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Chicago Public Schools Popular Annual Financial Report

Office of Finance
For the fiscal year ended June 30, 2009

Richard M. Daley
Mayor, City of Chicago, Illinois



Board of Education of the City of Chicago
Clare Muñana, Vice President
Norman R. Bobins
Tariq H. Butt, M.D.
Alberto A. Carrero, Jr.
Peggy A. Davis
Roxanne Ward



Ron Huberman, Chief Executive Officer
Barbara Eason-Watkins, Ed.D., Chief Education Officer
Christina Herzog, Acting Chief Financial Officer
Daryl J. Okrzesik, Controller

CPS At A Glance

Students

Total: 407,955 (2008-2009)

Student Enrollment

23,325 Pre-School
28,975 Kindergarten
242,489 Elementary (1-8)
113,166 Secondary

Student Racial Breakdown (2008-2009)

46.2% African-American
41.2% Latino
8.9% White
3.5% Asian/Pacific Islander
0.2% Native American
0.0% Multi-Racial

Additional Student Information (2008-2009)

84.3% of students from low-income families
18.4% of Illinois public school students attend CPS
13.3% are limited-English-proficient
94.4% attendance rate for elementary schools
80.0% attendance rate for high schools
90.5% citywide attendance rate

Schools

Total: 666(2008-2009)

Elementary Schools – 483

415 traditional elementary schools
37 magnet schools
5 middle schools
12 gifted centers
9 special schools
3 classical
2 small

High Schools – 116

42 general/technical
10 career academy
6 magnet school
5 military academy
24 small school
8 achievement academy
5 alternative school
8 special education school
8 selective enrollment

Charter Schools – 67

40 elementary
27 high school

Local School Councils

Each council consists of:
6 parent representatives
2 community representatives
2 teachers
1 principal
1 student representative (high school only)

Employees – 43,731

(FY2008-09)

Total Positions:
37,834 (public schools)
43 (non-public schools)
4,219 (citywide)
1,635 (central/regional)

Overall Racial Breakdowns

All Staff:
41.1% African-American
36.0% White
19.3% Latino
2.8% Asian/Pacific Islander
0.7% Native American

586 Principals:

53.2% African-American
29.1% White
17.7% Latino
1.7% Asian/Pacific Islander
0.3% Native American

23,110 Teachers

31.1% African-American
49.1% White
17.7% Latino
1.7% Asian/Pacific Islander
0.3% Native American

Pupil/Teacher Information (2008-2009)

23.5 pupils per teacher in elementary schools
19.5 pupils per teacher in high school
\$ 67,589 average teacher salary
\$109,826 average administrator salary

Operating Budget

\$4.8 billion (FY2008-09)
Local sources: \$2,108 billion
State sources: \$1,732 billion
Federal sources: \$.868 billion
Appropriated Fund Balance: \$0.145 billion

Per pupil operating expenditures

as of FY07-08
\$11,536 operating expenditure per pupil
\$7,957 per capita tuition



Clare Muñana
Vice President



Ron Huberman
Chief Executive Officer



Norman R. Bobins
Board Member



Dr. Tariq Butt
Board Member



Alberto A. Carrero
Board Member



Peggy A. Davis
Board Member



Roxanne Ward
Board Member

December 10, 2009

Dear Colleagues and Friends:

These are challenging times for Chicago Public Schools (CPS). Now more than any other time in CPS history, we are facing the dilemma of significantly reduced funding and external risks to our students due to violence and economic instability. CPS' family and student support programs help provide valuable resources to families destabilized due to the high-rate of unemployment. At the same time, our pursuit of educational excellence is providing our students with the tools needed to realize their academic potential. Specialized summer and afterschool programs are providing the guidance at-risk students need in order to stay on track. The evidence of our success is marked by continued increases in state test scores and the number of CPS graduates continuing on to college. We continue to streamline CPS operations in order to make funds available for critical programs.

With the focus remaining on student performance, the District has reinvigorated our future strategy. During this process, we listened to students, parents, administrators, community members and national experts to ensure that we were developing a plan that will lead us towards our ultimate objective of offering high-quality education to our students. The resulting strategy includes five key initiatives: Performance Management wherein we identify and track key measures that help us determine where we are doing well and where we need to do better; Human Capital in which we continue to focus on identifying, recruiting and retaining high-performing teachers; Portfolio Management which keeps us on track to obtaining our goal of creating diverse education options in every neighborhood; Safety and Security which involves a comprehensive plan to address violence against CPS students; and Central Office which is undergoing a strategic reorganization designed to better serve the district under this new strategy.

The cost-cutting steps taken to date have helped reduce the deficit, but will not be enough to resolve the District's longer-term financial stress. The core of our budget remains in the schools and in the classrooms. Discussions are happening at all levels of the organization to ensure we are meeting our students' needs. We are increasingly engaging parents and the community to reiterate the importance of student support beyond the classroom. Our focus remains on helping our students succeed in education and developing the skills necessary to be productive members of society.

In recognition of consistent sound fiscal management, CPS maintains its bond rating with Moody's Investor Service and Standard and Poor's. We were also awarded Certificates of Excellence in financial reporting from both the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO). The GFOA and ASBO awards are presented to government units that achieve the highest standards in government and accounting and reporting.

Respectfully submitted,

Clare Muñana Ron Huberman

Clare Muñana
Vice President
Chicago Board of Education

Ron Huberman
Chief Executive Officer
Chicago Public Schools

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 666 schools primarily for grades kindergarten through twelve. As the third largest school district in the nation, we serve approximately 408,000 students; we employ over 43,000 dedicated individuals—23,000 of whom are teachers.

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 Schools 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. 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 Did We Do Last Year?

The General Operating Fund ended FY2009 with a deficit of \$143 million, which is very close to the budgeted deficit of \$145 million. FY2009 coincided with the most severe recession since World War II; aggressive actions taken by the Federal Reserve, Treasury and Congress have affected CPS' finances both directly and indirectly. The Fed lowered its target interest rates from 2.0% in July to almost zero in December 2008, which immediately decreased investment earnings for CPS. In February 2009, Congress passed the America Recovery and Reinvestment Act, an economic stimulus package worth \$787 billion, which contained aid to state governments and local educational agencies. The State of Illinois was able to use about \$1.0 billion of these state fiscal stabilization funds to replace its state obligation to school districts in FY2009. CPS received \$260 million of these stabilization funds in lieu of the State General State Aid, which decreased total state revenues by \$260 million while increasing total federal revenues by the same amount.

In spite of the significant decline in fund balances, CPS was able to end the fiscal year with a healthy general operating fund cash balance of \$1.2 billion, an increase of \$143 million over FY2008. The current unreserved fund balance represents 6.6% of general operating fund expenditures.

Noteworthy events include:

- Fiscal year 2009 total budget was \$6.2 billion with the operating fund totaling \$4.9 billion. The capital improvement budget was \$1.0 billion with \$318 million appropriated for debt service.
- CPS operating revenues were almost at the prior-year level primarily because the state delayed its \$173 million obligation to the general operating fund.
- The proposed \$550 million of bonds was not issued during FY2009; rather, proceeds from previous bond issuances were used for on-going construction and renovation projects.
- Total fund balance for all funds declined from \$1.7 billion in FY2008 to \$1.1 billion in FY2009 as a result of the two factors described immediately above.
- CPS issued \$226 million of capital bonds to refund previously issued higher interest rate bonds reducing amount of future debt service expenses.
- Looking forward, CPS' fiscal year 2010 budget of \$6.9 billion represents a 11.5% increase or \$705 million over last year. The General Operating Fund increased by 9.7% and accounted for \$5.3 billion of the overall budget.

Success Stories!

CPS Schools Win National Blue Ribbon

Robert A. Black Magnet School, which serves kindergarten—8th grade, received the 2008 *No Child Left Behind* Blue Ribbon. The school was nominated for this award by the Illinois State Board of Education to the U.S. Department of Education as a school with at least 40 percent of its students from a disadvantaged background that has achieved dramatic progress in student achievement.

Walter Payton College Preparatory High School received the 2008 *No Child Left Behind* Blue Ribbon. The school was nominated for this award by the Illinois State Board of Education to the U.S. Department of Education as a school that has achieved assessment scores that fall in the top 10% of all state schools.



What's Going On in Finance

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Chicago Public Schools
Illinois

for the Fiscal Year Ended
June 30, 2008




President

Executive Director

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.

Balanced Budget

The 2009-2010 budget was the 15th 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 \$106.4 million of prior-year fund balance. This represents a \$473 million (9.7%) increase in General Operating Funds over FY2009, which is largely driven by temporary federal stimulus funding in the special revenue funds.

Capital Improvement Program

Using new debt issues, refundings, and Tax Increment Financing (TIF) dollars, CPS continues to fund its necessary Capital Improvement Program (CIP). In fiscal year 2009, no bonds were issued for the CIP. The state has not designated funds in the past five years for CIP needs. This year we have continued to work with the City of Chicago to fund the Modern Schools Across Chicago program, a joint effort to renovate and build 31 schools.

Increased Funding for Teachers' Pensions

CPS is faced with dramatically increasing pension costs for our teachers, and the state legislature has failed to address this difficult issue. CPS is the only public school district in Illinois that is required to pay the employer contribution for teacher pension benefits.



Success Stories!

Chicago Public School teacher garners national award

A Chicago Public School teacher has been selected by the National Civic League as a winner of the 2009 MetLife Foundation Ambassadors In Education award. The teacher at Kate S. Kellogg School, was named as one of 25 winners selected nationwide for their leadership in building bridges between local schools and communities. The award is designed to recognize educators whose influence can be felt beyond the classrooms and hallways. The program honors educators who build partnerships with community organizations, parents, and guardians; resolve conflicts and promote safety; and participate in civic engagement and community service efforts.

New Processes

Human Capital

For school year 2010, the Department of Human Resources piloted a new initiative working with a portion of the candidate pool to improve principal and teacher quality in our schools. This initiative redesigned two candidate screening processes, one for principal applicants and one for new teacher applicants. The principal eligibility process screens candidates on the knowledge, skills and abilities required for success in the principal role. These criteria reflect available research about principal effectiveness, best practices and input from current and former CPS principals and leaders. The new teacher application process requires candidates to undergo an intensive two-part screening. An initial resume screen focused on teachers' certification, education, and experience. In addition, successful candidates underwent a phone screen to assess their level of critical thinking, teaching ability, and classroom management.

Safety & Security

As part of the Board's larger Violence Prevention Initiative, the Chicago Youth Advocate Program will provide an innovative community-based program for ultra high risk students and their families. CPS will refer approximately 250 high school students attending CPS high schools, Charter Schools, Alternative Schools, and other CPS-approved educational programs for detained or Illinois Department of Corrections (IDOC) students who are at risk of being injured in Chicago neighborhoods. Characteristics of this population include truancy, poor grades including performance below grade level, violations of the school code of conduct, disconnection from school, homelessness and other indicators. If unchecked, these factors may lead to suspension, expulsion or dropping out of school. The program will work with parents, supporting their goals for student success in school.

Oracle Financial Systems

The Oracle Financial System underwent a major upgrade this past year in order to bring CPS in line with Oracle's top level support program. This upgrade also provided many new features in the modules currently in use and allows CPS to implement new modules in the coming year to further our goal of automating and streamlining business processes whenever possible. In addition, the development and pilot testing of the integrated Internal Accounts Management System software, which replaces a PC-Based stand alone Accounting software package at the schools, was completed successfully. Emergency Planning coordination with the Chicago Police Department was also completed.

Performance Management

CPS recently began implementing a performance management (PM) process that ensures that decisions are based on empirical evidence about what best supports schools and students. The process began in March 2009 with Central Office. Departments engaged with the PM team to develop outcome based performance metrics, data collection methods and internal management structures that support data driven decision making. This performance management process is further informed by comprehensive program evaluation and research provided by external partners. The PM team also extends beyond traditional performance management to provide internal consulting services, including organizational design, process mapping and project planning. Currently, processes and tools are being developed to facilitate school-based performance management.



Funding Education

Budget Focus on Educational Priorities

The budget for FY10 increased total funding for all funds by 9.7%. Revenue changes include increases of \$234 million from property taxes and decreases of \$29 million in state revenues and \$30 million in lower personal property replacement taxes due to the weakness in the Illinois economy.

CPS has continued to cut central administrative costs and shifted those resources directly to schools. At the same time, we have improved business services (human resources, finance and operations) to schools. Survey results are encouraging as the information indicates principals are increasingly satisfied with the quality of service provided.

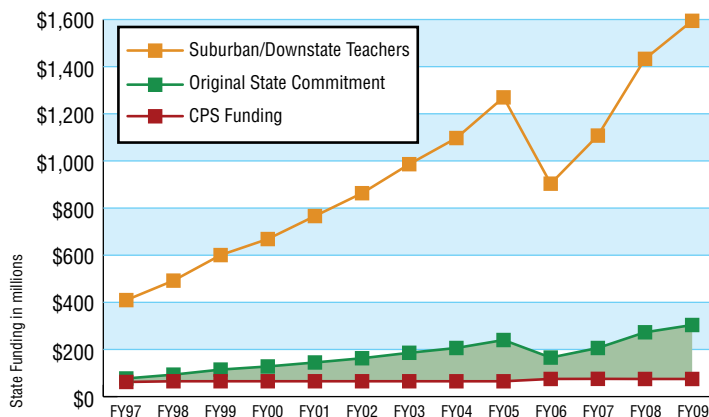
Overreliance on Local Revenues in Chicago

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 \$5.1 billion capital program, with the state contributing no capital funding during the last five 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 contribute to the downstate teachers' pension fund through their state income tax dollars. The State of Illinois contributes only \$75 million annually to the CTPF. This funding is 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. In fiscal year 2009, CPS was required to make a \$188.2 million employer contribution to the Teachers' Pension Fund.

State Funding of Teachers Pension

Suburban/Downstate vs. CPS
State of Illinois Original Commitment to CPS



Source: Chicago Public Schools

State Help to Fund Education

We are facing several state funding issues:

- Funding, which historically increases, actually went down
- State is using one-time federal stimulus funds
- CPS is forced to use reserves to close the FY09 shortfall caused by the state's 4-month late payment

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). The state share of funding is very low compared to other states. In Illinois, the state has provided 29.6% of local public education funding. This placed us 49th in the ranking of school districts across the nation. The national average for state funding is 46.9%. The result in Illinois is significant inequity in school funding with some school districts spending more than \$23,000 per student while others spend less than \$5,000. The gap between well-funded schools and poorly funded schools continues to widen.

Success Stories!

Top Media personalities got start in Chicago Public School

More than 100 Chicago Public Schools alumni have achieved great renown as journalists, publishers and media personalities, in the history of the school district. The list of media personalities includes the likes of the late Studs Terkel, Saul Bellow, Nelson Algren, Ethel Payne, Jerome Holtzman and Mike Royko. There are seven Pulitzer Prize winners, seven Peabody Award winners, two National Book Award winners, two members of the Baseball Hall of Fame Writer's Wing, and 18 Emmy Award winners. One alum, Stuart Schwartz, earned 12 Emmy awards and four Peabody Awards for his work at ABC, on programs like "Good Morning America."

The Elementary and Secondary Education Act (ESEA)

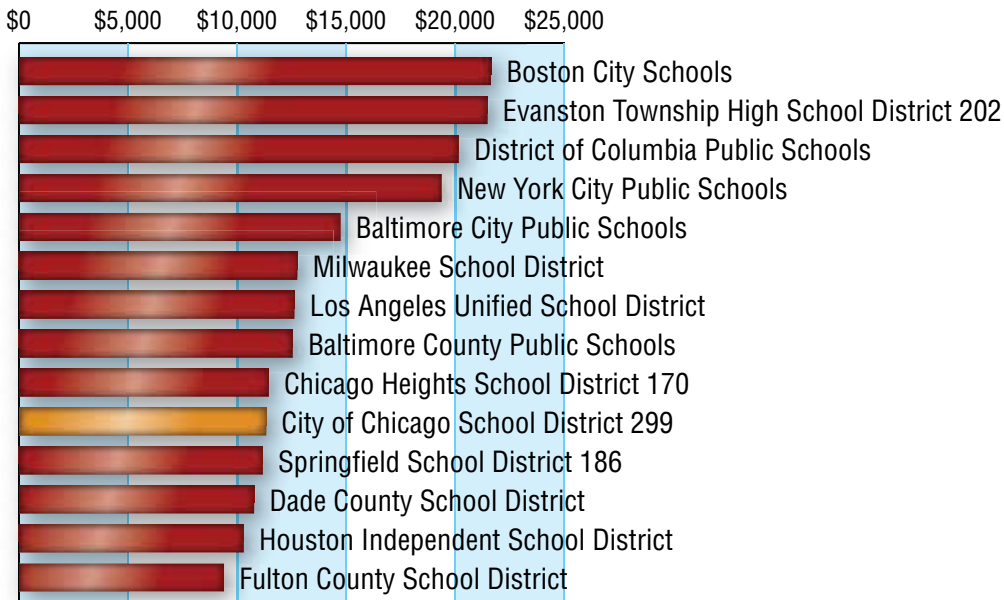
Most of the contributions that the federal government provides to CPS comes as categorical grants under the ESEA). CPS was granted a momentary reprieve with passage of the \$787 billion economic stimulus package.

“All children can learn. But some of them start well behind, and they have trouble catching up with the children who have been nurtured since birth – either at home or in high-quality child care. So we have made it a priority to devote much more attention to the learning that takes place between birth and the age of five”.

– Mayor Richard M. Daley



Per Pupil Funding



Total revenue amount per student

Source: National Center for Education Statistics, 2006-2007

“The large deficit is being driven by a number of factors. Among them are lower than expected tax revenues, a direct result of the slowing economy, as well as higher pension contributions. CPS is the only public school district in Illinois that is required to pay the employer contribution for teacher pension benefits. Huberman also added that contractual pay increases, rising healthcare costs, and miscellaneous expenses such as utilities, transportation and fuel, are also driving the growing deficit.”

– Rob Huberman, CPS Chief Executive Officer

Funding Education

Family Assistance with Food Stamps and Health Insurance

Ensuring that Chicago Public Schools' families have access to public benefits not only improves students' health and ability to learn, but also enhances CPS' state revenue from the Poverty Grant. CPS has a dedicated unit, the Children and Family Benefits Unit (CFBU), that promotes increased access, enrollment, and renewal of CPS students and families in Supplemental Nutrition Assistance Program (SNAP) (formerly known as food stamps) and All Kids.

In FY09, CFBU Liaisons completed over 6,000 applications for SNAP and/or All Kids (free and subsidized health insurance). Liaisons also presented at over 200 parent meetings to educate CPS families about their potential eligibility, rights, and responsibilities with regard to public benefit programs. Liaisons support all CPS schools but prioritize 140 schools with particularly high rates of potentially eligible but not enrolled students and their families. In FY10, CPS will expand its outreach efforts with the creation of a federally funded program, ECHO (Early Childhood Healthcare Outreach), whose Agents will focus on young children (infants to age 5) enrolled in CPS' Office of Early Childhood Education programs.



"No other city has undertaken such sweeping research to examine the type of complex, multi-program system that exists in Chicago and other urban centers across the country".

*– Sam Meisels, President
Erikson Institute*

Success Stories!

Student Politics

CPS' Mock Election won an award for being the best Mock Election in the country.

Finance launch several new programs in FY09. Particularly successful was the collaboration with the Illinois League of Women Voters, Chicago Board of Elections, and others that led to CPS holding the largest student mock election in the country. The event, which

coincided with the 2008 presidential elections, helped enrich classroom lessons and allowed students to directly engage in the democratic process by acting as election judges, counting ballots, casting votes, and participating in a number of other activities that varied greatly in each individual school. Over 35,000 mock presidential ballots were cast in 124 CPS high schools.



What is the Potential Impact of Reduced Funding?

Unfortunately, several key services which have shown to support student learning and advancement are the most at risk for budget cuts:

- Fewer extended learning options: Before and after school programs provide a safe, fun environment for all students to participate in academic, leisure and recreational activities outside of the traditional school day. There are several benefits to students who attend before and after school programs. They are more likely to have increased academic performance, higher attendance rates and more motivation to learn and explore.
- Scaling back of universal community schools: Community schools are those that stay open evenings and weekends to provide both academic and social enrichment activities for students as well as classes for parents and neighborhood residents. Community Schools with in-house health clinics, social services agencies and police involvement can help prevent crime and offer a meaningful alternative to youth.

- No increase in critical early childhood classrooms: Early childhood programs can be a pivotal kick-start to a student's future academic success. Initiatives within the program include Preschool for All, Head Start, Child-Parent Centers, Tuition-based Preschool, and Kindergarten. Last year, over 35,000 children participated in early childhood programs, about two-thirds of the eligible population of 50,000. There is still strong demand for more program availability, which is limited due to lack of space and funding.
- Limited bilingual education: The Bilingual and English as a Second Language program provides opportunities for families and schools to work together to ensure that children succeed both academically and socially regardless of the language they speak. Thirteen percent of CPS students are limited English-proficient. Less funding means less bilingual classrooms and fewer years for bilingual students to complete their language transition.

We're already 49th out of 50 states in education funding. The future projected budgets will push us that much further back.

Success Stories!

Third Time's a Charm

Belmont-Cragin Early Childhood Center is developing a reputation for outstanding teachers, and has another teacher honored with the 2008 Kohl McCormick Early Childhood Teaching Award. The teacher joins Belmont Cragin award recipients from 1999 and 2006. In the award's 14-year history, Belmont Cragin is the first school to have three award winners.

This year's winner previously won a grant to study at the Reggio Emilia Center in Italy, and immerse herself in the center's philosophy of letting children learn as a natural course of their day. The students are free to visit various learning stations throughout the classroom and work as they please. As they ask questions, they are encouraged to find the answers, making the curriculum a process of discovery.



Educational Outcomes

More Students Meet Standards

The path of success for CPS students begins with Early Childhood programs which prepares them to be ready to read in the first grade. Students continue to build their fundamental skills and learn the importance of education so that they are fully engaged in school by the sixth grade and ready for high school in the eighth grade.

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.

Elementary ISAT Results

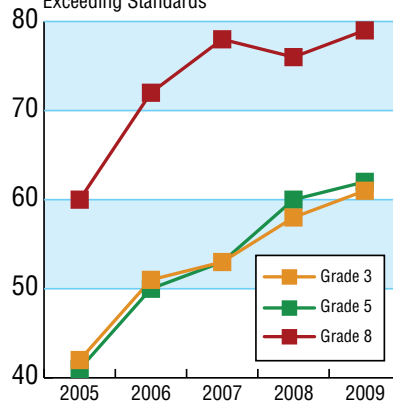
The percent of students meeting or exceeding state standards has grown since 2005. Compared against all elementary school grades, the eighth grade students increased the most from 2008 to 2009. Overall, the percent of students exceeding state math, science and reading standards continues to grow slowly.

High school ACT Results

There was a slight decrease in ACT composite scores in 2009 although the scores were relatively flat from 2005 to 2007. Reading scores have been on a steady increase since 2006. Math, Science and English scores decreased in 2009.

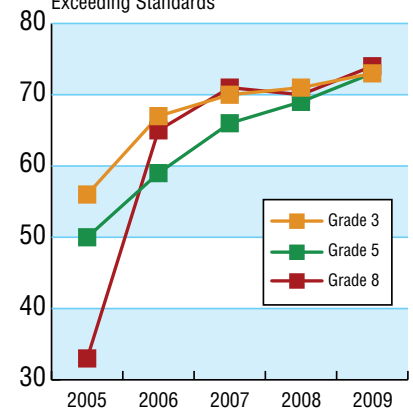
ISAT Reading Scores

2009 — Percent Meeting or Exceeding Standards



ISAT Math Scores

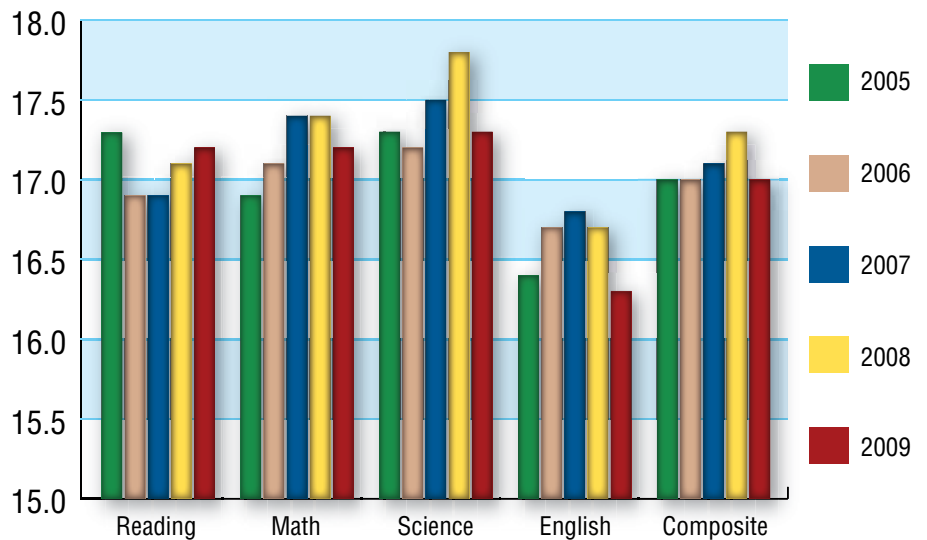
2009 — Percent Meeting or Exceeding Standards



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

ACT Scores

2005 through 2009



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

“As we work to close the achievement gap, we are taking a close look at student performance in core areas such as reading. This program specifically targets students who have fallen behind and provides personalized instruction to help them get back on track.”

- Ron Huberman, CPS Chief Executive Officer

Financial Report

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



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

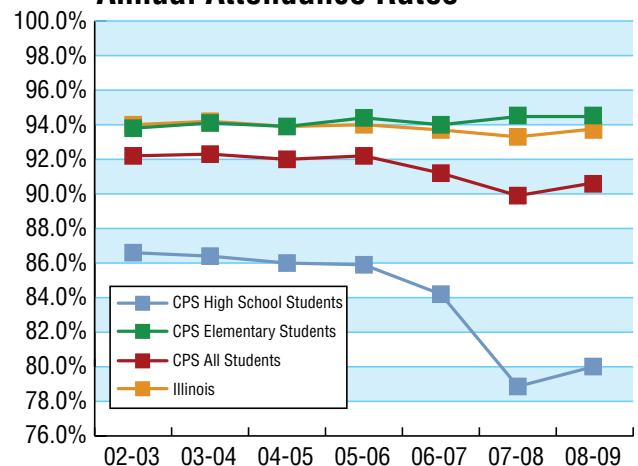
In the MD&A section of the CPS' annual report, management discusses numerous aspects of the organization, both past and present. Among other details, the MD&A provides an overview of the previous year of operations and how the CPS fared in that time period. Management also touches on the upcoming year,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

Success Stories!

CPS Honors 273 Students for Perfect Attendance

Chicago Public Schools recognized 71 high school seniors and 202 eighth-graders, representing almost 100 different schools, for achieving perfect attendance for at least four years. In particular, the district recognized 38 eighth-graders who have had perfect attendance for eight years, and six high school seniors who did not miss a day of school in 12 years.

Annual Attendance Rates



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

Financial Report

Highlights from the Government-Wide Financial Statements

Total assets of \$8.7 billion increased slightly because of increases in school construction and other capital projects, which was offset by a decline in current assets of \$287 million.

Capital assets, net of depreciation, increased \$355 million or 7.6% over the prior fiscal year due to continued progress of the Capital Improvement Program. Capital assets, net of depreciation, for fiscal year 2008 totaled \$4.68 billion and \$5.04 billion in fiscal year 2009. In fiscal year 2009, CPS did not issue any new bonds to fund the Capital Improvement Program.

Long-term debt decreased \$118 million, or 2.4%. The total long-term portion of debt outstanding and capitalized leases was \$5.04 billion in fiscal year 2008 and \$4.9 billion in fiscal year 2009.

Accrued pension increased to \$1.93 billion in fiscal year 2009 from \$1.86 billion in fiscal year 2008, an increase of \$72.5 million, or 3.9%. The year-end balance reflects the increase in the net pension obligation related to the Public School Teachers' Pension and Retirement Fund of Chicago.

Other post-employment benefit (OPEB) liabilities increased to \$756.7 million in fiscal year 2009 from \$579.8 million in fiscal year 2008, an increase of \$176.9 million, or 30.5%. The year-end balance reflects the increase in net OPEB related to healthcare costs associated with the Public School Teachers' Pension and Retirement Fund of Chicago.

Other long-term liabilities including current portion increased to \$472.4 million in fiscal year 2009 from \$441.3 million in fiscal year 2008, an increase of \$31.1 million, or 7%. The change in year-end balance reflects an increase in accrued sick pay, vacation pay, tort liabilities and workers' compensation of \$26.3 million, \$0.4 million, \$0.6 million and \$4.9 million respectively, and a decrease in auto and general liability of \$1.1 million.

CPS' net assets decreased \$345 million to (\$446) million. Of this amount, \$30 million represents CPS' investment in capital assets, net of depreciation, and related debt. Restricted net assets of \$540 million are reported separately to present legal constraints from debt covenants and enabling legislation. The (\$1,016) 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, 2009.

Success Stories!

CPS Student Wins Money Smart Competition

This year, more than 71,000 CPS students in 150 schools participated in Money Smart Week, an event sponsored by the Federal Reserve Bank of Chicago to promote financial literacy amongst youth. The winning student is an eighth-grader at Whitney M. Young High School. She was chosen the winner based on interviews and her essay response to the following question: "The current U.S. economy is facing significant challenges. Please describe some of these challenges and briefly discuss some of the steps that your family and other families can take to meet these challenges." The winner received a \$5,000 scholarship, courtesy of HSBC, and she and the other five finalists all received laptops, also courtesy of HSBC. We are proud to report that five of the six finalists for the Chicagoland-wide contest were CPS students.



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.

The path of success for our students begins with Early Childhood programs which prepares them to be ready to



read in the first grade. Students continue to build their fundamental skills and learn the importance of education so that they are fully engaged in school by the sixth grade and ready for high school in the eighth grade. Several programs are in place to help ease the transition from eighth grade to high school and ensure students have the support needed to be on track to graduate. A student's entire educational career with CPS is designed to prepare them for college and be prepared for employment.

Statement of Net Assets (Millions of dollars)

	2009	2008	Difference	% Change
Current Assets	\$3,702	\$3,989	(\$287)	(7.2%)
Capital Assets, net	5,038	4,683	355	7.6%
Total Assets	\$8,740	\$8,672	\$68	0.8%
Current liabilities	\$1,153	\$924	\$229	24.8%
Long-term liabilities	8,033	7,849	184	2.4%
Total Liabilities	\$9,186	\$8,773	\$413	4.7%
Net Assets:				
Invested in capital assets				
Net of related debt	\$30	\$133	(\$103)	(77.4%)
Restricted for:				
Debt service	435	446	(11)	(2.5%)
Specific purposes	105	105	0	0.0%
Unrestricted	(1,016)	(785)	(231)	29.4%
Total Net Assets	(\$446)	(\$101)	(\$345)	341.6%

Resources

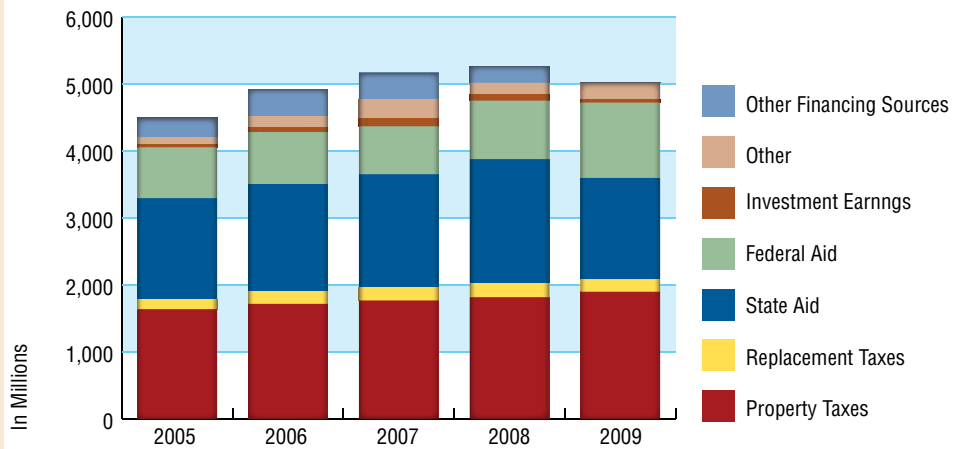
How Are Chicago Public Schools Funded?

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 \$5 billion for fiscal year 2009. The Federal government contributed 22% of all revenues for CPS in fiscal year 2009, while State aid was 30%. The remaining 48% of resources are raised locally and include property and replacement taxes.

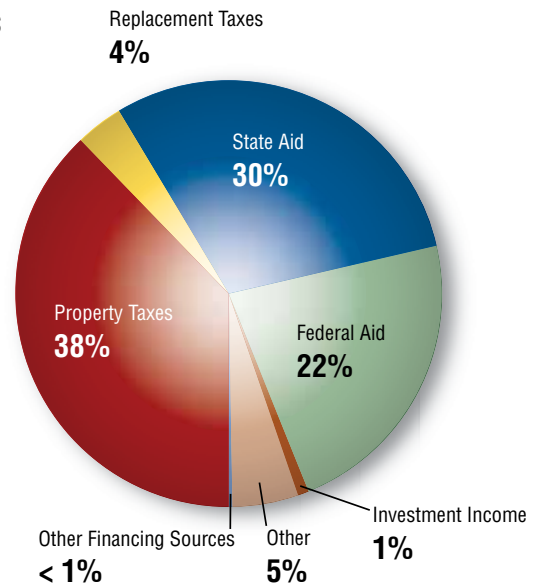
Fund Financial Statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

Resources by Sources 2009 – All Funds



Source: Chicago Public Schools

Resources by Sources 2009 – All Funds



Source: Chicago Public Schools

Success Stories!

Number of National Board Certified Teachers Reaches New High

CPS now boasts over 1,200 teachers who have achieved NBC status, up from just 11 in 1999. This year's class is the largest of any big city school district in the country. National Board Certification is the highest credential a classroom teacher can attain. The path to becoming an NBC teacher is challenging and rigorous, and is akin to the process in place for board certification of medical doctors, said Arne Duncan, Secretary of the Department of Education.



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, 2009. It also depicts the amount and percent change in relation to prior year revenues and other financing resources.

Local property taxes provide approximately 37.8% of all revenues. The other local revenues come from personal property replacement taxes, interest income, lunchroom fees and miscellaneous items.

- Property Taxes increased by \$83 million from fiscal year 2008 resulting from the tax cap increases, higher than projected new property growth and higher than anticipated tax collections.
- Personal Property Replacement Taxes decreased \$27 million from fiscal year 2008 reflecting the significant economic downturn and its effect on corporate profits in Illinois.
- State Aid decreased by \$334 million from the prior year for the following reasons: 1) the State did not pay its \$173 million obligation on time and 2) the State replaced its General State Aid obligation to CPS with \$260 million of federal stimulus funding to reduce its deficit.
- Federal Aid increased \$249 million primarily because the State supplanted portions of its General State Aid with \$260 million of federal stimulus funding and more

Resources and Other Financing Sources (Millions of dollars)

	2009 Amount	2008 Amount (restated)	Percent of Total	Increase (Decrease) from 2008	Percent Increase (Decrease) from 2008
Property Taxes	\$ 1,897	\$ 1,814	37.8%	\$ 83	4.6%
Replacement Taxes	188	215	3.8%	(27)	(12.6%)
State Aid	1,512	1,846	30.1%	(334)	(18.1%)
Federal Aid	1,125	876	22.4%	249	28.4%
Interest & Investment Earnings	44	86	0.9%	(42)	(48.8%)
Other	253	181	5.0%	72	39.8%
Other Financing Sources	1	248	0.0%	(247)	(99.6%)
Total	\$ 5,020	\$ 5,266	100.0%	(\$ 246)	(4.7%)

federal revenues were recognized on time as a result of prompt claim activities partially offset by the fact that CPS did not receive e-rate funding for capital projects.

- Investment earnings decreased \$42 million from fiscal year 2008 because the Federal Reserve maintained interest rates at its historical low of 0% to 0.25% in FY2009 to help the U.S. economy out of recession.
- Other Income increased \$72 million, which represents higher reimbursement of capital project costs under the Modern Schools Across Chicago (MSAC) from the City of Chicago. More capital projects were completed under MSAC in FY2009 than in FY2008.
- Other Financing Sources decreased \$247 million because CPS did not issue the proposed \$550 million of bonds in FY2009 and instead used proceeds provided by previous bond issuances.



Financial Report

Expenditures

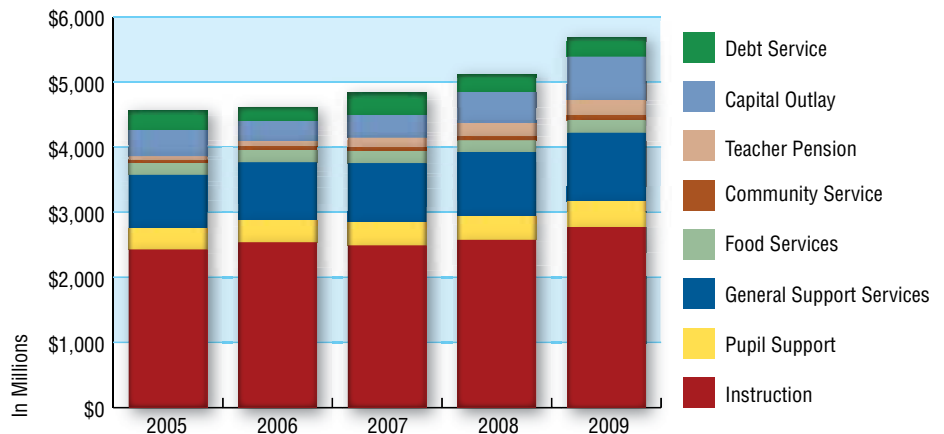
Where Does the Money Go?

These graphs display fiscal year 2009 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.

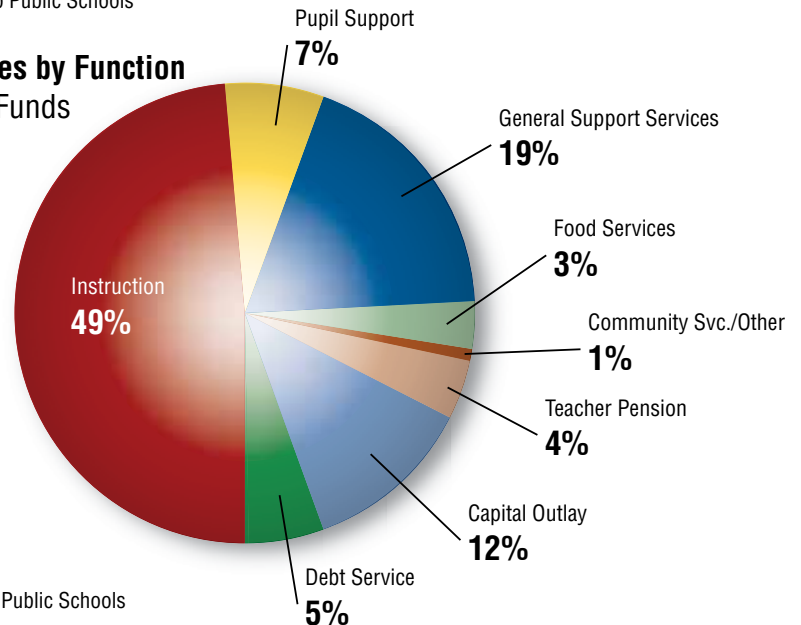
Pupil Support Services includes guidance counseling, social work, speech pathology, nursing, psychology, occupational and physical therapy services.

Expenditures by Function 2009 – All Funds



Source: Chicago Public Schools

Expenditures by Function 2009 – All Funds



Source: Chicago Public Schools

Success Stories!

Three CPS High Schools Ranked Amongst the Top in the Nation

Three CPS high schools are among the top 100 high schools in the nation, according to a report released by U.S. News & World Report. Northside College Prep High School ranked 37th, Walter Payton College Prep High School ranked 96th and Jones College Prep was ranked 99th. Both Northside and Walter Payton were included in last year's top 100. The schools were chosen this year from 21,000 high schools across America based on an analysis of college readiness and academic performance.

Both CPS high schools provide a strong academic focus with extensive Advanced Placement and honors coursework that challenges students. Payton provides a globally focused curriculum with unique math, science and world language curriculums. At Northside, students receive intensive instruction in subjects ranging from physics to constitutional law. Jones enjoys community partnerships with several local businesses and organizations such as the Harold Washington Library, the Field Museum, Chicago Chamber of Commerce, Merit Music, Goodman Theatre, and more.

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, 2009, as well as the percentage change in relation to prior year amounts.

Instruction has increased 8% or \$198 million due to teacher salary step increases and 4% cost of living adjustments as well as an increase in payments to Charter schools of \$67 million. General Support Services increased 7%, or \$71 million, which includes an increase in energy costs. Capital Outlay increased 44%, or \$205 million, due to continuation of capital improvement projects for renovation and new facilities. Debt service expenditures increased 7% or \$20 million because interest rates for variable-rate bonds with interest-rate swaps and their related fees rose significantly higher than those in FY2008.

Expenditures
(Millions of dollars)

	2009 Amount	2008 Amount (Restated)	Percent of Total	Increase (Decrease) from 2008	Percent Increase (Decrease) from 2008
Instruction	\$ 2,773	\$ 2,575	48.7%	\$ 198	7.7%
Pupil Support	390	362	6.8%	28	7.7%
General Support Services	1,058	987	18.6%	71	7.2%
Food Services	195	182	3.4%	13	7.1%
Community Services	56	45	1.0%	11	24.4%
Teacher Pension	237	207	4.2%	30	14.5%
Capital Outlay	672	467	11.8%	205	43.9%
Debt Service	302	282	5.3%	20	7.1%
Other	9	11	0.2%	(2)	(18.2%)
Total	\$ 5,692	\$ 5,118	100.0%	\$ 574	11.2%



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 12 years, the program has grown in scope to over \$5 billion. Local resources have been the primary source of funds for this program. While the State of Illinois has not designated funds for over 5 years, the Federal government contributes funds toward CIP. The Federal government contributes much less than what we used to get from the state.

Capital Assets

As of June 30, 2009, CPS had \$7.6 billion invested in a broad range of capital assets, including land, buildings, improvements, and equipment. Capital assets increased from last year by \$354 million before depreciation.

New Construction and Renovations

In fiscal year 2009, CPS completed the following projects:

Replacement School	1
New Roofs	8
Masonry Repairs	16
American with Disabilities Projects	6
Renovations	52
New Campus Park	1
Modular Units	5

That makes for a total of 89 projects completed during FY09. 5 new schools opened in September 2009 (09-10 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.



Capital Improvement

Long-Term Debt

As of June 30, 2009, CPS had \$5.08 Billion in total debt, including accrued interest and capitalized lease obligations outstanding versus \$5.12 billion for FY2008 a decrease of 0.7%. The percentage change in outstanding debt represent the combined effects of no new debt issued in FY2009, small principal retirements, and accrued interest on capital appreciation bonds.

Bond Issuances

In FY2009, CPS issued its Series 2009A and 2009BC bonds for about \$226 million to refund the Series 2005E, Series 2004C-1, and Series 2005D-1 bonds. CPS restructured the Series 2005E, Series 2004C-1 and Series 2005D-1 Variable Rate Demand Bonds with new liquidity providers to reduce increased interest cost on these bonds caused by the decrease in ratings of their existing liquidity and/or insurance providers. CPS completed all of the refunding to reduce its future debt service.

Debt Ratings

Despite challenging economic times for governments during its FY2009, Chicago Public Schools maintained its ratings, reflecting the ratings agencies view on our fiscal performance during difficult times. Stable ratings can result in reduced interest costs, reduced cost of both liquidity and credit on non-bond debt, and create a wider market for the CPS bonding required to support the CIP. Debt ratings are used as a guide to the financial stability of an organization and as an indication of the safety and

Bond Issuances

Date	Purpose	Amount (In Thousands)	Series	Special Type of Unlimited Tax General Obligation Bonds
Mar. 2009	Refunding previously issued bonds	\$130,000	2009A	Refunding
Jun. 2009	Refunding previously issued bonds	\$ 95,675	2009BC	Refunding
Total		<u>\$225,675</u>		

security of debt issued by that organization. The Board's debt ratings continue to reflect a medium investment grade obligation with adequate security features.

Market conditions fluctuate due to the global financial crisis. The Board will restructure its debt portfolio as needed in response to market development and take advantage of any opportunity created by Federal stimulus to lower its cost of funding the CIP.

CPS Debt Ratings

	FY2009	FY2008
Fitch Ratings	A+	A+
Moody's Investor Service	A1	A1
Standard and Poor's	AA-	AA-



“When you open a new school, you give students and staff a fresh start, greater hope and of course, an improved learning environment. You provide a new anchor for the community”.

– Mayor Richard M. Daley



The progress throughout CPS is remarkable. Student performance is steadily rising and school structures are improving. Our financial condition remains stable, our work force is better prepared and focused, and CPS continually strives to be leaner and more productive.

Despite our best efforts, the challenge remains that some schools continue to underperform. The children who attend these schools need our help and support through effective teaching and strong partnerships with Chicago businesses and community organizations.

Economic conditions that are affecting school districts across the country are impacting CPS'

bottom line as well. A slower economy brings sluggish revenues, while the costs associated with providing quality education continue to rise. At the same time, the state and taxpayers are facing their own financial challenges. We have drawn down on rainy day reserves, but this reliance on fund balance is an untenable long-term solution. We will continue to work with state government to reform state pension and education funding to bring long-term solvency to CPS' financial outlook.

Success Stories!

Teacher wins National American Stars Teaching Award

A CPS bilingual education teacher at McKinley Park Elementary School was honored with an American Stars of Teaching award from the U.S. Department of Education Teacher Initiative. Only one teacher from each state was recognized, alongside four private school teachers. According to the United States Department of Education, American Stars recognizes and honors superior teachers with a track record of improving student achievement, using innovative instructional strategies and making a difference in the lives of their students.



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.

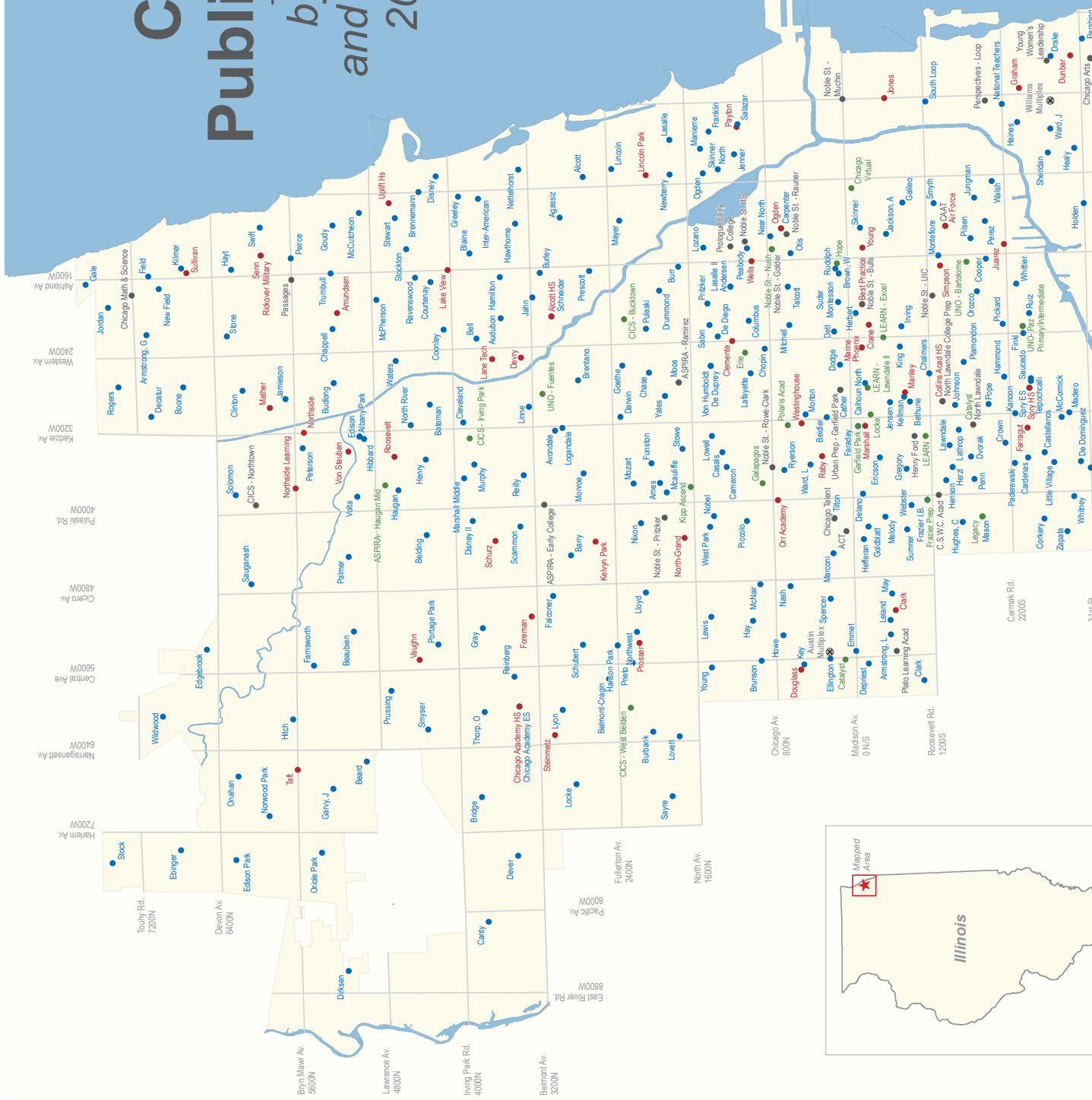
SWAP AGREEMENT An agreement whereby two parties enter into an interest rate swap agreement to exchange certain cash flows for a defined period of time.

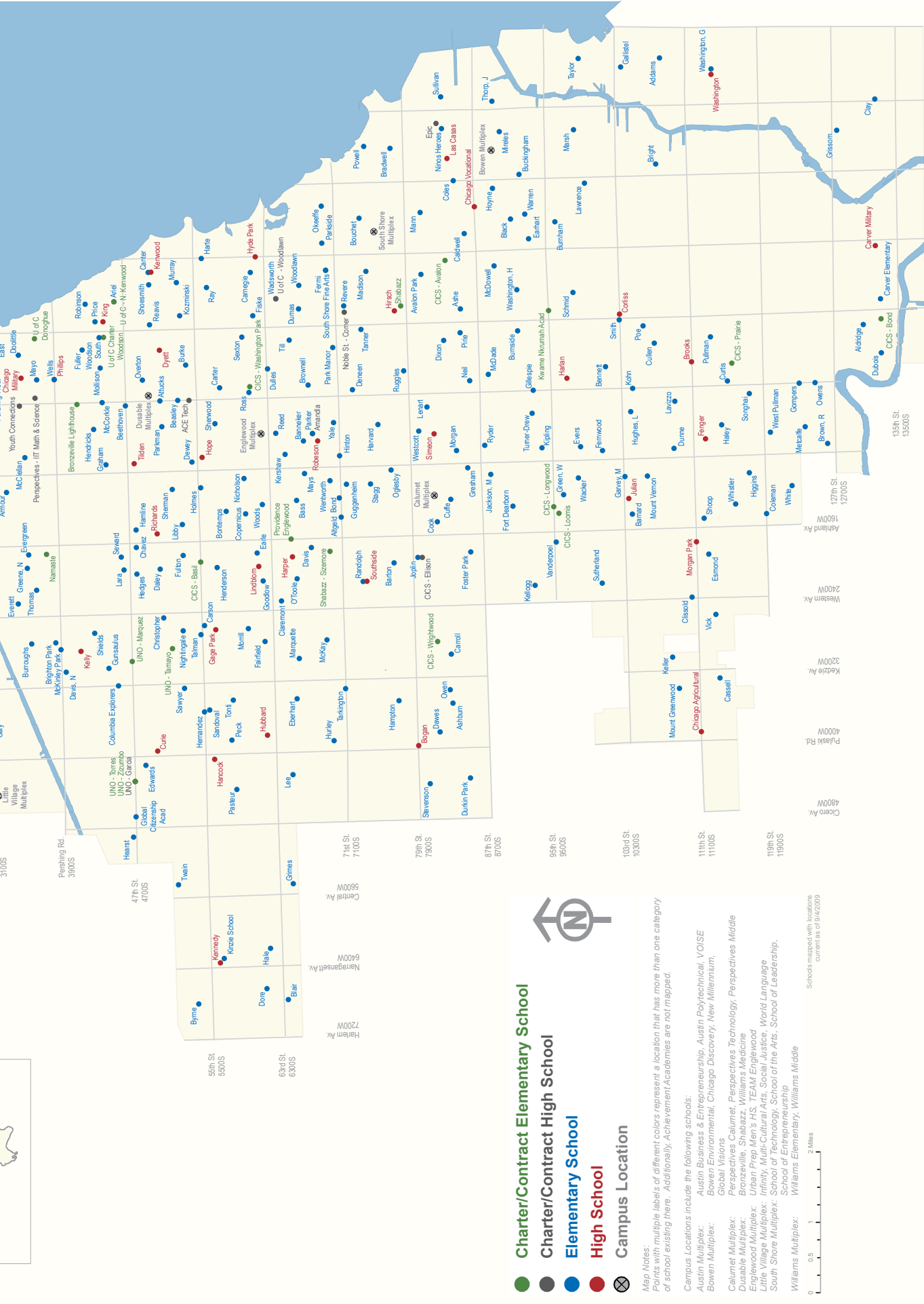
UNRESTRICTED The portion of net assets available to be used or spent in the future.

Chicago Public Schools

by Location and School Type

2009 - 2010





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3500S
3700S
3900S
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State Line Rd
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Yates Av
Island Av
Stony Grove Av
College Grove Av
State St
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Map Notes:
Points with multiple labels of different colors represent a location that has more than one category of school existing there. Additionally, Achievement Academies are not mapped.

Campus Locations include the following schools:
Austin Business & Entrepreneurship, Austin Polytechnical, VOISE
Bowen Multiplex:
Austin Business & Entrepreneurship, Chicago Discovery, New Millennium, Global Visions
Calumet Multiplex:
Perspectives Calumet, Perspectives Technology, Perspectives Middle
Dusable Multiplex:
Bronzeville, Shabazz, Williams Medicine
Englewood Multiplex:
Urban Prep Men's HS, TEAM Englewood
Little Village Multiplex:
Infinity, Multi-Cultural Arts, Social Justice, World Language
South Shore Multiplex:
School of Technology, School of the Arts, School of Leadership
Williams Multiplex:
School of Entrepreneurship
Williams Elementary, Williams Middle

Schools mapped with locations current as of 9/4/2009

0 0.5 1 2 Miles

CHICAGO
PUBLIC
SCHOOLS

CPS

EDUCATE
INSPIRE
TRANSFORM

Office of Finance

125 S. Clark
Chicago, IL 60603

773-553-2710 Phone
773-553-2711 Fax



Please contact us if you would like additional copies of this report or copies of our Comprehensive Annual Financial Report (CAFR).

**Comprehensive Annual Financial Report for the Year Ended June 30, 2009
and Popular Annual Financial Report for the Year Ended June 30, 2009**

http://www.cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx

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

Credits

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John Booz, John Booz Photography

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