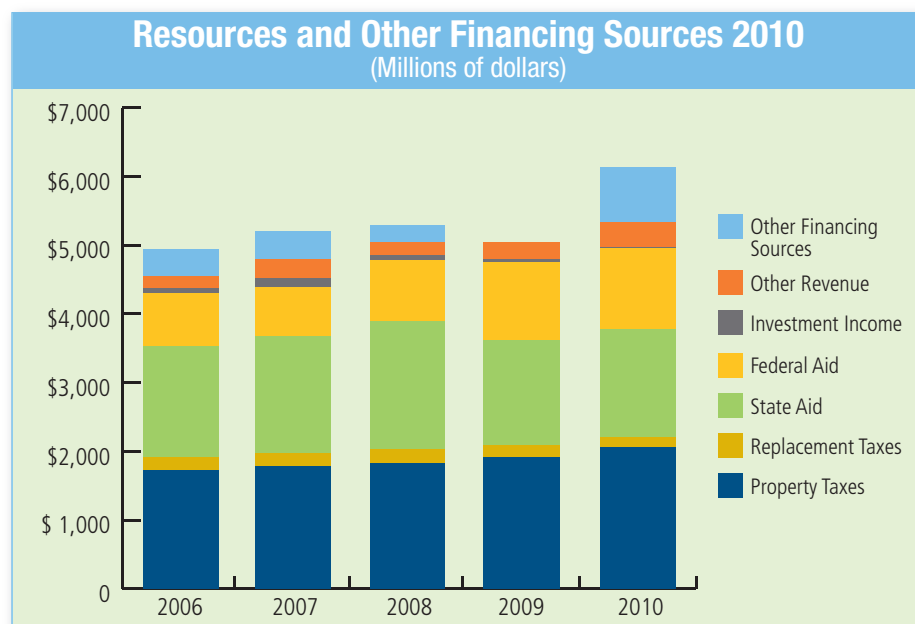
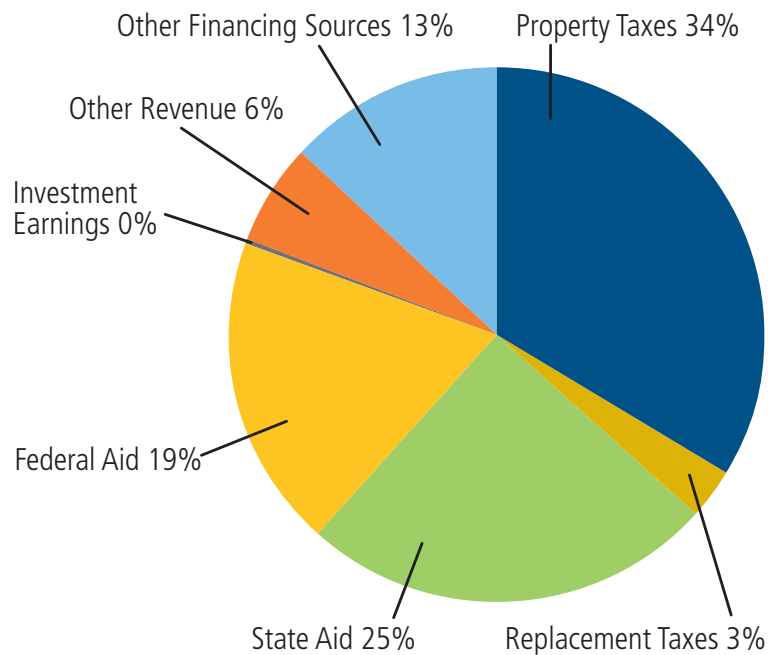
## How Are Chicago Public Schools Funded?

The Chicago Public Schools are financed through a combination of local, state and federal sources. CPS uses fund accounting to ensure and to demonstrate compliance with government accounting and legal requirements.

Resources from all sources totaled \$6.1 billion for fiscal year 2010. The Federal government contributed 19% of all revenues for CPS in fiscal year 2010, while State Aid was 25%. The remaining 56% of resources are raised locally and include property and replacement taxes.

Fund Financial Statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

## Resources and Other Financing Sources 2010



## Resources by Type

The following schedule presents a summary of revenues and other financing sources by type for the general operating fund, capital projects fund and debt service fund for the fiscal year ended June 30, 2010. It also depicts the amount and percent change in relation to prior year revenues and other financing resources.

Local property taxes provide approximately 33.5% of all revenues. The other local revenues come from personal property replacement taxes, interest income, lunchroom fees and miscellaneous items.

- **Property Taxes** increased by \$150 million from fiscal year 2009 because a new state law increased spring 2010 property tax bills from the historical 50% to 55% of prior year total taxes. Also, CPS increased property taxes by 0.7% and captured all property tax growth from new property.
- **Replacement Taxes (Personal Property)** decreased \$35 million from fiscal year 2009 reflecting the continued significant economic recession and its effect on corporate profits in Illinois.
- **State Aid** increased by \$40 million from the prior year for the following reasons: 1) the State substituted less General State Aid (GSA) with federal stimulus funds and 2) the State increased GSA due to increases in poverty counts but offset it by reductions in state grants and programs including state teacher pension, ADA block grant and bilingual education.
- **Federal Aid** increased \$55 million primarily because of increases in federal stimulus funds and E-rate revenue partially offset by decreases in other grants including federal Title I, Headstart and Improving Teacher Quality grants as well as a timing delay in Medicaid revenues.
- **Interest and Investment Earnings** decreased \$32 million from fiscal year 2009 because the Federal Reserve continued to maintain interest rates at its historical low of 0% to 0.25% and CPS maintained lower cash balances due to the delay in State aid payments.
- **Other Revenue** increased \$107 million, which represents \$140 million of higher Debt Fund receipts from inter-governmental agreement sources with the City of Chicago partially offset by a decrease in Capital Funds because fewer Modern School Across Chicago projects were completed.
- **Other Financing Sources** increased \$800 million primarily due to the issuance of capital bonds Series 2009E, 2009F and 2009G in FY2010.

## Resources and Other Financing Sources (Millions of dollars)

	2010 Amount	2009 Amount	2010 Percent of Total	Increase (Decrease) from 2009	Percent Increase (Decrease) from 2009
Property Taxes	\$ 2,047	\$ 1,897	33.5%	\$ 150	7.9%
Replacement Taxes	153	188	2.6%	(35)	(18.6%)
State Aid	1,552	1,512	25.4%	40	2.6%
Federal Aid	1,180	1,125	19.3%	55	4.9%
Interest and Investment Earnings	12	44	0.2%	(32)	(72.7%)
Other Revenue	360	253	5.9%	107	42.3%
Other Financing Sources	801	1	13.1%	800	80000.0%
<b>Total</b>	<b>\$ 6,105</b>	<b>\$ 5,020</b>	<b>100.0%</b>	<b>\$ 1,085</b>	<b>21.6%</b>

# FINANCIAL REPORT Expenditures

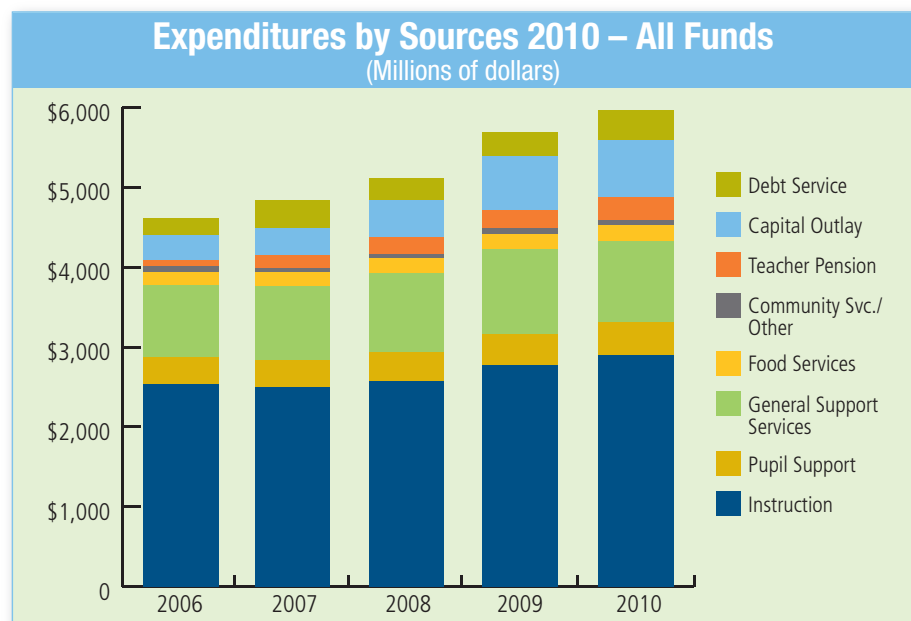
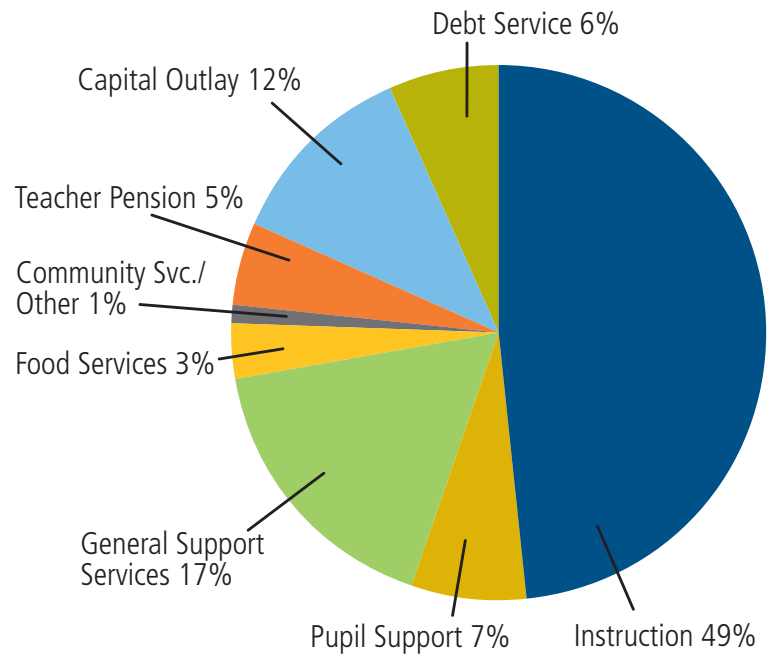
## Where Does the Money Go?

These graphs display fiscal year 2010 expenditures across specific program areas. Detailed fund financial statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

**Instruction** includes basic education and special education for students with physical, mental, emotional and/or learning disabilities. Also included are vocational education, summer school, supplementary bilingual education and education for economically deprived students.

**Pupil Support Services** includes guidance counseling, social work, speech pathology, nursing, psychology, occupational and physical therapy services.

## Expenditures by Sources 2010 – All Funds





**General Support** includes:

- Instructional Support includes programs designed to enhance curriculum development, educational staff training and library services.
- Facilities Services includes operation and maintenance of plant and student transportation.
- Administrative Support includes school administration such as school principal and assistant principal compensation as well as central and area office administration.

**Food Services** includes student lunches and breakfasts.

**Community Services** includes after school programs and programs provided for non-public schools.

**Teachers' Pension** includes CPS employer share of teacher pension funding.

**Capital Outlay** includes major new construction and renovation costs.

**Debt Service** includes the payment of general long-term principal and interest.

## Expenditures by Function

The following schedule represents a summary of the general operating fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2010, as well as the percentage change in relation to prior year amounts.

Instruction has increased 4.5% or \$126 million due to teacher salary step increases and 4% cost of living adjustments as well as an increase in payments to Charter and private schools of \$70 million. Teacher Pension increased 24% or \$57 million due to rising pension costs and reduced contributions from the state. Capital Outlay increased 5%, or \$34 million, due to continuation of capital improvement projects for renovation and new facilities. Debt service expenditures increased 28% or \$85 million because interest rates for variable-rate bonds with interest-rate swaps and their related fees were significantly higher than those in FY2009.

### Expenditures (Millions of dollars)

	2010 Amount	2009 Amount	2010 Percent of Total	Increase (Decrease) from 2009	Percent Increase (Decrease) from 2009
Instruction	\$ 2,899	\$ 2,773	48.5%	\$ 126	4.5%
Pupil Support	416	390	7.0%	26	6.7%
General Support Services	1,011	1,058	17.0%	(47)	(4.4%)
Food Services	197	195	3.3%	2	1.0%
Community Services	50	56	0.8%	(6)	(10.7%)
Teacher Pension	294	237	4.9%	57	24.1%
Capital Outlay	706	672	11.8%	34	5.1%
Debt Service	387	302	6.5%	85	28.1%
Other	12	9	0.2%	3	33.3%
<b>Total</b>	<b>\$ 5,972</b>	<b>\$ 5,692</b>	<b>100.0%</b>	<b>\$ 280</b>	<b>4.9%</b>

# FINANCIAL REPORT

## Capital Improvement

The Capital Improvement Program (CIP) is designed to relieve overcrowding and renovate school buildings to enhance the educational environment. Chicago Public School's CIP uses a phased prototype renovation process that allows us to restore buildings while minimizing the impact on students and maximizing the benefit to the community. Since the inception of the CIP in 1995, the CIP has made a significant impact on the physical quality of our schools, which in turn has made a substantial impact on our students' learning environment.

Finding resources to fund the CIP is an ongoing effort. Over the past 15 years, the program has grown in scope to over \$5.5 billion. Local resources have been the primary source of funds for this program. In FY2010, the state adopted a major new capital program to provide funding for statewide K-12 capital projects over six years. CPS expected to receive more than \$440 million over those six years, including a significant amount in FY2010. As a result of the state's fiscal challenges during FY2010, CPS received none of this expected revenue.

### Capital Assets

As of June 30, 2010, CPS had \$8.2 billion invested in a broad range of capital assets, including land, buildings, improvements, and equipment. Capital assets increased from last year by \$565 million before depreciation.

### New Construction and Renovations

In fiscal year 2010, CPS completed the following projects:

	FY2010	Since 1995
<b>New Schools</b>	4	35
<b>Replacement Schools</b>	1	16
<b>Additions, annexes, links and modular units</b>	9	87
<b>Roofs</b>	11	475
<b>Windows, doors &amp; masonry repairs</b>	6	831
<b>Science Labs</b>	3	70
<b>Americans with Disabilities Projects</b>	16	259
<b>Renovations</b>	117	333
<b>Gymnasiums and play lots</b>	9	378
<b>Campus Parks</b>	0	94

That makes for a total of 176 projects completed during FY2010. Six new schools opened in September 2010 (2010-2011 School Year).

### Modern Schools Across Chicago Program

In June 2006, Mayor Richard Daley announced the Modern Schools Across Chicago (MSAC) program, a partnership between the City and CPS to provide over \$1 billion in school construction over 6 years. The program includes citywide projects representing Chicago's highest priority needs: new high schools to increase capacity, major high school renovations to provide modern facilities and new elementary schools to relieve overcrowding.



## Long-Term Debt

As of June 30, 2010, CPS had \$5.8 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus \$5.08 billion for FY2009 an increase of 14%. The percentage change in outstanding debt represent the combined effects of new debt issued in FY2010, low principal retirements, and accreted interest on capital appreciation bonds.

## Bond Issuances

In FY2010, CPS issued its Series 2009D bonds and its Series 2010AB bonds to refund the Series 2004DE and Series 2004C-2 and Series 2005D-2 bonds. As a result of increased interest cost to CPS caused by the decrease in ratings of existing liquidity and/or insurance providers for Variable Rate Demand Bonds, CPS restructured the Series 2004DE bonds with fixed rate debt. CPS completed the refunding to reduce its total future debt service.

CPS also issued its Series 2009E Build America bonds, Series 2009F bonds and Series 2009G Qualified School Construction bonds to finance the Capital Improvement Program ("CIP"). The Build America and Qualified School Construction bonds take advantage of opportunities created by Federal stimulus to lower the cost of funding the CIP. The revenue source pledged for the repayment of these bonds is General State Aid.

## Debt Ratings

Investors who purchase municipal bonds use debt ratings as an indicator of the financial stability of an organization and consequently the safety and security of the debt sold by that organization. In general, higher credit ratings often result in lower borrowing costs via reduced interest rates paid on municipal bonds. Strong ratings also promote a wider market by attracting more buyers of municipal bonds.

## CPS Debt Ratings

	Oct. 2010	FY2010*	FY2009
Fitch Ratings	A+	AA-	A+
Moody's Investor Service	Aa2	Aa2	A1
Standard and Poor's	AA-	AA-	AA-

\*Reflects recalibration by Moody's and Fitch.

Highest rating is 'AAA'; lowest is 'D'

There are three major rating agencies that assign ratings to municipal debt, including the debt issued by CPS. As of fall 2010, CPS' current ratings are AA-, Aa2, and A+ by Standard and Poor's, Moody's Investor's Service, and Fitch Ratings, respectively. These ratings are considered relatively strong by investors, helping to attract investors looking to buy high-quality municipal bonds.

CPS' ratings fluctuated in the spring and fall of 2010 compared to 2009. In spring 2010, two of the three major rating agencies changed their municipal ratings scale, recalibrating it to align more closely with the corporate rating scale. Many organizations, including CPS, experienced a strengthening in their ratings as a result. Moody's Investor's Service and Fitch Ratings raised CPS' rating to Aa2 and AA- respectively, while its rating from Standard and Poor's remained the same as 2009 at AA-. Subsequently, Fitch Ratings downgraded CPS' rating to the current A+ level, from AA-. Standard and Poor's and Moody's maintained their ratings of AA- and Aa2, respectively.

## Bond Issuances

Date	Purpose	Amount (In Thousands)	Series	Special Type of Unlimited Tax General Obligation Bonds
Jul. 2009	Refunding previously issued bonds	\$75,720	2009D	Refunding
Sep. 2009	Finance Capital Improvements	\$518,210 \$ 29,125	2009E 2009F	Build America Bonds
Dec. 2009	Finance Capital Improvements	\$254,240	2009G	Qualified School Construction Bonds
Feb. 2010	Refunding previously issued bonds	\$205,965	2010AB	Refunding
<b>Total</b>		<b>\$1,083,260</b>		



# In The News

## Three More CPS Schools Earn Designation As “Schools to Watch”

This year Evergreen Academy Middle School, Arthur A. Libby Elementary & Middle School and Little Village Academy were noted as Illinois Horizon “Schools to Watch” by the Association of Illinois Middle-Level Schools (AIMS) and the National Forum to Accelerate Middle-Grades Reform. These three schools will join Thurgood Marshall Middle School as Schools to Watch within CPS. Each school received recognition at a special school ceremony and at the National Forum Schools to Watch Conference in Washington, D.C. in June.

## Essay Finalist Stands Out as Money Smart Kid

A CPS student from Whitney M. Young Magnet High School prevailed over more than 450 other students in the Federal Reserve Bank of Chicago’s recent Money Smart Kid contest. In his essay, the student described his desire to work in investment banking after college. He is working towards his goals with about \$500 in a savings account and a stock portfolio that has picked up such beaten-down stocks as Citigroup, Fannie Mae and Toyota.

Since accepting the scholarship grand prize for the Money Smart Kid essay contest in April 2010, the winner has been anything but idle. He has continued to engage in financial literacy efforts through speaking opportunities and writing posts in various youth financial publications such as the Young America Saves newsletter and On the Money Magazine. HSBC sponsors the contest and gives the winner a \$5,000 scholarship.

## National Board Certified Teachers

In 2010, 310 CPS teachers achieved certification from the National Board for Professional Teaching Standards. Chicago ranked second in the nation for the number of teachers who achieved certification in 2010. In total, CPS now has 1,804 teachers who have achieved the prestigious National Board certified (NBC) status, the highest professional credential a classroom teacher can attain. NBC teachers working in CPS earn a salary stipend of \$1,750 per year. In FY2010, these teachers received more than \$2 million dollars in state stipends.

## Five CPS Teachers Win Golden Apple Awards

Five CPS teachers were named winners of the prestigious Golden Apple award. Honorees include math, science and literature instructors from King College Prep High School, Michele Clark High School, Chicago Academy High School, Kelly High School and Phoenix Military Academy.

## Real Life Experience

Students from nearly 50 high schools citywide gained an up-close look at the world of work and learned first-hand how the skills they develop in the classroom translate to a job within their field of interest. Throughout the month of February 2010, more than 1,000 Chicago Public Schools students visited 100 Chicago-area businesses as part of the district’s Job Shadow Initiative.

CPS has implemented several career programs for our students including an eight-week Pharmacy Enrichment Program for high school students interested in pharmacy or other health related professions. As part of the Pharmacy Enrichment Program, students participate in a two part program that includes a three-week program at the UIC College of Pharmacy providing shadowing, mentoring, tutoring, academic enrichment, and career counseling. The program concludes with a five-week paid work program at a local CVS pharmacy.

## Rewarding High Performance

The U.S. Department of Education awarded the Chicago Public Schools a \$35.9 million grant—the largest competitive grant in CPS history—to support projects that develop and implement performance-based compensation for teachers and principals. The grant will help strengthen educators throughout the district by rewarding excellence, attracting principals and teachers to high-need and hard-to-staff areas, and providing all teachers and principals with the support and feedback they need to succeed.

Three of CPS’ institutional partners were also awarded grants totaling \$45 million dollars from the U.S. Department of Education. CPS will be a major beneficiary of these grants which will be used to implement programs that help improve teacher preparation by allowing the colleges and universities to transform and improve traditional teacher preparation and residency programs in high-needs CPS schools.

# Glossary of terms

**BUDGET** Allocation of available revenue in accordance with the spending guidelines and policies of the revenue sources to carry out educational goals of the school district.

**BOND** A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date in the future (the maturity date), together with periodic interest at a specified rate.

**CAPITAL ASSETS** All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc.

**CAPITAL IMPROVEMENT** Any permanent structure or other asset in real estate added to a property that adds to its value, whether through new construction or renovation.

**DEBT RATINGS** A grade assigned by credit rating agencies that evaluate the credit worthiness of a corporation's debt issues. A rating is specified by a letter classification, such as AAA, B, or CC. This rating is a financial indicator to potential investors of debt securities (i.e. bonds).

**DEBT SERVICE FUND** Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**EXPENDITURE** The payment of obligation (liability).

**FUNCTION** A group of activities directed toward a specific service of the school district.

**FUND ACCOUNTING** Accounting whereby nonprofit organizations and organizations in the public sector are measured by accountability instead of profitability. These organizations have a need for special reporting to financial statements users that show how money is spent, rather than how much profit was earned.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** Financial statements that incorporate all of the school district's financial activities into two statements: the statement of net assets and the statement of activities.

**LONG-TERM DEBT** Loans and obligations with a maturity of longer than one year; usually accompanied by interest payments.

**NET ASSETS** Resources remaining when the school district deducts all of their financial obligations from the assets they own.

**OPERATING FUND** The primary fund used to account for all financial transactions relating to current operations.

**RESOURCES** Funds recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period.

**UNRESTRICTED** The portion of net assets available to be used or spent in the future.



Please contact us if you would like additional copies of this report or copies of our Comprehensive Annual Financial Report (CAFR). Both reports are available at [www.cps.edu](http://www.cps.edu) on the "About CPS: Financial Information: Annual Report" page.

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