

*In the respective opinions of Katten Muchin Rosenman LLP and Taft Stettinius & Hollister LLP, Co-Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the 2018 Bonds will not be includable in gross income for federal income tax purposes. Interest on the 2018 Bonds is not required to be included as an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the 2018 Bonds is not exempt from Illinois income taxes. See “TAX MATTERS” herein for a more complete discussion.*



**\$86,000,000**  
**BOARD OF EDUCATION OF THE CITY OF CHICAGO**  
**DEDICATED CAPITAL IMPROVEMENT TAX BONDS**  
**SERIES 2018**



**Dated: Date of Delivery**

**Due April 1, as shown on the inside cover**

The Dedicated Capital Improvement Tax Bonds, Series 2018 will be issued by the Board of Education of the City of Chicago (the “Board” or “CPS”) in the aggregate principal amount of \$86,000,000 (the “2018 Bonds”). The 2018 Bonds will be issued under a Master Trust Indenture dated as of December 1, 2016 (the “Master Trust Indenture”), as supplemented, including by a Third Supplemental Indenture dated as of December 1, 2018 (the “Third Supplemental Indenture;” the Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the Third Supplemental Indenture, being referred to as the “Indenture”), by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the “Trustee”). The proceeds of the 2018 Bonds will be used as described herein. See “PLAN OF FINANCE.”

The 2018 Bonds will be issued as fully registered bonds in denominations of \$100,000 and any multiple of \$5,000 in excess of \$100,000. The 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing their interests in the 2018 Bonds purchased. Principal of and interest on the 2018 Bonds will be paid by the Trustee under the Indenture to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2018 Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.”

The 2018 Bonds are limited obligations of the Board payable from, and secured under the Indenture by a pledge of and lien on, the Trust Estate (as defined herein), including the Capital Improvement Taxes (as defined herein) and amounts on deposit in the Consolidated Debt Service Reserve Fund (as defined herein) established under the Indenture. The 2018 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2018 Bonds under the Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of debt service on the 2018 Bonds. See “SECURITY FOR THE 2018 BONDS.”

The maturity dates, principal amounts, interest rates, yields, prices, and CUSIP numbers of the 2018 Bonds are set forth on the inside cover. The 2018 Bonds are subject to redemption prior to maturity as described herein. See “THE 2018 BONDS – Redemption Provisions.”

**INVESTMENT IN THE 2018 BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING “BONDHOLDERS’ RISKS” FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY 2018 BONDS. THE 2018 BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE 2018 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2018 BONDS. See “BONDHOLDERS’ RISKS” and “RATINGS.”**

**This cover page contains information for quick reference only and is not a summary of the 2018 Bonds. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The 2018 Bonds are being offered when, as and if issued and received by the Underwriters, subject to the delivery of the approving legal opinions of Co-Bond Counsel. In connection with the issuance of the 2018 Bonds, certain legal matters will be passed upon for the Board by its General Counsel, Joseph T. Moriarty, by its Co-Issuer’s Counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois. and in connection with the preparation of this Official Statement by its Co-Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Mayer Brown LLP, Chicago, Illinois.

Delivery of the 2018 Bonds is expected to be made through the facilities of DTC in New York, New York, on or about December 13, 2018.

**J.P. Morgan**  
**George K. Baum & Company**  
**Morgan Stanley**

**Cabrera Capital Markets, LLC**  
**Goldman Sachs & Co. LLC**  
**PNC Capital Markets LLC**  
**UBS Financial Services Inc.**

**Loop Capital Markets**  
**Mesirow Financial, Inc.**  
**Rice Financial Products Company**

**\$86,000,000**  
**BOARD OF EDUCATION OF THE CITY OF CHICAGO**  
**DEDICATED CAPITAL IMPROVEMENT TAX BONDS**  
**SERIES 2018**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIPS<sup>†</sup>**

Interest is payable on April 1 and October 1 of each year, commencing April 1, 2019

<u>Maturity April 1</u>	<u>Principal Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>	<u>CUSIP<sup>†</sup></u>
2033	\$4,390,000	5.00	3.98	107.858 <sup>C</sup>	167510AN6
2034	4,605,000	5.00	4.03	107.455 <sup>C</sup>	167510AP1
2035	4,840,000	5.00	4.08	107.054 <sup>C</sup>	167510AQ9
2036	5,080,000	5.00	4.13	106.656 <sup>C</sup>	167510AR7
2037	5,335,000	5.00	4.17	106.338 <sup>C</sup>	167510AS5
2038	5,600,000	5.00	4.21	106.021 <sup>C</sup>	167510AT3

\$25,345,000 5.00% Term Bonds due April 1, 2042, Yield 4.32%, Price 105.156%<sup>C</sup> CUSIP 167510AU0

\$30,805,000 5.00% Term Bonds due April 1, 2046, Yield 4.36%, Price 104.843%<sup>C</sup> CUSIP 167510AV8

<sup>C</sup> Priced to the first optional redemption date of April 1, 2028.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the Board nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2018 Bonds.

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Board or the Underwriters to give any information or to make any representation with respect to the 2018 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the 2018 Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the Board and include information from other sources that the Board believes to be reliable. Such information is not guaranteed as to accuracy, fairness or completeness, and is not to be construed as a representation by the Underwriters. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change since the date hereof. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the 2018 Bonds.

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

This Official Statement should be considered in its entirety. All references herein to laws, agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the 2018 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture for the 2018 Bonds. Copies of the Indenture are available for inspection at the offices of the Board and the Trustee. The information contained herein is provided as of the date hereof and is subject to change.

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

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

IN CONNECTION WITH THE OFFERING OF THE 2018 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2018 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2018 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

## BOARD OF EDUCATION OF THE CITY OF CHICAGO

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### MEMBERS

**Frank M. Clark**  
*President*

**Jaime Guzman**  
*Vice President*

**Mark F. Furlong**  
**Alejandra Garza**  
**Mahalia A. Hines**  
**Gail D. Ward**  
*Board Vacancy*

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### MANAGEMENT

**Dr. Janice K. Jackson**  
*Chief Executive Officer*

**Arnaldo (Arnie) Rivera**  
*Chief Operating Officer*

**Ronald DeNard**  
*Senior Vice President of Finance*

**Joseph Moriarty**  
*General Counsel*

**Jennie Huang Bennett**  
*Chief Financial Officer*

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**Katten Muchin Rosenman LLP**  
**Taft Stettinius & Hollister LLP**  
*Co-Bond Counsel*

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

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

**PFM Financial Advisors LLC**  
**Public Alternative Advisors, LLC**  
*Co-Financial Advisors*

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- APPENDIX H – Form of Special Revenues Opinion
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**\$86,000,000**  
**BOARD OF EDUCATION OF THE CITY OF CHICAGO**  
**DEDICATED CAPITAL IMPROVEMENT TAX BONDS**  
**SERIES 2018**

**INTRODUCTION**

**General**

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices hereto, is to set forth information in connection with the offering and sale by the Board of Education of the City of Chicago (the “Board” or “CPS”) of its \$86,000,000 principal amount of Dedicated Capital Improvement Tax Bonds, Series 2018 (the “2018 Bonds”). The 2018 Bonds, together with the Board’s previously-issued Dedicated Capital Improvement Tax Bonds, Series 2016 and Dedicated Capital Improvement Tax Bonds, Series 2017, issued and outstanding in the principal amount of \$794,480,000 (the “Outstanding Parity Bonds”), any Additional Bonds (as defined herein), and any Refunding Bonds (as defined herein) issued under and pursuant to the Indenture (as defined herein), are collectively referred to herein as the “Bonds” or “Dedicated Capital Improvement Tax Bonds.” A summary of certain provisions of the Indenture and definitions of certain capitalized terms used in this Official Statement and not otherwise defined in the body of this Official Statement are set forth in APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

**The Board**

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

**Authorization**

The 2018 Bonds are authorized to be issued pursuant to Section 34-53.5 of the School Code (the “CIT Act”) and the Local Government Debt Reform Act (30 Illinois Compiled Statutes 350) (the “Debt Reform Act”). Under the CIT Act, the Board is authorized to impose an annual *ad valorem* property tax (the “Capital Improvement Tax”) in specific annual amounts for the purpose of providing a source of revenue for capital improvement purposes permitted under the CIT Act (the “Permitted Projects”), including the specific capital projects to be financed with the proceeds of the 2018 Bonds pursuant to the Third Supplemental Indenture (as defined herein) (collectively, the “2018 Project”) and for the purpose of providing security for the payment of bonds (including the 2018 Bonds) issued pursuant to the Debt Reform Act to finance the costs of Permitted Projects. See “PLAN OF FINANCE – Overview” and “CHICAGO PUBLIC SCHOOLS – Capital Improvement Program.”

The 2018 Bonds are further issued pursuant to a resolution adopted by the Board on July 25, 2018 (the “Bond Resolution”), authorizing the issuance of Dedicated Capital Improvement Tax Bonds payable from the Capital Improvement Taxes (as defined herein) in an amount not to exceed \$125,000,000. No bonds have been issued to date pursuant to the Bond Resolution.

## **The 2018 Bonds and Use of Proceeds**

The proceeds of the 2018 Bonds will be used to (i) finance the 2018 Project, (ii) make a deposit to the Consolidated Debt Service Reserve Fund (as defined herein) to increase the amount held therein to the Consolidated Reserve Requirement (as defined herein), (iii) fund a deposit to the Capitalized Interest Account to provide for funding of interest on the 2018 Bonds through April 1, 2020 and (iv) pay costs of issuance of the 2018 Bonds. See “PLAN OF FINANCE.”

## **Security for the 2018 Bonds**

The 2018 Bonds will be issued and secured under a Master Trust Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds dated as of December 1, 2016 (the “Master Trust Indenture”), as supplemented by a First Supplemental Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2016 dated as of December 1, 2016 (the “First Supplemental Indenture”), a Second Supplemental Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2017 dated as of November 1, 2017, and a Third Supplemental Indenture Securing Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2018 dated as of December 1, 2018 (the “Third Supplemental Indenture”), each by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the “Trustee”). The Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, is herein referred to as the “Indenture.”

The 2018 Bonds are limited obligations of the Board payable from and secured by a pledge of, lien on, and security interest in the Trust Estate created by the Master Trust Indenture, consisting primarily of the revenues derived and to be derived by the Board from the levy of the Capital Improvement Tax, including but not limited to, regular tax receipts and late payment interest and penalties (the “Capital Improvement Taxes”). See “CAPITAL IMPROVEMENT TAX.” The Bond Resolution and the Indenture pledge the Capital Improvement Taxes to the payment of debt service on the 2018 Bonds. The Board has levied the Capital Improvement Tax in the amount of the Annual Debt Service Requirement on the 2018 Bonds for each year that the 2018 Bonds are outstanding and in the amount of the Annual Debt Service Requirement on each Series of the Outstanding Parity Bonds for each year that such Series of the Outstanding Parity Bonds is outstanding (each such levy is referred to herein as a “Bond Resolution Series Levy”). Since the Capital Improvement Tax has been levied in the Bond Resolution authorizing the 2018 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2018 Bonds. See “CAPITAL IMPROVEMENT TAX.”

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

Pursuant to the CIT Act, the Board is authorized to and may impose an additional annual levy of the Capital Improvement Tax (the “Annual Additional CIT Tax Levy”). The Board is not obligated under the Indenture or otherwise to impose the Annual Additional CIT Tax Levy and imposition of such levy is subject to the annual authorization by the Board. If imposed by the Board, all collections of the Annual Additional CIT Tax Levy would be pledged to secure the Bonds, deposited into the Escrow Fund and

collected, deposited and applied in the same manner as all other Capital Improvement Taxes. For any Tax Levy Year (as defined herein), the sum of the Bond Resolution Tax Levies, the Annual Coverage CIT Tax Levy and the Annual Additional CIT Tax Levy may not exceed the Statutory Cap (as defined herein) for such Tax Levy Year.

The 2018 Bonds are also payable from amounts on deposit in the Consolidated Debt Service Reserve Fund established under the Indenture (the “Consolidated Debt Service Reserve Fund”) on a parity with (i) the Outstanding Parity Bonds and (ii) any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See “SECURITY FOR THE 2018 BONDS – Consolidated Debt Service Reserve Fund” and APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Consolidated Debt Service Reserve Fund.” The 2018 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts established as security for such Bonds pursuant to the Indenture (each as defined in the Indenture). See “SECURITY FOR THE 2018 BONDS – Sources of Payment for the 2018 Bonds.”

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

### **Additional Bonds and Refunding Bonds**

Pursuant to the Indenture, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding outstanding Bonds, in each case payable on a parity basis with the Outstanding Parity Bonds and the 2018 Bonds from all or any portion of the Capital Improvement Taxes. See “SECURITY FOR THE 2018 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes.”

### **Subordinated Indebtedness and Tax Anticipation Notes Payable From Capital Improvement Taxes**

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

The Board is also permitted under the Indenture to issue Tax Anticipation Notes (as defined in APPENDIX A) in anticipation of the collection of Capital Improvement Taxes to be collected in the current Tax Collection Year (as defined herein) or the next ensuing Tax Collection Year. Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes shall be junior and subordinate in all respects to any and all Bonds issued and outstanding under the Indenture, are not payable from the Debt Service Fund or the Consolidated Debt Service Reserve Fund, and are not entitled to any of the benefits or security of the Indenture. No such Tax Anticipation Notes are outstanding. For a discussion of provisions relating to the issuance of Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes, see APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Tax Anticipation Notes.”

## **Limited Obligations**

The 2018 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2018 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal or interest on the 2018 Bonds.

## **Bondholders' Risks and Suitability of Investment**

INVESTMENT IN THE 2018 BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING "BONDHOLDERS' RISKS" FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY 2018 BONDS. THE 2018 BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE 2018 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2018 BONDS. See "BONDHOLDERS' RISKS" and "RATINGS."

## **Certain References**

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

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of owners of the 2018 Bonds (the "Bondholders"). There is no assurance that such information will be maintained or updated on such websites in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the Underwriters (as defined herein) take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

## **CAPITAL IMPROVEMENT TAX**

### **Statutory Authority and City Council and Board Approval**

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

## **Capital Improvements**

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

### **CIT Act Authorized Amount of Levy**

The CIT Act establishes maximum authorized amounts of the Capital Improvement Tax (the “Statutory Cap”) that can be levied in each Tax Levy Year as follows:

(a) In Tax Levy Year 2003, a Capital Improvement Tax to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted (“CPI”) by (2) \$142,500,000. The Capital Improvement Tax was not levied by the Board in Tax Levy Year 2003. The Capital Improvement Tax was first levied by the Board in Tax Levy Year 2015.

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

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

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

### **Capital Improvement Tax Not Limited by PTELL**

In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in CPI during the calendar year preceding the relevant Tax Levy Year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed

Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. PTELL does not limit the rate or amount of the Capital Improvement Tax levy. See APPENDIX C – “THE REAL PROPERTY TAX SYSTEM.”

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

### **Capital Improvement Tax Levy Components**

The 2018 Bonds are issued under the CIT Act and the Debt Reform Act. The Board adopted the Bond Resolution that authorizes the issuance of the 2018 Bonds payable from, and secured by, the Capital Improvement Taxes. The Bond Resolution pledges the Capital Improvement Taxes to the payment of debt service on the 2018 Bonds on a parity with the Outstanding Parity Bonds and any Additional Bonds and Refunding Bonds issued pursuant to the Indenture. The Indenture provides for the direct deposit of the Capital Improvement Tax in the Escrow Fund (as defined herein) held by the Trustee under the Indenture. See “–Direct Deposit of Capital Improvement Taxes with the Trustee.”

Pursuant to the Bond Resolution, the Board has levied the Bond Resolution Series Levy of the Capital Improvement Tax for the 2018 Bonds in the amount of the Annual Debt Service Requirement on the 2018 Bonds for each year that the 2018 Bonds are outstanding. In addition the Board has levied the Bond Resolution Series Levy of the Capital Improvement Tax for each Series of the Outstanding Parity Bonds in the amount of the Annual Debt Service Requirement on the Bonds of such Series for each year that the Bonds of such Series are outstanding.

Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy. See “SECURITY FOR THE 2018 BONDS – Levy of the Capital Improvement Tax” and “BONDHOLDERS’ RISKS – Adverse Change in Laws.” All collections of the Annual Coverage CIT Tax Levy will be collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

Pursuant to the CIT Act, the Board is authorized to and may impose the Annual Additional CIT Tax Levy. The Board is not obligated under the Indenture or otherwise to impose the Annual Additional CIT Tax Levy. If imposed all collections of the Annual Additional CIT Tax Levy will be collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

For any Tax Levy Year, the sum of the Bond Resolution Tax Levies, the Annual Coverage CIT Tax Levy and the Annual Additional CIT Tax Levy may not exceed the Statutory Cap for such Tax Levy Year.

### **Illinois Real Property Tax System Overview and Tax Collection**

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

Property taxes are collected by the County Collectors, who remit to each unit of government its share of the collections. As described under the subheading “– Direct Deposit of Capital Improvement

Taxes with the Trustee” the CIT Tax Revenues will be remitted directly to the Trustee pursuant to the Deposit Directions (as defined herein). In Illinois, property taxes levied for a calendar year (the “Tax Levy Year”) are extended by the County for collection and are billed to property owners in the following calendar year (the “Tax Collection Year”). Currently, taxes are due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills. The first installment is an estimated bill calculated at 55% of the prior year’s tax bill. The second installment is for the balance of the current year’s tax bill. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date (the “Second Installment Penalty Date” for the Tax Levy Years 2008 to 2017; the first installment penalty date has been the first business day in March for all years.

**Second Installment**

Tax Levy Year	Penalty Date
2017	August 1, 2018
2016	August 1, 2017
2015	August 1, 2016
2014	August 3, 2015
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009

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

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

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

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

Pursuant to the Indenture, Capital Improvement Taxes collected in a Tax Collection Year will be applied to pay principal and interest on the Bonds in the Bond Year commencing on April 2 of the Tax Collection Year. An overview of this three year cycle consisting of the Tax Levy Year, Tax Collection Year and Bond Year is described below.

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

*Year 2 – Tax Collection Year:* The County extends the taxes levied for a Tax Levy Year for collection in the following calendar year, referred to as the Tax Collection Year. Property taxes, including the Capital Improvement Tax, are currently due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills in each Tax Collection Year. The first installment is an estimated bill calculated at 55% of the prior year’s tax extension and the second installment is for the balance of the current year’s tax extension. The Capital Improvement Tax revenues collected will be deposited directly by the County Collectors with the Trustee pursuant to the Deposit Directions and the Trustee will deposit such funds in the Escrow Fund under the Indenture as described under the heading “SECURITY FOR THE 2018 BONDS – Escrow Fund.”

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

### **Capital Improvement Tax Historical Levy and Collections**

The following table provides the tax levies and tax collections of the Capital Improvement Tax extended for collection in Cook County. The table reflects the Tax Collection Year in which such taxes are levied and such taxes are extended for collection in the following calendar year and applied to pay debt service on the Bonds for the annual period commencing on April 2 of the Tax Collection Year and ending on April 1 of the next year (the “Bond Year”). Column (A) in the table includes the Bond Resolution Series Levies. Column (B) shows the Annual Additional CIT Tax Levy providing the 1.10 coverage required under the Indenture and the Annual Additional CIT Tax Levy that the Board elected to impose on a combined basis. Column (C) shows the Total Levy. Columns (D) and (E) show the amount of collections (D) and the percentage of the total levy (E) collected within the Tax Collection Year. Columns (F) and (G) show the amount of collections (F) and the percentage of the total levy (G) collected as of October 31, 2018.

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## Board of Education of City of Chicago Capital Improvement Tax Levy and Collections

(Dollars in Thousands)

			(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Tax	Bond	Bond	Annual			Percentage		
	Collection	Year	Resolution	Coverage CIT			of Total		
	Year	Ending	Series	Tax Levy			Levy		
	Ending	4/1	Levies	+Annual			Collected		
	12/31			Additional			within Tax		
Tax	Year	Year		CIT Tax	Total	Collections	Collection	Total	Percentage
Levy	Year	Ending		Levy <sup>(1)</sup>	Levy <sup>(2)</sup>	within Tax	Year	Collections	of Total
Year	12/31	4/1				Collection	Year	to Date <sup>(3)(4)</sup>	Levy
						Year <sup>(3)</sup>			Collected
									to Date <sup>(4)</sup>
2015	2016	2017	No Levy	\$44,996	\$44,996	\$43,773	97%	\$44,546	99%
2016	2017	2018	No Levy	47,893	47,893	47,064	98%	47,414	99%
2017	2018	2019	\$43,539	7,924	51,463	50,161 <sup>(2)</sup>	97% <sup>(2)</sup>	50,161	97%
2018	2019	2020	46,784	9,456	56,240	N.A.	N.A.	N.A.	N.A.

Source: Chicago Public Schools and Cook County Treasurer. Only Capital Improvement Tax extensions and collections are included in the figures shown above. Excludes all other property tax levies of the Board.

(1) There was no Annual Coverage CIT Tax Levy for Tax Levy Years 2015 and 2016.

(2) Reflects Cook County only. The Board's overall Total Levy when including the DuPage County Levy for Tax Levy Years 2015-2018 equaled the Statutory Cap.

(3) All collections are net of refunds.

(4) Collections are shown through October 31, 2018.

### Direct Deposit of Capital Improvement Taxes with the Trustee

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

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

## **DEBT SERVICE SCHEDULE AND COVERAGE**

### **Bond Debt Service Schedule and Coverage**

The following table sets forth the debt service requirements on the Bonds and the debt service coverage provided by the existing Bond Resolution Series Levies for the Outstanding Parity Bonds and the 2018 Bonds and the Annual Coverage CIT Tax Levy (when imposed) of the Capital Improvement Tax. The table does not reflect debt service on the Bonds consisting of interest payable from funds deposited in the Capitalized Interest Account. The Board has imposed Bond Resolution Series Levies in the aggregate amount of the Annual Debt Service Requirement on the Outstanding Parity Bonds and the 2018 Bonds for each year that the Bonds are outstanding. Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy for collection in each year that the Bonds are outstanding. See “SECURITY FOR THE 2018 BONDS – Indenture Covenants and Representations – Annual Levy Amount,” “BONDHOLDERS’ RISKS – Availability of Capital Improvement Taxes,” “– Adverse Change in Laws,” and “– Collection of Capital Improvement Tax.”

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

<b>Tax Levy Year Ending <u>12/31</u></b>	<b>Tax Collection Year Ending <u>12/31</u></b>	<b>Bond Year Ending <u>4/1</u></b>	<b>Annual Debt Service on the Outstanding Parity Bonds*</b>	<b>Annual Debt Service on the <u>2018 Bonds*</u></b>	<b>Total Bond Resolution Levies for Outstanding Parity <u>Bonds*</u></b>	<b>Debt Service <u>Coverage (x)</u></b>	<b>Total of Bond Resolution Series Levies and Annual Coverage CIT <u>Tax Levy</u></b>	<b>Debt Service <u>Coverage (x)</u></b>
2017	2018	2019	\$43,538,890	\$-	\$43,538,890	1.00	\$47,892,779	1.10
2018	2019	2020	46,783,890	-	46,783,890	1.00	51,462,279	1.10
2019	2020	2021	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2020	2021	2022	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2021	2022	2023	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2022	2023	2024	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2023	2024	2025	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2024	2025	2026	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2025	2026	2027	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2026	2027	2028	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2027	2028	2029	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2028	2029	2030	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2029	2030	2031	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2030	2031	2032	46,783,890	4,300,000	51,083,890	1.00	56,192,279	1.10
2031	2032	2033	85,008,890	8,690,000	93,698,890	1.00	103,068,779	1.10
2032	2033	2034	85,005,778	8,685,500	93,691,278	1.00	103,060,406	1.10
2033	2034	2035	85,009,128	8,690,250	93,699,378	1.00	103,069,316	1.10
2034	2035	2036	85,011,540	8,688,250	93,699,790	1.00	103,069,769	1.10
2035	2036	2037	85,011,100	8,689,250	93,700,350	1.00	103,070,385	1.10
2036	2037	2038	85,006,250	8,687,500	93,693,750	1.00	103,063,125	1.10
2037	2038	2039	85,008,900	8,687,500	93,696,400	1.00	103,066,040	1.10
2038	2039	2040	85,008,700	8,688,500	93,697,200	1.00	103,066,920	1.10
2039	2040	2041	85,010,200	8,689,750	93,699,950	1.00	103,069,945	1.10
2040	2041	2042	85,007,150	8,685,500	93,692,650	1.00	103,061,915	1.10
2041	2042	2043	85,007,900	8,685,250	93,693,150	1.00	103,062,465	1.10
2042	2043	2044	85,009,750	8,688,000	93,697,750	1.00	103,067,525	1.10
2043	2044	2045	85,004,300	8,687,750	93,692,050	1.00	103,061,255	1.10
2044	2045	2046	85,007,850	8,688,750	93,696,600	1.00	103,066,260	1.10

\* Net of capitalized interest.

## **Statutory Cap on Capital Improvement Tax Levy**

Pursuant to the CIT Act the Board is authorized to and may impose the Annual Additional CIT Tax Levy. The Board is not obligated under the Indenture or otherwise to impose the Annual Additional CIT Tax Levy and imposition of such levy is subject to the annual authorization by the Board. The maximum amount of the Capital Improvement Tax levy that can be imposed is dependent on the Statutory Cap. See “CAPITAL IMPROVEMENT TAX – CIT Act Authorized Amount of Levy” and “– Capital Improvement Tax Levy Components.” The amount of the Statutory Cap for each Tax Levy Year is established based on the amount of the Capital Improvement Tax levied for the preceding Tax Levy Year increased by the annual growth in CPI.

The table below shows the actual Statutory Cap for Tax Levy Years 2018 and two pro forma scenarios for calculation of the Statutory Cap on the Capital Improvement Tax that is authorized to be imposed under the CIT Act for Tax Levy Years beginning in 2019 and thereafter, as follows: (1) collections assuming the annual levy and collection of the Capital Improvement Tax in each year based on the amount levied in Tax Levy Year 2018 assuming no increase in CPI, and (2) collections assuming annual levy and collection of the Capital Improvement Tax assuming an annual growth in CPI based on the 10-year average growth of 1.566% calculated from the monthly CPI-All Urban Consumers Data, January 2009 to September 2018, published by the Bureau of Labor Statistics. The amounts in the table below include the total amount of Capital Improvement Tax that can be levied under the CIT Act based on the scenarios presented, and the totals include the aggregate amount of the Bond Resolution Series Levies and the amount of the Annual Coverage CIT Tax Levy that the Board has covenanted to annually impose pursuant to the Indenture, both as set forth in the table above under the subheading “– Bond Debt Service Schedule and Coverage.” The table below and the scenarios presented are for illustrative purposes only as described herein and the information presented in such table is not a projection by the Board of the future growth in CPI, the amount of the Statutory Cap on the Capital Improvement Tax, or the amount of the Annual Additional CIT Tax Levy that the Board will impose in any Tax Levy Year.

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## Actual and Pro Forma Statutory Cap on Amount of Capital Improvement Tax

Tax Levy Year <u>(12/31)</u>	Tax Collection Year <u>(12/31)</u>	Bond Year <u>(4/1)</u>	Statutory Cap on Capital Improvement Tax Levy <u>Assuming 0% Annual CPI Growth</u>	Statutory Cap on Capital Improvement Tax Levy <u>Assuming 1.566% Annual CPI Growth<sup>1</sup></u>
2018*	2019	2020	\$ 56,239,900	\$ 56,239,900
2019	2020	2021	56,239,900	59,352,167
2020	2021	2022	56,239,900	62,513,172
2021	2022	2023	56,239,900	65,723,678
2022	2023	2024	56,239,900	68,984,461
2023	2024	2025	56,239,900	72,296,307
2024	2025	2026	56,239,900	75,660,018
2025	2026	2027	56,239,900	79,076,404
2026	2027	2028	56,239,900	82,546,290
2027	2028	2029	56,239,900	86,070,515
2028	2029	2030	56,239,900	89,649,929
2029	2030	2031	56,239,900	93,285,397
2030	2031	2032	56,239,900	96,977,796
2031	2032	2033	198,739,900	243,228,019
2032	2033	2034	198,739,900	247,036,969
2033	2034	2035	198,739,900	250,905,568
2034	2035	2036	198,739,900	254,834,750
2035	2036	2037	198,739,900	258,825,462
2036	2037	2038	198,739,900	262,878,669
2037	2038	2039	198,739,900	266,995,348
2038	2039	2040	198,739,900	271,176,496
2039	2040	2041	198,739,900	275,423,120
2040	2041	2042	198,739,900	279,736,246
2041	2042	2043	198,739,900	284,116,915
2042	2043	2044	198,739,900	288,566,186
2043	2044	2045	198,739,900	293,085,133
2044	2045	2046	198,739,900	297,674,846

\* The Statutory Cap amounts for Tax Levy Year 2018 is actual, not projected. The Annual CIP Growth Projection is based upon growth from the Tax Levy Year 2018 actual Statutory Cap.

<sup>1</sup> CPI 10-year average growth of 1.566% calculated from monthly CPI-All Urban Consumers Data, January 2009 to September 2018, published by the Bureau of Labor Statistics.

## SECURITY FOR THE 2018 BONDS

### Limited Obligations

The 2018 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2018 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal or interest on the 2018 Bonds.

### Sources of Payment for the 2018 Bonds

The 2018 Bonds are payable from, and secured under, the Indenture by a pledge of, lien on, and security interest in the Trust Estate, including the Capital Improvement Taxes to be levied and collected, on a parity with the Outstanding Parity Bonds and any Additional Bonds and Refunding Bonds issued under the Indenture. See “– Levy of the Capital Improvement Tax” and “INTRODUCTION – Authorization” and “– Security for the 2018 Bonds.” The 2018 Bonds are also payable from amounts on

deposit in the Consolidated Debt Service Reserve Fund on a parity with the Outstanding Parity Bonds and any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See “– Consolidated Debt Service Reserve Fund” and APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE– Consolidated Debt Service Reserve Fund.” The 2018 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2018 Bonds under the Indenture. See “– Flow of Capital Improvement Taxes Under the Indenture.” For a discussion of the debt structure of the Board and property tax rates and levies of the Board and the Overlapping Taxing Districts (as defined herein), see “DEBT STRUCTURE” and “FINANCIAL INFORMATION – Property Tax Revenues.” For a discussion of certain risks related to the Capital Improvement Taxes, see “BONDHOLDERS’ RISKS – Limited Source of Payment and Security,” “– Availability of Capital Improvement Taxes,” “– Adverse Change in Laws,” and “– Collection of Capital Improvement Tax.”

### **Levy of the Capital Improvement Tax**

Pursuant to the Bond Resolution, the Board has levied the Bond Resolution Series Levy for each year that the 2018 Bonds are outstanding, in amounts which, if collected in full and not delinquent, will be equal to the amount of the Annual Debt Service Requirement on the 2018 Bonds for the applicable Bond Year. Since the Bond Resolution Series Levy has been levied in the Bond Resolution authorizing the 2018 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2018 Bonds in any year.

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

In addition, the Board may, but is not required to, annually impose the Annual Additional CIT Tax Levy in an amount up to the remaining amount that would increase the aggregate tax levy of the Capital Improvement Tax to the Statutory Cap for such Tax Levy Year.

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

### **Escrow Fund**

The Escrow Fund is established with the Trustee pursuant to the provisions of the Property Tax Code, the School Code, and the Indenture, as an account separate and segregated from all other funds and accounts of the Board. The Escrow Fund is established for the purpose of providing the funds required to pay the principal of, and interest on, the Bonds, including the 2018 Bonds, when due and for the payment of Capital Expenditures that are Permitted Expenditures as defined and provided in the Indenture.

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

Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the

Bonds, including the 2018 Bonds, and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders of the 2018 Bonds a first lien on, and security interest in, the Capital Improvement Taxes and the monies, securities and funds held from time to time in the Escrow Fund, on a parity basis with the Outstanding Parity Bonds, and any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

### **Operation of the Escrow Fund**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Escrow Fund.”



## **Debt Service Fund and Series 2018 Dedicated Sub-Fund**

The Indenture also establishes with the Trustee a debt service fund for deposit of funds to provide for payment of the Bonds, including the 2018 Bonds (the “Debt Service Fund”) and a separate, segregated and dedicated sub-fund within the Debt Service Fund for the 2018 Bonds (the “Series 2018 Dedicated Sub-Fund”). The Indenture provides for the establishment of separate dedicated sub-funds for any Series of Bonds issued under the Indenture, and in each case for the deposit of Capital Improvement Taxes for the payment of debt service on the applicable Series of Bonds.

Moneys on deposit in the Series 2018 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2018 Bonds and shall not be used or available for the payment of any other Bonds, except as expressly provided in the Indenture.

Further, the Indenture establishes with the Trustee separate Accounts within the Series 2018 Dedicated Sub-Fund, designated as follows: (1) 2018 Capitalized Interest Account, (2) 2018 Project Account, (3) 2018 Principal Account, and (4) 2018 Interest Account.

The Indenture provides that on each Business Day, commencing on February 1, 2020 (each such date referred to herein as the “Deposit Date”) there shall be withdrawn from the Debt Service Fund and deposited into the Series 2018 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2018 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth below (such aggregate amount with respect to any Deposit Date being referred to herein as the “Series 2018 Deposit Requirement”). On each Deposit Date that moneys are available for deposit into the Series 2018 Dedicated Sub-Fund, the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2018 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

First: for deposit into the 2018 Interest Account, an amount equal to the amount required so that the sum held in the 2018 Interest Account, when added to the interest payable from the 2018 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2018 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and

Second: commencing on February 1, 2032, for deposit into the 2018 Principal Account, the amount required so that the sum then held in the 2018 Principal Account will equal the sum of the unpaid Principal due on the 2018 Bonds on the first day of April of the next calendar year.

### **2018 Capitalized Interest Account**

Interest due on the 2018 Bonds on the April 1, 2019, October 1, 2019, and April 1, 2020 Interest Payment Dates is fully capitalized from the proceeds of the 2018 Bonds and will be deposited in the 2018 Capitalized Interest Account.

### **2018 Project Account**

The Indenture provides for disbursements of moneys in the 2018 Project Account as described below.

(A) The Trustee shall make payment of the Costs of Construction of the 2018 Project that are both Capital Expenditures and Permitted Expenditures from the 2018 Project Account. Before any such payment shall be made, the Board shall file with the Trustee:

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

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2018 Project, and that each item thereof (i) is a proper charge against the 2018 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed from moneys in the 2018 Project Account or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

Upon receipt of each such requisition and accompanying Certificates the Trustee shall transfer from the 2018 Project Account to the credit of a special account in the name of the Board, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts in such special account to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. If for any reason the Board should decide prior to the payment of any item in a requisition to stop payment of such item, an Authorized Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the 2018 Project Account.

The Trustee shall withdraw from the 2018 Project Account and pay to the Board any balance in the 2018 Project Account on filing by the Board with the Trustee the Board's Certificate certifying: (1) that the 2018 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such 2018 Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2018 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2018 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2018 Project Account. Moneys so withdrawn from the 2018 Project Account (i) may be applied for the payment, purchase or redemption of 2018 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by the CIT Act and will not adversely affect the exclusion from gross income under the Code of interest on the 2018 Bonds.

(B) The Trustee shall, during construction of the 2018 Project, pay from the 2018 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$5,000,000, exclusive of and in addition to reimbursements as described in Paragraph (A), such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid as otherwise described in Paragraph (A) above. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2018

Project Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures. Each transfer to the revolving fund maintained by the Board may not exceed the aggregate amount of the vendor invoices to be paid or reimbursed with respect to the revolving fund, and may only be made after a careful review by the Board to confirm that all transfers to the revolving fund match invoiced amounts for Capital Expenditures that are Permitted Expenditures.

### **Consolidated Debt Service Reserve Fund**

The Indenture establishes a Consolidated Debt Service Reserve Fund, which secures the payment of debt service on all Bonds issued pursuant to the Indenture which are designated as “Consolidated Reserve Fund Bonds” thereunder. The Outstanding Parity Bonds and 2018 Bonds are Consolidated Reserve Fund Bonds. Under the Indenture, the Consolidated Debt Service Reserve Fund is required to be funded in an amount equal to fourteen percent (14%) of the largest Annual Debt Service Requirement on all Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year (the “Consolidated Reserve Requirement”). Upon the issuance of the 2018 Bonds, the amount held in the Consolidated Debt Service Reserve Fund will be not less than the Consolidated Reserve Requirement as of such issuance. See APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Consolidated Debt Service Reserve Fund.”

### **Direct Deposit with Trustee**

Pursuant to the Indenture, the Board has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Capital Improvement Taxes in each year directly with the Trustee for application in accordance with the provisions of the Indenture (each a “Deposit Direction”). See APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes.” The forms of Deposit Directions executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX F. The Board has covenanted that as long as any of the 2018 Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided, that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year.

### **Indenture Covenants and Representations**

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

Authority for Indenture. The Indenture is executed and delivered by the Board by virtue of and pursuant to the CIT Act, the Debt Reform Act and the Bond Resolution. The Board has ascertained, determined and declared that the execution and delivery of the Indenture is necessary to meet the public

purposes and obligations of the Board, that each and every act, matter, thing or course of conduct as to which provision is made in the Indenture is necessary or convenient in order to carry out and effectuate such purposes of the Board and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement contained in the Indenture and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the Board.

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

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

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

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

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

Power to Issue Bonds and Pledge Trust Estate. The Board is duly authorized under all applicable laws to issue the Bonds and to execute and deliver the Indenture and to pledge the Trust Estate pledged by the Indenture and to grant the lien granted by the Indenture thereon in the manner and to the extent provided in the Indenture. The Trust Estate, so pledged and subject to the lien of the Indenture, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of

the Board to that end has been and will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of the Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The Board covenants that upon the date of issuance of any Series of the Bonds, all conditions, acts and things required by the Constitution and laws of the State and the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Series of the Bonds shall exist, have happened and have been performed. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under the Indenture, the rights of the Board to levy the Capital Improvement Tax and to apply the Capital Improvement Taxes in accordance with the Indenture and all the rights of the Owners under the Indenture against all claims and demands. The Board will not seek or support State legislation which, if enacted into law, could reasonably be expected to materially impair the security for the payment of the Bonds or the Board's authority to pay the Bonds from the Trust Estate.

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

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

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

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

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

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

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

#### **Pledge and Lien Under the Debt Reform Act**

The Bonds are entitled to the benefits and security of the Debt Reform Act. Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the Bonds and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders of the 2018 Bonds a first lien on, and security interest in, the Capital Improvement Taxes and the moneys, securities and funds held from time to time in the Escrow Fund, on a parity basis with the Outstanding Parity Bonds, and any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

#### **Flow of Capital Improvement Taxes Under the Indenture**

Indenture Debt Service Funds and Accounts. As described under the headings “SECURITY FOR THE 2018 BONDS – Escrow Fund” and “CAPITAL IMPROVEMENT TAX – Direct Deposit of Capital Improvement Taxes with the Trustee,” Capital Improvement Taxes as collected will be deposited directly with the Trustee in the Escrow Fund pursuant to the Indenture and the Deposit Directions. Pursuant to the Indenture, Capital Improvement Taxes on deposit in the Escrow Fund will be transferred to the Debt Service Fund (as defined and described below) for application as described below. See “CAPITAL IMPROVEMENT TAX” and APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Required Deposit of Capital Improvement Tax Receipts,” “– Allocation of Escrow Fund,” and “– Deposits into Series 2018 Dedicated Sub-Fund and Accounts.”

The Indenture establishes the Debt Service Fund for deposit of funds to provide for payment of the Bonds, including the 2018 Bonds, and provides for the establishment of separate dedicated sub-funds for each Series of Bonds issued under the Indenture, and in each case for the deposit of Capital

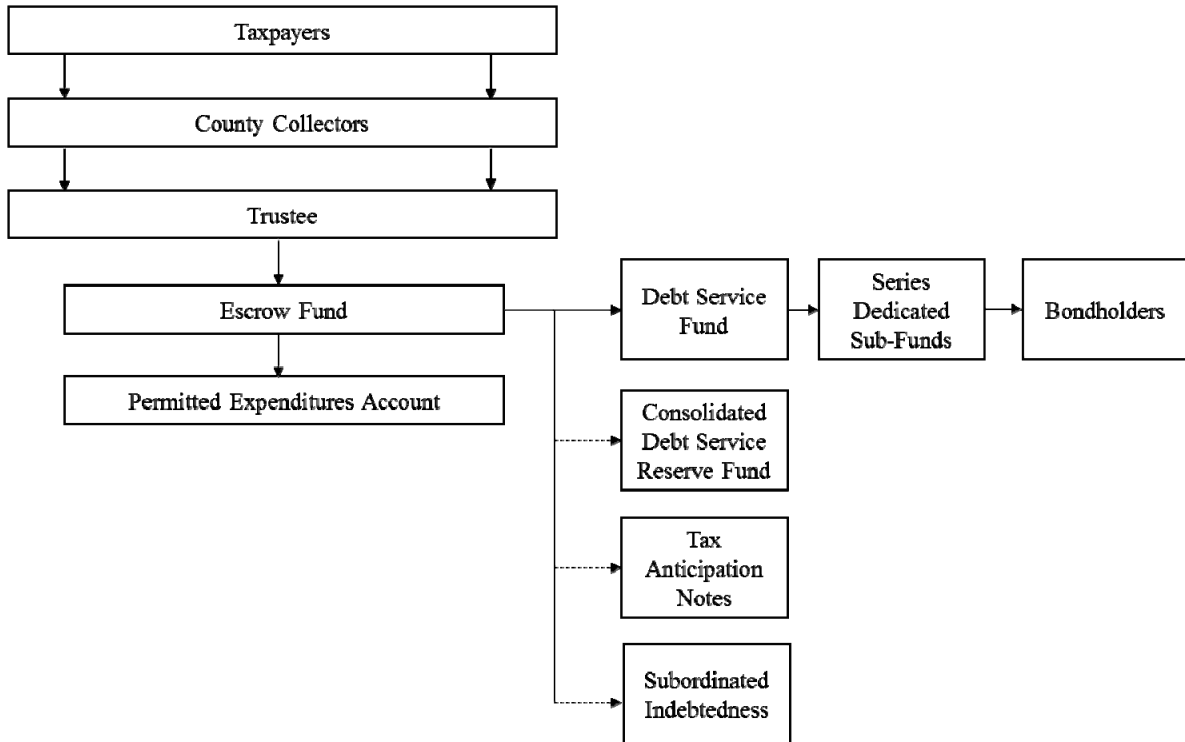
Improvement Taxes for the payment of debt service on the applicable Series of Bonds. The Series 2018 Dedicated Sub-Fund is established under the Third Supplemental Indenture.

Moneys in the Debt Service Fund shall be disbursed and applied by the Trustee as required to make the following deposits on the dates and in the amounts provided: (1) on any date required by the provisions of the Indenture, the Trustee shall segregate within the Debt Service Fund and credit to the Series 2018 Dedicated Sub-Fund therein such amounts as may be required to be so credited under the provisions of the Indenture to pay the principal of and interest on the 2018 Bonds; and (2) on any date required by the provisions of the Indenture for any other purpose, the Trustee shall segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as are specified in such the Indenture the amounts required so to be withdrawn and deposited by the provisions of the Indenture.

Application of Capital Improvement Taxes and Flow of Funds Diagram. The Capital Improvement Taxes received by the Trustee from the Board will be applied to the payment of debt service on the Bonds, including the 2018 Bonds, in accordance with the procedures set forth in the Indenture. The diagram below describes the collection, deposit and application of Capital Improvement Taxes under the Indenture:

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## Flow of Capital Improvement Taxes Under the Indenture



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

### Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes

Pursuant to the Indenture, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding Outstanding Bonds payable on a parity basis with the Outstanding Parity Bonds and the 2018 Bonds from all or any portion of the Capital Improvement Taxes.

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



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

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

## **Bankruptcy**

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

Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2018 Bonds could be stayed during the proceeding, and that the terms of the 2018 Bonds, the Bond Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with requirements of the U.S. Bankruptcy Code.

Various of the legal opinions delivered in connection with the issuance of the 2018 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles.

See “BONDHOLDERS’ RISKS – Bankruptcy of the Board” and “No Acceleration and Uncertainty of Enforcement Remedies.”

*Counsel Opinion Regarding Certain Bankruptcy-Related Matters.* Katten Muchin Rosenman LLP (“Katten”), as special bankruptcy counsel to the Board, has prepared an opinion letter for the 2018 Bonds (the “Special Revenues Opinion”), which sets forth the bases of Katten’s opinion that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2018 Bonds are “special revenues” as that term is defined in Section 902(2)(E) of the U.S. Bankruptcy Code. Consequently, (i) application of the Capital Improvement Taxes by the Trustee to the payment of the 2018 Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture.

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

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

## **BONDHOLDERS' RISKS**

*Investment in the 2018 Bonds involves certain risks. In evaluating an investment in the 2018 Bonds, prospective purchasers should carefully consider the risk factors set forth under this heading "BONDHOLDERS' RISKS" regarding a purchase of the 2018 Bonds, as well as all other information contained in or incorporated by reference into this Official Statement, including the appendices hereto and additional information in the form of the complete documents summarized herein and in the appendices hereto, copies of which are available as described herein. For the definitions of certain words and terms, see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and definitions set forth elsewhere in this Official Statement.*

*There follows under this heading a discussion, in no particular order of importance or priority, of some, but not necessarily all, of the possible risks and investment considerations that should be carefully evaluated prior to purchasing any of the 2018 Bonds. There may be other risk factors and investment considerations that may be material or may become material in the future to a prospective purchaser's investment decision regarding purchasing or holding any 2018 Bonds, or that may materially and adversely affect the financial condition of the Board and its ability to repay the 2018 Bonds. Moreover, any one or more of the factors discussed under this heading, and other factors not described under this heading, could lead to a decrease in the market value and the liquidity of the 2018 Bonds.*

## **Suitability of Investment**

The 2018 Bonds are not suitable investments for all persons. Prospective purchasers should confer with their own legal and financial advisors and should be able to bear the risks associated with the potential limited liquidity and price volatility, as well as the loss of their investment, in the 2018 Bonds before considering a purchase of the 2018 Bonds.

## **Limited Source of Payment and Security**

The 2018 Bonds are on a parity with the Outstanding Parity Bonds. Such Bonds are limited obligations of the Board, a single revenue credit and are payable solely from, and secured solely by, the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the other Funds, Sub-Funds, Accounts and Sub-Accounts established pursuant to the Indenture. The 2018 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of the 2018 Bonds. No other source of security is pledged to, or otherwise available for, the payment of the 2018 Bonds and no other funds of the Board, the City or the State are pledged for the payment of the 2018 Bonds other than the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the funds and accounts established pursuant to the Indenture.

## **Availability of Capital Improvement Taxes**

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

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

In addition, the Board and certain of the Overlapping Taxing Districts have levied taxes to pay Alternate Revenue Bonds (as herein defined) and certain other general obligation bonds and such taxes are currently not extended for collection and are not reflected in the current tax rates of the Board and the Overlapping Taxing Districts. Such debt service taxes could be extended in the future resulting in an increase in the tax burden of property owners within the boundaries of the School District. The Board has never had to extend *ad valorem* property taxes for collection to provide sufficient revenues for payment of its Alternate Revenue Bonds. See “DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin.” Such increased burden could potentially be harmful to the local economy and may impact the

value of property in the region and lead to population migration, delayed payments of taxes, lower tax collection rates and other factors that may result in a decrease in the rate and amount of tax collections received by the Board. As described above and in “SECURITY FOR THE 2018 BONDS – Levy of the Capital Improvement Tax,” several factors impact whether Capital Improvement Taxes will be collected in amounts sufficient to make timely debt service payments on the Bonds.

### **Adverse Change in Laws**

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

Changes in law relating to the Capital Improvement Tax, including the authorized amount of the levy of the Capital Improvement Tax, collection and authorized uses of such tax; changes in the Debt Reform Act, including without limitation changes in the authorization of additional coverage or the amount thereof; changes or repeal of the ad valorem property tax system of the State generally, including the levy and collection of such taxes, could impact the amount of the Capital Improvement Tax levy, the amount and timing of the receipt of Capital Improvement Taxes, and the collection of Capital Improvement Taxes in each year that the 2018 Bonds are Outstanding in amounts sufficient to pay debt service on the 2018 Bonds when due.

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the Board, including the Board’s ability to raise taxes and other revenues, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, change in the interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, change in interpretation, or addition may have a material adverse effect, either directly or indirectly, on the Board or the taxing authority of the Board, which could materially adversely affect the Board’s operations or financial condition. In addition, since there is no contractual relationship between any Bondholder and the State and there is no contractual promise from the State not to alter the Debt Reform Act, the Property Tax Code and/or the School Code including without limitation the CIT Act in ways that may be adverse to the interests of the Bondholders, the State may amend the Debt Reform Act, the Property Tax Code and/or the School Code including without limitation the CIT Act at any time and such action may have a material adverse effect on the Bondholders. See “SECURITY FOR THE 2018 BONDS – Levy of the Capital Improvement Tax.”

The School Code provides for the Board, as the governing body of the School District, to be appointed by the Mayor and with no required approval by the City Council. From time to time, legislation has been introduced in the Illinois General Assembly, to provide for election of the Board by the voters within the School District. In addition under the School Code, the Board is currently exempted from State statutes that authorize ISBE under certain extraordinary circumstances including “financial difficulty” to remove the governing body of a school district, and replace the governing body with an

“independent authority” appointed by the State Superintendent to operate the school district until the next election at which a governing board would be elected. The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

### **Collection of Capital Improvement Tax**

In the event that there is a decline in the amount of the Capital Improvement Tax collected, the Capital Improvement Taxes collected may be insufficient to pay the principal of and interest due on the Bonds. Notwithstanding the foregoing, the 2018 Bonds also have the benefit of the amounts in the Consolidated Debt Service Reserve Fund. However, if there is a material decline in the amount of the Capital Improvement Tax collected the amounts in the Consolidated Debt Service Reserve Fund may be insufficient to pay the principal of and interest due on the Bonds secured by the Consolidated Debt Service Reserve Fund.

In addition, although the Second Installment Penalty Date established by Cook County has been August 1-3 for Tax Collection Years 2013-2018, in Tax Collection Years 2007 through 2012, and in some prior years, the Second Installment Penalty Date has been delayed as late as December 13. Delays in the Second Installment Penalty Date impact the timing of receipt of Capital Improvement Taxes to pay debt service on the Bonds. Notwithstanding the foregoing, the risk that the Board does not have Capital Improvement Taxes on hand to make timely payments on the Bonds, including delays in the Second Installment Penalty Date, has been mitigated by setting the related interest payment date on the Bonds in April, eight months after the expected Second Installment Penalty Date. See “CAPITAL IMPROVEMENT TAX – Illinois Real Property Tax System Overview and Tax Collection” and APPENDIX C – “THE REAL PROPERTY TAX SYSTEM.”

### **No Acceleration and Uncertainty of Enforcement Remedies**

The maturity of the 2018 Bonds cannot be accelerated in the event that the Board defaults in the payment of any installment of principal of or interest due on the Bonds, or otherwise fails to comply with any covenant set forth in the Bonds, the Indenture or any other agreement.

The opinions of Co-Bond Counsel and the Board’s General Counsel as to the enforceability of the Board’s obligations pursuant to the Indenture and to make payments on the 2018 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See “SECURITY FOR THE 2018 BONDS – Bankruptcy,” and “BONDHOLDERS’ RISKS – Bankruptcy of the Board.”

The remedies available to Bondholders under the Indenture may be dependent upon discretionary judicial actions. See APPENDIX A — “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default.”

### **Credit Ratings of 2018 Bonds, Investment Illiquidity and Market Prices**

As discussed herein, the 2018 Bonds are limited obligations of the Board secured by the Capital Improvement Taxes and certain funds held under the Indenture. Kroll Bond Rating Agency, Inc. and Fitch Ratings have each provided ratings with respect to the 2018 Bonds. For a description of such ratings, see “RATINGS” herein.

Each rating of the 2018 Bonds does not constitute a recommendation to purchase, hold or sell the 2018 Bonds and such rating does not address the marketability of the 2018 Bonds, any market price or suitability for a particular investor. There is no assurance that any such rating will remain for any given period of time or that any such rating will not be downgraded, suspended or withdrawn entirely by the respective rating Agency if, in such rating agency's judgment, circumstances so warrant based on factors prevailing at the time. Any such downgrade, suspension or withdrawal of any such rating, if it were to occur, could adversely affect the existence of a market or the market price of the 2018 Bonds.

The interest rates the Board pays on new issuances of long and short-term debt are heavily impacted by the credit ratings of the Board's general obligation debt obligations, and downward changes in such ratings have resulted and may continue to result in higher interest rates payable by the Board on bond issuances and other borrowings. The credit ratings of the Board's general obligation bonds issued by Fitch and S&P were upgraded from "B+" to "BB-" and from "B" to "B+" in 2017 and 2018, respectively, but remain below investment grade.

Numerous factors may impact the liquidity of the 2018 Bonds, including any loss of value of the 2018 Bonds as a result of downgrades to the credit ratings of the 2018 Bonds or the other debt of the Board, additional downgrades to the credit ratings of the City or State, any deterioration of the Board's financial condition, or as a result of market or other factors. There is no assurance that the secondary market for the 2018 Bonds will provide the Bondholders with sufficient liquidity for their investment or that such secondary market will continue through the final maturity of the 2018 Bonds. The Underwriters are not obligated under the Bond Purchase Agreement with the Board or otherwise to make a market for the 2018 Bonds. Such market-making by the Underwriters, if any, may be discontinued at any time at the sole discretion of the Underwriters.

The secondary market for the 2018 Bonds may be limited and the market prices of the 2018 Bonds will be determined by factors including relative supply of, and demand for, the 2018 Bonds and other debt obligations of the Board, general market and economic conditions in the School District, the Overlapping Taxing Districts, the State, the United States and globally, and other factors beyond the Board's control. Market price risk may increase as a result of downgrades to the credit ratings of the Board.

### **Bankruptcy of the Board**

As described herein, the 2018 Bonds are secured by a dedicated *ad valorem* property tax, the Capital Improvement Tax. Units of local government, such as the Board, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2018 Bonds could be stayed during the proceeding, and that the terms of the 2018 Bonds, the Bond Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the U.S. Bankruptcy Code. While the Special Revenues Opinion sets forth reasoned opinions that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2018 Bonds are "special revenues" as that term is defined in the U.S. Bankruptcy Code and, consequently, (i) application of the Capital

Improvement Taxes by the Trustee to the payment of the 2018 Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture, there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in the Special Revenues Opinion and the opinions expressed in the Special Revenues Opinion are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions. See “SECURITY FOR THE 2018 BONDS -- Bankruptcy.”

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

Structural Deficit, Cash Flow and Liquidity. The Board has experienced structural operating deficits in recent years that have ranged as high as \$1.1 billion in certain years, which operating deficits have been mitigated by the use of non-recurring revenue, expenditure of operating reserves, debt restructuring to extend maturities, short-term borrowings, and reduction of operating expenses. The Board’s financial position in Fiscal Year 2018 and financial outlook for Fiscal Year 2019 and beyond is improved based, in part, on the increased State funding provided by Public Act 100-465 (“P.A. 100-465”) and the State authorized Pension Property Tax Levy and increased rate cap. The Board’s ongoing financial outlook will continue to be determined by factors such as labor, pension and debt service costs as well as the ability of the Board to raise revenues and reduce certain expenditures.

Certain factors that control a substantial portion of the operating revenues and the operating expenses of the Board are largely outside of its control, limiting the ability of the Board to adjust its expenses in relation to its revenues. Although the Board’s liquidity position has improved since Fiscal Year 2017, prior to Fiscal Year 2017, the liquidity position of the Board’s operating funds had deteriorated primarily as a result of operating expenses exceeding operating revenues and the Board’s use of its operating reserve funds to fund the shortfalls. The Board’s General Operating Fund balance has declined over recent Fiscal Years from approximately \$1.2 billion at the beginning of Fiscal Year 2015 to a negative amount equal to approximately \$275.2 million by year-end Fiscal Year 2017. With its operating reserve funds depleted, the Board has addressed its negative cash flow position largely through short-term borrowing. See “CASH FLOW AND LIQUIDITY.” The Board’s available revenues to address its current structural budget deficit are largely dependent on State funding and operating expense reductions, and, to the extent such actions are not sufficient, additional borrowing. State Aid Revenues and federal revenues make up a substantial portion of the available operating revenues of the Board and are largely outside of its control. See “FINANCIAL INFORMATION – Historical Financial Performance and Structural Deficit (Fiscal Years 2015-2017)” and “—Board’s Fiscal Year 2019 Budget.”

Unfunded Pensions and Required Statutory Contributions. Pension payments have been and are expected to continue to be a significant budget pressure for the Board. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State (the “Statutory Contributions”). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. As of June 30, 2017, the funded ratio of the Pension Fund was 50.1% and the unfunded actuarial accrued liability was approximately \$10.9 billion. Additionally, the Board’s annual pension costs are projected to increase at

an average rate of two percent through Fiscal Year 2059 and recent changes in actuarial assumptions regarding investment rates of return have increased the unfunded actuarial liability of the Pension Fund. To the extent that the funded ratio of the Pension Fund continues to decline, this would contribute to increased required Statutory Contributions by the Board and put further pressure on the Board's annual operating budgets. In addition, the Pension Fund's actuaries, from time to time, may change the assumptions that are the basis of their actuarial valuations, including mortality rates and investment returns, and such changes may result in increased required Statutory Contributions of the Board. See "CHICAGO PUBLIC SCHOOLS – Pensions and Other Post-Employment Obligations" and APPENDIX E – "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS."

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

### **Forward-Looking Statements**

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

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (I) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (II) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC,**



**BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (III) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, USERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, IT IS LIKELY THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE INACCURATE.**

**UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE ON THE DATE HEREOF, AND THE BOARD ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION “CONTINUING DISCLOSURE UNDERTAKING.”**

## **PLAN OF FINANCE**

### **Overview**

The proceeds of the 2018 Bonds will be used for the purposes described below and in the table entitled “Sources and Uses of Funds.” A portion of the proceeds will be used to pay for Permitted Projects in accordance with the provisions of the Bond Resolution and the CIT Act. In addition, the proceeds of the 2018 Bonds will also be used to make a deposit to the Consolidated Debt Service Reserve Fund in the amount required to increase the amount held in the Consolidated Debt Service Reserve Fund to the Consolidated Reserve Requirement of \$13,118,049, to make a deposit to the 2018 Capitalized Interest Account, and to pay costs of issuance of the 2018 Bonds.

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## Sources and Uses of Funds

The following table shows the sources and uses of funds in connection with the issuance of the 2018 Bonds:

### SOURCES:

Principal Amount	\$86,000,000.00
Original Issue Premium	<u>4,841,790.00</u>
<b>Total Sources of Funds</b>	<b>\$90,841,790.00</b>

### USES:

Deposit to 2018 Project Account	\$82,670,013.10
Deposit to Consolidated Debt Service Reserve Fund	1,377,089.57
Deposit to 2018 Capitalized Interest Account	5,590,000.00
Pay Costs of Issuance <sup>(1)</sup>	<u>1,204,687.33</u>
<b>Total Uses of Funds</b>	<b>\$90,841,790.00</b>

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<sup>(1)</sup> Includes Underwriters' discount.

### Fiscal Year 2019 and Future Financings

The Board expects to issue approximately \$450 million of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C (the "2018C Alternate Revenue Bonds") and approximately \$313 million of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D (the "2018D Alternate Revenue Bonds"), pursuant to separate indentures near the time of issuance of the 2018 Bonds. The proceeds of the 2018C Alternate Revenue Bonds will be used to (i) refund certain outstanding alternate revenue bonds of the Board (the "2018 Alternate Revenue Refunded Bonds"), (ii) fund capitalized interest on the 2018C Alternate Revenue Bonds, (iii) pay the bond insurance premium with regard to certain of the 2018C Alternate Revenue Bonds, and (iv) pay costs of issuance. The proceeds of the 2018D Bonds Alternate Revenue Bonds will be used to (i) provide funds for the continued implementation of the Board's Capital Improvement Program (as defined herein), (ii) fund certain capitalized interest on the 2018D Bonds Alternate Revenue Bonds, and (iii) pay costs of issuance. The Board expects to issue approximately \$365 million of additional long term bonds to provide funding for the Fiscal Year 2019 Capital Plan and to continue to review its capital needs and the use of additional bond financings in the future. See "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

The Board has regularly relied on short-term borrowing to fund liquidity. The Board has levied in calendar year 2018 for collection in calendar year 2019, approximately \$2.46 billion of ad valorem property taxes for educational purposes (the "2018 Tax Levy") and has authorized the issuance of up to \$1.25 billion of tax anticipation notes in anticipation of the collection of the 2018 Tax Levy (the "2018 TANs"). As of November 1, 2018, the Board has outstanding 2018 TANs in the aggregate principal amount of \$200 million, expects to issue an additional series of 2018 TANs in the aggregate principal amount of \$200 million in December 2018, and expects to issue additional series of 2018 TANs in 2019 to fund its cash flow needs. See "DEBT STRUCTURE – Tax Anticipation Notes" and "CASH FLOW AND LIQUIDITY."

## THE 2018 BONDS

### General

The 2018 Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York (“DTC”). Details of payments of the 2018 Bonds and the book-entry only system are described in APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.” Except as described APPENDIX I – “BOOK-ENTRY ONLY SYSTEM,” beneficial owners of the 2018 Bonds will not receive or have the right to receive physical delivery of the 2018 Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC “Participant” (as defined in APPENDIX I), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal, redemption price of, premium, if any, and interest on the 2018 Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner’s Participant, to evidence its beneficial ownership of the 2018 Bonds. So long as DTC or its nominee is the registered owner of the 2018 Bonds, references herein to Bondholders or registered owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

The 2018 Bonds shall be issued only in fully registered form without coupons and shall be dated the date of issuance. The 2018 Bonds shall mature on the dates and in the principal amounts shown on the inside cover page hereof. The 2018 Bonds shall be issued in the denomination of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 (the “Authorized Denominations”), but no single Bond shall represent principal maturing on more than one date. See APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### Interest on the 2018 Bonds

The 2018 Bonds shall bear interest at the respective rates shown on the inside cover page hereof. Each 2018 Bond shall bear interest from the Interest Payment Date to which interest has been paid or as of the date on which it is authenticated prior to the first date on which interest is to be paid. Interest on the 2018 Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2019. Interest on each Bond will be payable on each Interest Payment Date to the person in whose name the Bond is registered at the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date. Interest on the 2018 Bonds is computed on the basis of a 360-day year consisting of 12 months of 30 days each.

### Redemption Provisions

Optional Redemption. The 2018 Bonds are subject to redemption prior to maturity at the option of the Board, as a whole, or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Board shall determine, on April 1, 2028 and on any date thereafter, at a redemption price equal to the principal amount of the 2018 Bonds to be redeemed, plus accrued interest on the 2018 Bonds being redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2018 Bonds maturing on April 1, 2042 and April 1, 2046 (the “Term Bonds”), are term bonds subject to mandatory redemption prior to maturity, in part and selected as described below under “–Redemption Provisions – Redemption Procedures – *Selection of Bonds for Redemption,*” at a redemption price equal to the principal amount thereof, plus accrued interest, on April 1 of the years and in the aggregate principal amounts set forth in the following tables:

<u>Term Bonds</u> <u>Maturing April 1, 2042</u>		<u>Term Bonds</u> <u>Maturing April 1, 2046</u>	
Redemption Dates		Redemption Dates	
<u>(April 1)</u>	<u>Principal Amount</u>	<u>(April 1)</u>	<u>Principal Amount</u>
2039	\$5,880,000	2043	\$7,145,000
2040	6,175,000	2044	7,505,000
2041	6,485,000	2045	7,880,000
2042*	6,805,000	2046*	8,275,000

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\* Final Maturity

Purchase of 2018 Bonds In Lieu of Mandatory Sinking Fund Redemption. Amounts deposited to the credit of the 2018 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on or prior to the 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2018 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund redemption price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2018 Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2018 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes in a Certificate signed by an Authorized Officer and delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

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

### Redemption Procedures.

*General.* In the case of any redemption of 2018 Bonds at the election or direction of the Board, the Board shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts and interest rates of the 2018 Bonds of each maturity to be redeemed. Such notice shall be given at least 35 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the Indenture, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the 2018 Bonds to be redeemed on the specified redemption date at their redemption price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the 2018 Bonds so called for redemption.

Whenever by the terms of the Indenture the Trustee is required or authorized to redeem 2018 Bonds otherwise than at the election or direction of the Board, the Trustee shall select the 2018 Bonds to be redeemed in accordance with the Indenture, give the notice of redemption and pay the redemption price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of the Indenture, without further direction from the Board.

*Selection of Bonds for Redemption.* If less than all the 2018 Bonds of the same maturity are called for redemption, the particular 2018 Bonds or portion of 2018 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any 2018 Bond of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such 2018 Bonds for redemption, the Trustee shall treat each such 2018 Bond as representing that number of 2018 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such 2018 Bond to be redeemed in part by said minimum Authorized Denomination. If all 2018 Bonds are held in book-entry only form, the particular 2018 Bonds or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine, provided, however, that in no event shall any redemption result in unrefunded 2018 Bonds of a denomination less than \$100,000.

Notice of Redemption. For a description of the giving of notices while the 2018 Bonds are in the book-entry only system, see APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.” When the Trustee shall receive notice from the Board of its election or direction to redeem 2018 Bonds pursuant to the Indenture, and when redemption of 2018 Bonds is authorized or required pursuant to the Indenture, the Trustee shall give notice, in the name of the Board, of the redemption of such 2018 Bonds, which notice shall specify the maturities and interest rates of the 2018 Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the 2018 Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such 2018 Bonds so to be redeemed, and, in the case of 2018 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the redemption price of each 2018 Bond to be redeemed, or the redemption price of the specified portions of the principal thereof in the case of 2018 Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 30 days before the date fixed for redemption, to the Owners of the 2018 Bonds to be redeemed at their addresses as shown on the registration books of

the Board maintained by the Registrar; *provided*, that if all Bonds are held in book-entry only form, such notice may be given pursuant to the then-existing agreement with the securities depository for the 2018 Bonds. If the Trustee mails notices of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any 2018 Bonds, unless moneys sufficient to pay the redemption price of, and interest on the 2018 Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Board, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Board shall not redeem such 2018 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such 2018 Bonds will not be redeemed.

### **Bond Registration and Transfers**

For a description of the procedure to transfer ownership of a Bond of either Series while in the book-entry only system, see APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.” Subject to the limitations described below, the 2018 Bonds are transferable upon the registration books of the Board, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Subject to the limitations described below, any Bond may be exchanged upon surrender at the corporate trust office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of fully registered Bonds of the same Series, maturity, and interest rate and tenor of any other Authorized Denominations. The Trustee and the Board may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Bond.

### **Defeasance**

The 2018 Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the Indenture and the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Board thereunder shall be discharged and satisfied with respect to such 2018 Bonds if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said 2018 Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any 2018 Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or redemption price, if applicable, and interest due and to become due on said 2018 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said 2018 Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said 2018 Bonds a notice that such deposit has been made with the Trustee and that said 2018 Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, of said 2018 Bonds, (v) if any of said 2018 Bonds are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants

verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or redemption price, if applicable, and interest due and to become due on said 2018 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said 2018 Bonds are no longer Outstanding under the Indenture. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."

## **BOARD OF EDUCATION OF THE CITY OF CHICAGO**

### **General**

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

The School District has boundaries coterminous with the boundaries of the City of Chicago. Chicago has a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, has a large and diverse economy that contributed to a gross regional product of approximately \$680 billion in 2017. Trade, transportation and utilities, government, education and health service and professional and business services are among the Chicago region's largest industry sectors. The City's Chicago O'Hare International Airport is ranked sixth worldwide and third in the United States in 2017 in terms of total passengers. Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.13 million tons of freight, mail, and goods annually. See APPENDIX D – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

### **Governing Body**

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

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

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

**Frank M. Clark** is President of the Chicago Board of Education and was appointed to the Board by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark was elected President of the Chicago Board of Education on July 25, 2018. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is past Chairman of the Executive Committee of The Chicago Community Trust, trustee of The Lincoln Academy of Illinois, and a member of the RAND Corporation JIE Advisory Board. Mr. Clark

also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Jane Addams Hull House, and past President of the Chicago Chapter of American Association of Blacks in Energy. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. He serves on the board of directors for Aetna Inc. and Waste Management Inc., where he chairs the compensation committee. Mr. Clark is a recipient of the Order of Lincoln Award. He received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He also has received numerous awards, including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by Fortune magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

**Jaime Guzman** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016. Mr. Guzman was elected Vice President of the Board on July 25, 2018. Mr. Guzman leads Chicago Youth Opportunity Programs for the Obama Foundation, including initiatives of the My Brother's Keeper Alliance (MBKA). MBKA is an independent, nonpartisan 501(c)(3) born out of President Obama's call to action to ensure all of our nation's young people have the opportunity to live up to their full potential. MBKA is leading a collaborative, cross-sectoral movement to break down barriers to success that boys and young men of color (BYMOC) disproportionately face along the life path. He has nearly 20 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

**Mark F. Furlong** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the



Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007-2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

**Alejandra Garza** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 12, 2018. Alejandra (Alex) Garza is founder and owner of AGG Consulting, a successful strategic consulting firm that provides services to businesses and non-profits. Dedicated to helping organizations connect with all their stakeholders, Alex has built a distinguished career working in both the corporate and the non-profit world providing her with a unique understanding of how to create and implement successful business and marketing strategies in both sectors. Alex has been a leader in Chicago's Latino immigrant community serving in various capacities with Instituto del Progreso Latino (Instituto). During her twenty years serving Instituto, Alex held many key leadership positions on the Instituto Board including Board President, Treasurer, Governance Committee Chair and Interim President & CEO. While under her leadership, Instituto established new strategic direction including launching flagship programs such as Carreras en Salud, and the Instituto Health Sciences Career Academy, as well as strengthening the organization's brand and impact in the community and nationally. In addition, Alex also serves on the Metropolitan Planning Commission's Sustainable Growth Committee, Sinai Health Systems Board, University of Chicago, Booth School of Business' Civic Scholar Committee and University of Illinois at Chicago, Liberal Arts & Science, Board of Visitors. Ms. Garza has been featured in Latina Style, Hispanic Business Magazine, VOXXI New Media, Diversity Journal and NegociosNow. Alex received a Bachelor of Arts in psychology from University of Illinois at Chicago, a Master of Business Administration from the University of Chicago and a certificate in Non-Profit Governance from Harvard's Business School Executive Program.

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

**Gail D. Ward** was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the City's most accomplished selective enrollment high schools. Ms. Ward served in that role for seven years, a period when Payton ranked first in the State in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40% of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations,

streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

There is currently one vacancy on the Board.

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

<u>Member</u>	<u>Term Expires</u>
Frank M. Clark, President .....	June 30, 2021
Jaime Guzman, Vice President.....	June 30, 2021
Mark F. Furlong .....	June 30, 2019
Dr. Mahalia A. Hines .....	June 30, 2021
Gail D. Ward .....	June 30, 2019
Alejandra Garza .....	June 30, 2019
Vacancy .....	June 30, 2019

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

## CHICAGO PUBLIC SCHOOLS

### School System and Enrollment

The following table presents the number of schools and the enrollment for the Board for Fiscal Years 2014 through 2019. Enrollment has declined over the period shown, based on numerous factors including a decades-long decline in the number of children born in the City and migration of students to private schools and suburban school districts. The Board’s Fall 2018 (occurring in Fiscal Year 2019) school enrollment was 361,314 students and reflects a 10,068 student decrease (approximately negative 2.71%) from the Fall 2017 enrollment. The Board cannot project enrollment after Fiscal Year 2019 and declines in enrollment may continue and may be greater than historical trends. Certain actions of the Board may also impact enrollment after Fiscal Year 2019. For a discussion of school year 2017-2018 School Actions (as defined below) see “—School Year 2017-2018 School Actions.”

**Chicago Board of Education  
Number of Schools and School Enrollment**

<b>Number of Schools</b>	<b>Fiscal Year <u>2014</u></b>	<b>Fiscal Year <u>2015</u></b>	<b>Fiscal Year <u>2016</u></b>	<b>Fiscal Year <u>2017</u></b>	<b>Fiscal Year <u>2018</u></b>	<b>Fiscal Year <u>2019</u></b>
Elementary <sup>(1)</sup>	422	426	425	423	422	422
Special <sup>(4)</sup>	5	-	-	-	-	-
High School	109	121	122	113	108	107
Vocational/Technical <sup>(4)</sup>	-	-	-	-	-	-
Charter Schools	126	131	129	134	131	130
Kindergarten to H.S. <sup>(3) (4)</sup>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Schools	<u>667</u>	<u>678</u>	<u>676</u>	<u>670</u>	<u>661</u>	<u>659</u>
<b>School Enrollment <sup>(2)</sup></b>						
Elementary <sup>(1)</sup>	254,864	251,554	247,487	238,793	230,718	222,955
Special <sup>(4)</sup>	907	-	-	-	-	-
High School	86,184	88,183	86,208	81,854	80,699	78,762
Vocational/Technical <sup>(4)</sup>	-	-	-	-	-	-
Charter Schools	54,572	56,946	58,590	60,702	59,965	59,597
Kindergarten to H.S. <sup>(3) (4)</sup>	<u>4,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total School Enrollment	<u>400,545</u>	<u>396,683</u>	<u>392,285</u>	<u>381,349</u>	<u>371,382</u>	<u>361,314</u>

Source: Chicago Public Schools. Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs).

<sup>(1)</sup> Elementary schools include the traditional classification of middle schools.

<sup>(2)</sup> Includes the number of students in each type of school regardless of the students' grades.

<sup>(3)</sup> The Kindergarten to High School (K-12) school was a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in prior years.

<sup>(4)</sup> The governance and school types were changed in Fiscal Year 2014. As a result, there is no longer a category for "Vocational/Technical" and beginning in Fiscal Year 2015 there is no longer a category for "Special" or "Kindergarten to H.S."

**Central Administration**

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

Chief Executive Officer.....	Dr. Janice K. Jackson
Chief Operating Officer.....	Arnaldo (Arnie) Rivera
Senior Vice President of Finance .....	Ronald DeNard
General Counsel .....	Joseph T. Moriarty
Chief Financial Officer.....	Jennie Huang Bennett

*Chief Executive Officer.* **Dr. Janice K. Jackson** has been immersed in Chicago Public Schools her entire life. She was a CPS student from Head Start through 12th grade, and then began her teaching career at Chicago's South Shore High School. Since that time, Dr. Jackson has served as a principal, a Network Chief, the Chief Education Officer, and now, as Chief Executive Officer for CPS, the third largest school district in the country.

During her tenure as Chief Education Officer, Dr. Jackson focused on building excellence, equity and access across the District, especially with regard to CPS high schools. Through a comprehensive High School Strategy, she is raising both the bar and the stakes for these crucial academic years, working to ensure that every student in Chicago has a quality high school option within three miles of their home. Dr. Jackson was also the driving force behind GoCPS, the Board's first common application for all CPS and charter high schools. Launched in October 2017, this application system has dramatically simplified the high school application process while improving access and equity for all CPS high school students. These combined efforts have propelled CPS students to a record-high graduation rate of 77.3 percent, and Dr. Jackson's support of a graduation requirement insisting that all students have a solid post-secondary plan is ensuring that Chicago's youth leave the classroom fully prepared for what comes next. Dr. Jackson is responsible for all CPS departments, including the Office of Teaching and Learning, which provides high-quality curriculum to engage and empower students, and the Office of College and Career Success, which works to guarantee that every student in every school has the resources they need to be successful in college, career and life. Other departments under her purview include the Office of Language and Cultural Education, which ensures that a language barrier never stands in the way of a child's success, and the Office of Diverse Learner Supports and Services, which provides students in special education with a high-quality academic experience that is tailored to their unique needs.

As a lifelong educator, Dr. Jackson is committed to providing all schools with a clear framework for excellence. This includes high-quality curricular options aimed at minimizing the achievement gap, especially among minority students. The evidence of her success can be seen in rising standardized test scores, especially among English Learners, whose progress led the way to CPS students once again outpacing their peers nationally on the 2016-2017 NWEA exam. Dr. Jackson is a progressive, forward-thinking educator who believes in setting the bar high. Her Three-Year Vision for CPS, which was unveiled in 2016, is a comprehensive, research-based strategy that will launch CPS to even higher levels of student achievement. The vision focuses on promoting academic quality, building stakeholder trust and integrity, and achieving fiscal stability, and is a carefully crafted plan for guiding work across the District.

Dr. Jackson holds a Master's in Leadership and Administration and a Doctorate in Education in Policy Studies in Urban School Leadership from the University of Illinois at Chicago. She was a member of the University of Chicago's Network for College Success, and is a past board member of the Chicago Children's Advocacy Center. She was also honored by the National Council of Negro Women Chicago as a Woman Making History.

*Chief Operating Officer.* **Arnaldo (Arnie) Rivera** is the Chief Operating Officer of the Board and was appointed on February 28, 2018. Previously, he served as a member of the Chicago Board of Education. Mr. Rivera serves as Senior Strategic Advisor for After School Matters and has extensive experience in public education in the City of Chicago. Mr. Rivera began his career in education as a first grade teacher at Walt Disney Magnet School on Chicago's north side. After his years of teaching, he worked in a number of different roles in the Office of Management and Budget at CPS, including serving as the District's Budget Director. In this role, he was responsible for developing and maintaining the operating budget for CPS, totaling more than \$5 billion in spending annually. He also led an effort to drive evidence-based decision making across the entire District budget and he helped enhance school improvement plans to assist principals track progress and resource allocations toward school-based goals. Mr. Rivera then spent two years as Deputy Chief of Staff in the CPS CEO's office, where he was responsible for the planning and execution of the Full School Day outreach strategy and the expansion of the International Baccalaureate programs in Chicago's high schools. He was also part of the district's contract negotiations team that helped secure a collective bargaining agreement with the Chicago Teacher's Union in 2012. Mr. Rivera left CPS and served as Chief Operating Officer for The Chicago Public Education Fund. In this role, he was responsible for the organization's financial and operations management, as well as overseeing its communications and development strategies. In 2014, he was

appointed Deputy Chief of Staff for Education by Mayor Emanuel, where he coordinated the administration's education policy agenda for the City of Chicago from early childhood through community college. Mr. Rivera returned to CPS in 2015 as Chief Officer of Public Policy. Mr. Rivera earned a Bachelor's Degree in Economics and a Master's Degree in Education and Social Policy, both from Northwestern University.

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

*General Counsel.* **Joseph Moriarty** is the General Counsel of the Board and was appointed on February 28, 2018. He has practiced law for 32 years. Mr. Moriarty was in private practice from 1985 to 1997 during which time he specialized in labor and employment litigation. He left private practice in August 1997 and served at the Chicago Housing Authority's law department to December 2000. He was the CHA's Associate General Counsel for Labor Relations at the time of his departure. In January 2001, he joined City Colleges of Chicago's (Community College District 508's) law department and subsequently became its First Assistant General Counsel. Mr. Moriarty joined the Board of Education in May 2004 as Deputy General Counsel for Labor Relations, where he managed all labor-related litigation and was a member of the Board's collective bargaining team. He was appointed the Board's Labor Relations Officer on July 1, 2012 and he led collective bargaining with seven labor organizations that collectively represent approximately 35,000 Board employees. He served in that capacity until his appointment as General Counsel. He is licensed to practice law in Illinois state and federal courts. Mr. Moriarty is a 1982 graduate of the American University, where he received a Bachelor of Arts in Government and Public Administration. He graduated from the John Marshall Law School in 1985.

*Chief Financial Officer.* **Jennie Huang Bennett** is Chief Financial Officer of the Board and has oversight over Treasury management, budget, shared services and risk management. She was appointed on September 28, 2016. She has also been the Treasurer of the Board since December 2012 and manages the District's debt and investment portfolio, cash forecasting and operations as well as banking accounts of all the schools. Previous to CPS, she was an Executive Director at Morgan Stanley. She has over 18 years of municipal finance experience. She has also served on the board of directors for a number of non-profit organizations. She holds a Bachelor of Arts in Economics and Political Science from the University of Pennsylvania.

## **Capital Improvement Program**

The Board has an ongoing "Capital Improvement Program" that includes a "Capital Budget" assembled as part of the Board's Five-Year Capital Plan and Ten-Year Master Education Facility Plan pursuant to State law.

The Board's Fiscal Year 2018 Capital Plan included approximately \$136 million of capital project expenditures in school buildings, technology, and equipment. The overall plan includes: (i) \$79 million for facility needs of priority maintenance and mechanical projects, (ii) \$30 million for contingencies for emergency repairs that may arise throughout the course of the year, (iii) \$5.3 million for information technology, (iv) \$2 million for security equipment, (v) \$12.9 million for capital project support services, and (vi) \$7 million for potential projects funded by outside sources. Funding for the Fiscal Year 2018 Capital Budget was primarily from proceeds of certain of the outstanding bonds issued by the Board.

The Board has approved a Fiscal Year 2019 Capital Plan as a part of its annual budget totaling \$989 million. To improve access to modern technology in its schools, the Board is beginning a four-year, \$125 million funding program that will ensure schools have the devices and internet connectivity needed for students to engage with the modern educational resources that teachers are choosing to utilize of which \$50 million is included in the Fiscal Year 2019 Budget. The Fiscal Year 2019 budget also includes a capital plan totaling approximately \$336 million to address critical building envelope and mechanical needs. This funding will address 27 roof and envelope projects and nine replacements and renovations of boilers and mechanical systems. Along with these projects, the funding will cover \$64 million of additional priority roof and mechanical projects, \$40 million of unanticipated emergency repairs, \$23 million of district maintenance priorities, \$2 million for a chimney stabilization program, \$0.5 million of student accommodations. In addition, the Fiscal Year 2019 capital budget includes \$339 million for critical infrastructure funding that supports the Board's high-quality educational programs, including building renovations to expand programming at nine schools, expansion of education in science, technology, engineering and math ("STEM"), International Baccalaureate education ("IB"), and magnet school programming and high school science lab upgrades, new Pre-K centers, new playgrounds, play lots, and turf fields at schools across the city, and funding for two new high schools. Funding of \$138 million is also included to alleviate overcrowding at several schools. The Fiscal Year 2019 Capital Plan also includes funding for information technology and security infrastructure.

Of the \$989 million estimated cost of the 2019 Fiscal Year Capital Plan, the Board expects approximately \$524 million will be funded from the proceeds of the 2018 Bonds and prior outstanding bonds issued by the Board, the Board's 2018D Alternate Revenue Bonds expected to be issued near the time of issuance of the 2018 Bonds, and certain other local and federal revenues. The remaining \$365 million estimated cost is expected to be funded from future financings. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings."

The Board recently released its 2018 Educational Facilities Master Plan (the "EFMP"). The Board first adopted such plan in 2013 and it is required to be updated periodically pursuant to the requirements of State Law. The EFMP combines data and feedback from internal and external sources to provide a holistic picture of the Board's short and long-term facility needs. The planning process is part of a continuous effort to provide safe, healthy, and supportive learning environments. It also provides for sufficient space for the number of students in the building, equitable access to advanced technology, playgrounds, air-conditioned classrooms, programmatic upgrades, and ADA accessibility.

### **School Year 2017–2018 School Actions**

A State-mandated process governs the annual timing for school action proposals, including co-locations, re-assignment boundary changes, consolidations and closures ("School Actions"). Pursuant to this process, by October 1st each year the Board creates and releases any updated Guidelines for School Actions ("Guidelines") that outline the academic and non-academic criteria for a school action. All proposed School Actions to be taken at the close of a current academic year must be consistent with the Guidelines and must be announced by the following December 1st. These proposals are also subject to

requirements of notice, two community meetings, and one public hearing prior to being put to a vote by the Board. Proposed school actions are typically voted on by the Board in the February–May timeframe.

Over the last several years, the Board’s School Actions have begun to reduce the overall school count. This reduction is the net result of lower enrollment figures, consolidating several Board–operated schools that were located in the same building as other Board–operated schools, and closing of other Board–operated schools and charter schools. The Board reduced the school count by nine schools at the end of the 2016-17 academic year effective for the following year. The 2017-18 School Actions include: (i) merging four high schools in the Englewood area of the City - Harper, Hope, TEAM Englewood and Robeson - into a new \$85 million Englewood high school on the site of the former Robeson High School that is scheduled to open in the Fall of 2019, (ii) merging of Jenner Academy and Ogden International School, (iii) consolidating of Cardenas and Castellanos elementary schools and (iv) transitioning National Teachers Academy from an elementary school into a high school.

### **ISBE Public Inquiry on the Board’s Special Education Services**

In December 2017, ISBE launched a “Public Inquiry” to examine the special education budget allocation processes and procedures and the provision of special education services in Chicago Public Schools. The Public Inquiry process is established by State law and is designed to facilitate fair and transparent fact-finding on a matter of public concern. The Office of the General Counsel at ISBE leads the Public Inquiry team that includes a special education law expert and a representative from the special education advocacy community. The Public Inquiry team held a series of public hearings involving both written and oral testimony and has issued a report presented to the ISBE Board. The report noted problems that delayed or hindered the provision of special education services to students and the ability of educators and families to advocate for the services students needed.

The Board has worked to develop next steps to resolve concerns noted in the report. The Board has created up to 65 new positions to provide schools with additional special education-aligned supports to supplement existing resources in Board schools, including school-based employees and Citywide employees who are designed to help high needs schools better serve students with disabilities by bolstering paraprofessional, bilingual, and social and emotional resources. The positions include English learner specialists, bilingual paraprofessionals, social-emotional specialists and behavior support specialists. In addition, the Board created a substantial number of new case manager and social worker positions to provide additional support to students with disabilities.

### **Annual Regional Analysis**

In Fiscal Year 2019, the Board provided an Annual Regional Analysis (the “ARA”) which provides a consistent set of information regarding school quality, enrollment patterns, school choice, and program offering by region. The goal of the ARA is to ensure every student in Chicago has reasonable access to quality public schools and a variety of schools and programs and it promotes communication, collaboration and transparency. The ARA is organized into 16 geographic regions aligned with Chicago neighborhoods and includes information by region relating to the quality of schools, enrollment and available seats, the number of students that attend schools within and outside their region, and the variety of programs including fine and performing arts, world language, and STEM. One of the key findings of the ARA is that there are approximately 150,000 more seats than students enrolled in the District, including over 60,000 unfilled Level 1+/1 seats. The purpose of the ARA is to discuss issues related to school quality, quantity, choice and variety and to begin a dialogue with the community around a common set of facts related to schools in each community. In an effort to begin this dialogue, the Board is conducting facilitated workshops in each of the 16 planning groups across the City.

## Educational Highlights

The following is a description of certain recent educational highlights related to the Board.

*Record-High Graduation Rate.* CPS Students achieved a record high graduation rate in 2017, with 78.2 percent of students earning a diploma. The graduation rate has steadily risen over the past seven years, growing more than 21 percentage points since 2011.

*Math and Reading Gains.* In recent years CPS students achieved record scores on the Northwest Evaluation Association Measure of Academic Progress (NWEA-MAP). In 2017, a record 61.4 percent of students met or exceeded the national testing average in reading, up from 54% in 2015 and 55.9 percent of students met or exceeded the average in math, up from 52.2% in 2015. For the fifth year in a row, CPS students have outscored national averages for all test takers in both subjects.

*Freshman-on-Track Rates.* The University of Chicago developed a system to measure course grades and credits of students in the first year of high school to predict their likelihood to graduate from high school in four years. The freshmen on-track rate is highly correlated to graduation rates. The Board began tracking the freshman on-track to graduate rate in 2008. The 2016-17 school year's rate of freshmen on-track to graduate is the highest measure on record at 89.4 percent, up more than 30 percent since 2011.

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

*Graduation Rates and Scholarships.* The percentage of CPS high school students graduating achieved an all-time high of 78.2 percent in 2018 – growing more than 21 percentage points since 2011. The graduation rate has steadily risen over the past seven years, growing from 56.9 percent in 2011. The class of 2017 earned more than \$1.2 billion in scholarship offers – \$80 million more than 2016 and the class of 2018 earned more than \$1.3 billion in scholarship offers -- \$90 more than 2017 and five times the amount of scholarship dollars earned in 2012.

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

*CPS School Rankings.* Several Board high schools are locally and nationally ranked by U.S. News and World Report, recognizing academic performance on State assessments and student preparation for college as measured by advanced placement tests. In 2017, out of the 107 Board high schools analyzed in the report, 24 received a gold, silver or bronze achievement level, and seven Board high schools were ranked among the “Top 10” high schools in the State. Also in 2017, out of more than 21,000 high schools nationally surveyed, the Board’s Northside College Prep, Walter Payton College Prep and Jones College Prep were ranked among the “Top 100” schools nationally. And in 2018, 22 schools received gold, silver or bronze medals in the U.S. News & World Report Best High Schools rankings, 8 schools were ranked among the top 10 high schools in Illinois, and the Board’s Northside College Prep and Walter Payton College Prep were ranked among the “Top 100” schools nationally.

*Advanced Placement Award.* CPS was named the College Board Advanced Placement (AP) “District of the Year” among large school districts for 2018 for leading the nation in expanding access to AP exams while simultaneously improving exam performance among every demographic subgroup – a statistical outlier among school districts of any size. CPS is the largest school district to ever receive this honor and the only district of any size to be named AP District of the Year more than once, having previously received the award in 2011 and 2017.



*School Quality Rating Policy.* The School Quality Rating Policy measures how well schools perform and results for Fiscal Years 2016-17 show that the number of CPS schools receiving one of the three highest quality ratings has grown from 451 in the 2015-16 school year to 539 in the 2016-17 school year.

*Improved Disciplinary Performance.* CPS suspension and expulsion rates have reached record lows. By transitioning from exclusionary disciplinary practices to research based preventative approaches, CPS has decreased out of school suspension rates by 67 percent and the expulsion rate has decreased by 74 percent since 2012.

*Stanford University Study.* A 2017 Stanford University Study found that CPS students attained six years of academic growth in just five years of school attendance and are improving at a rate faster than 96% of school districts in the U.S. across all racial and socioeconomic subgroups. In recent years, the Board has experienced improved academic results on multiple measures and across multiple age categories.

*University of Chicago Study.* In 2017, the University of Chicago's "UChicago Consortium on School Research" released reports on college enrollment and college degree attainment for CPS high school graduates. The number of CPS high school graduates who enrolled in either a 2- or 4-year college immediately after high school increased, from 50 percent in 2006 to 63 percent in 2015, and three in four CPS high school graduates enrolled in college within six years of graduating from high school. The reports also show college graduation rates have remained fairly flat over the last seven years, and college degree attainment gaps by race, gender, and disability status persist. The UChicago Consortium on School Research also studied the educational attainment of students with disabilities, which varies by disability category. In 2015, 68 percent of students with learning disabilities graduated from high school within six years, a significant increase from 50 percent in 2006. Rates of six-year high school graduation for students with physical and cognitive disabilities remained relatively consistent between 2006 and 2015. However, across all disability categories, 2015 CPS high school graduates were much more likely to enroll in college than 2006 CPS high school graduates. The UChicago Consortium on School Research also determined that 46.6% of 2018 CPS graduates earned at least one early college and career credential, which helps make college more accessible and affordable and CPS students enroll in 4-year college at a higher rate than their national peers; 47 percent for CPS students as compared to 46 percent for their national peers.

*University of Illinois - Chicago Study.* In a landmark study of Statewide educational outcomes, the University of Illinois - Chicago ("UIC") found that CPS students are outperforming their peers in every major racial and ethnic group throughout the State. UIC analyzed 15 years of Illinois test score data to make comparisons between subgroups.

*U.S. Department of Education's 2018 National Blue Ribbon Award.* For the second year in a row, two CPS schools -- Gwendolyn Brooks College Preparatory Academy and Thomas A. Edison Regional Gifted Center Elementary -- have been named among the best schools in the nation through the U.S. Department of Education's 2018 National Blue Ribbon Award recognition.

## **Educational Initiatives**

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

## Administrative Initiatives

*School Quality Rating Policy and Annual Assessment.* The Board has developed a policy for evaluating school performance that establishes the indicators of school performance and growth and the benchmarks against which a school's success will be evaluated on an annual basis. The Board compiles this information in its Annual Regional Analysis that serves the following purposes: (i) communicates to parents and community members about the academic success of individual schools and the School District as a whole; (ii) recognizes high achieving and high growth schools and identifying best practices; (iii) provides a framework for goal-setting for schools; (iv) identifies schools in need of targeted or intensive support; and (v) provides guidance for the Board's decision-making processes around school actions and turnarounds. The Annual Assessment provides valuable information to students and parents considering enrollment in CPS and selecting among school options that fit their needs.

*GoCPS.* The Board has adopted a single streamlined online application process for high school and selective and options elementary and pre-K students to evaluate available options and to be matched to the school that fits their needs. GoCPS provides a one-stop source of information on available options, as well as housing the application system to Chicago schools, and it has improved equity for disadvantaged students and expanded access to school options across the school district, including both neighborhood and charter school students. It allows families to learn, research, explore, and apply to nearly every CPS school and program through one online platform. CPS opened applications through GoCPS for the first time for the 2018-2019 school year. These applications included all public and charter high schools as well as selective or options elementary and pre-K programs. In its first year, nearly all CPS students participated in the new application process. More than 93% of incoming freshman used GoCPS to apply to high school, 92% were matched to a school on their application and 81% of the students who matched were offered a seat at one of their top three school choices.

*Safe Passage.* CPS continues to add schools to its Safe Passage program to help ensure that more than 75,000 CPS students from 159 schools are able to travel safely to and from school every day. The City-wide Safe Passage program is delivered through 21 community-based vendors that will hire up to 1,300 safe passage workers, for the 2017-2018 school year. The Chicago Police Department announced that crime along Safe Passage routes has fallen by nearly one third since the 2012-13 school year. The program provides students with the enhanced confidence in the ability to travel to and from school safely and has improved attendance at the schools served.

*Supportive Schools Certification.* Based on a study done in CPS schools, which was funded by the Bill and Melinda Gates Foundation, educational scholars learned that teachers, rather than technology, are the most important factor in creating sustainable personalized learning models. Given these results, CPS has improved its social and emotional learning programming, training and initiatives in recent years to better support the needs of its students. As part of these efforts, CPS created the supportive schools certification to recognize schools that have prioritized supportive school environments. In school year 2017, 335 schools earned the supportive school certification – an increase of more than one-third since school year 2016.

*Recognizing Top Performers.* The Board is refining its recognition platform for top performers in school leadership and teacher quality, tying rewards and recognition to performance. One example of this program is the Chicago Principal Partnership. The partnership will build an online resource hub for principals, which include programming and professional development opportunities that reflect principal best practices.

*CPS: Success Starts Here.* The Board released a strategic three year vision, "CPS: Success Starts Here" in 2016. This marks an important benchmark for the District that details the District's commitment to academic progress, financial stability and integrity.

### Early Childhood Education Initiatives

*Full Day Kindergarten.* In the 2014-2015 school year, CPS expanded kindergarten from half-day to full day in every public school. CPS has added seats for full day Pre-K to better prepare students for kindergarten.

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

*Pre-K Education Funding.* Funding of pre-K education over four years beginning in the 2014 – 2015 school year was provided by a \$16 million Social Impact Bond issued by the City that provides early childhood education through a half-day Child-Parent Center (CPC) model, a program that works with both students and their parents to improve educational outcomes. In addition, schools and community-based provider locations were funded to provide high-quality early-learning programs with the ability to serve approximately 44,600 children 5 years of age or younger.

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

### High School Initiatives.

*Dual Credit with City Colleges.* CPS has expanded its dual credit programs with Chicago City Colleges. In this program, high school students can take courses for both high school graduation credit and college credit, free of charge. In Fiscal Year 2017, additional high schools were approved to offer dual credit, bringing the total number of high schools offering dual credit to nearly 80. In addition, expanded dual credit and dual enrollment programs reached the goal of 8,750 enrollments in the 2017-18 school year.

*STEM.* CPS has continued investment in STEM programs with specialists to provide targeted, job-embedded professional development in STEM-focused instructional practices, expansion of opportunities for the Early College STEM model in high-demand industries, and the launch of STEM certification for STEM Initiative schools.

*Computer Science Graduation Requirement.* CPS has offered continued support of the new computer science graduation requirement. The program will be enhanced with teacher supports such as teaching assistants and a teacher credentialing program. Additionally, the program will increase the number of elementary schools participating in the program, which will provide a pipeline of better-prepared students for high school success.

*Chicago Builds.* CPS has launched the second cohort for "Chicago Builds," a citywide career and technical education (CTE) program focused on the trades: electricity, advanced carpentry, HVAC, welding, and general construction. Students enrolled in the program will participate in a 2-year program geared towards exposing them to various trades, preparing them for apprenticeship opportunities and engaging in certification and work-based learning opportunities.

*IB Program.* CPS has the nation's largest International Baccalaureate (“IB”) network with 43 schools (22 high schools and 21 elementary) currently serving 15,000 students. The high school programs provide students with more opportunities to earn college-level credits before graduation. The elementary feeder schools prepare students for IB coursework in high school.

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

*Dual Language Program.* CPS plans to include 27 schools, including the first two high schools, in its Dual Language program in school year 2018-19. The Dual Language program provides students with comprehensive programming to develop language and cultural literacy skills and fluency in both English and Spanish. CPS tutoring program for English learners is designed to enhance English proficiency and plans to deliver academic support to approximately 6,000 English learners for school year 2018-2019 in grades 2-8.

*Department of Personalized Learning.* The newly formed Department of Personalized Learning supports the adoption of personalized learning throughout CPS schools. In the 2016 -17 school year, 30 new schools began implementing the Personalized Learning model through three new programs launched by CPS, including nine schools participating in the first cohort of CPS Elevate, the whole-school redesign program. CPS also developed district resources to support schools implementing a Personalized Learning model, including coaching tools, observation forms, and standards-aligned curriculum resources for core-content areas and social-emotional learning. On May 1, 2018 a \$14 million grant to CPS and LEAP Innovations, a nonprofit organization that works with schools and educators to implement personalized learning, from the Chan Zuckerberg Initiative (CZI) was announced. The grant will directly support 35 CPS schools through its CPS Elevate program.

## **Chicago Teachers Union and Other Employee Groups**

*Overview.* The Board currently employs approximately 36,300 persons. Approximately 92.2% of the Board’s employees are represented by six unions that engage in collective bargaining with the Board. As of November 11, 2018, approximately 66.2% of the Board’s employees were represented by the Chicago Teacher’s Union (“CTU”) and approximately 26% were represented by other unions. The unions, percentage of employees represented and effective dates of the Board’s most recent collective bargaining agreements are as follows:

<b>Labor Organization</b>	<b>Number of Covered Employees</b>	<b>Agreement Start Date</b>	<b>Agreement End Date</b>
CTU	24,038	July 1, 2015	June 30, 2019
SEIU Local 73	6,728	July 1, 2015	June 30, 2018
UNITE-HERE Local 1	2,227	July 1, 2012	June 30, 2017
SEIU Local 1	414	July 1, 2016	June 30, 2020
IUOE Local 143B	30	July 1, 2016	June 30, 2021
IB of T Local 700	24	July 1, 2017	June 30, 2022

*CTU.* The Board’s prior agreement with CTU expired on June 30, 2015 and a new agreement was entered into in December 2016 (retroactive to July 1, 2015) following extended negotiations and a threatened teacher’s strike. The agreement will expire on June 30, 2019; negotiations for a new agreement will not begin until January 2019. The agreement covers the terms and conditions of employment for teachers, school clerks, teacher assistants and other paraprofessionals and provides for the following:

- Changes in employee benefits that increase employee costs for deductibles, co-pays and contributions.
- Automatic salary increases for a teacher’s years of service and education level, also known as “*Steps and Lanes*,” were not paid retroactively for Fiscal Year 2016 but were restored in Fiscal Year 2017 for the contract term. There were no cost of living adjustment (“COLA”) salary increases for Fiscal Years 2016 and 2017. COLA salary increases of 2.0% and 2.5% will be paid for Fiscal Years 2018 and 2019, respectively.
- The Board has historically funded a portion (7% of salary) of a teacher’s required contribution (9% of salary) to the Pension Fund, known as “pension pickup.” This Board funding is eliminated effective January 1, 2017 for new employees who received salary increases of 3.5% effective January 1, 2017 and 3.5% effective July 1, 2017 as an offset. This “pension pickup” is retained for existing employees.

*SEIU Local 73.* The Board’s agreement with SEIU Local 73 (covering custodians, security officers, special education classroom assistants and bus aides) became effective July 1, 2015 and provided a 2% salary increase each year, but in two of those years the increases were contingent on the Board’s ability to balance its budget. Additionally, the Board agreed to a “me-too” provision that gave employees the same general wage increase as CTU and also agreed to maintain the same staffing level of public custodians and agreed not to subcontract certain bargaining unit work. Pursuant to the agreement, SEIU Local 73 did not receive the scheduled 2% salary increase in Fiscal Years 2017 and 2018 and received a 2% cost of living adjustment in Fiscal Year 2018. These employees also received the same revised benefit structure as CTU effective January 1, 2017. The Board’s agreement with SEIU Local 73 expired on June 30, 2018. The parties have been in bargaining since June 2018 and have reached some tentative agreements on non-economic issues and negotiations for a successor agreement are on-going.

*Unite Here Local 1.* The Board’s agreement with Unite Here Local 1 (covering lunchroom workers) expired June 30, 2017 and negotiations for a successor agreement are on-going with the assistance of a mediator. The parties have reached tentative agreements on some non-economic issues.

*SEIU Local 1.* The Board reached a new agreement with the SEIU Local 1 (covering lunchroom managers) which became effective in January 2017, retroactive to July 1, 2016. The labor costs

associated with the agreement are paid exclusively from grant funds generated from the U.S. Department of Agriculture's nutrition grant.

*IUOE Local 143.* IUOE Local 143 represents Board building engineers. In 2016, the Union agreed to a program whereby all Board building engineering services will be provided through vendor services in a privatized integrated facilities management model by the start of Fiscal Year 2019. That program was implemented in two phases, one beginning July 1, 2017 and the final phase scheduled to begin on July 1, 2018. Phase 1 was implemented on July 1, 2017; the final phase was delayed to September 1, 2018 and was fully implemented on September 1, 2018. There are currently no employees in the Local 143 Engineers bargaining unit.

*IUOE Local 143B.* The Board reached a new agreement with IUOE Local 143B (covering payroll and finance employees) in December 2016, retroactive to July 1, 2016. This agreement includes the same employee benefit structure, cost of living adjustments and "pension pickup" provisions as the CTU agreement. Cost of living adjustments to bargaining units' respective salary schedules for Fiscal Year 2020 and Fiscal Year 2021 are left to future negotiation which will open July 1, 2019. The current agreement expires June 30, 2021.

*IB of T Local 700.* On February 29, 2018, the Board approved an agreement with IB of T Local 700 (covering truck drivers) retroactive to July 1, 2017. The employees covered by this agreement are motor truck drivers and covered by prevailing wage statutes. The new agreement incorporates the benefit structure agreed to by CTU, SEIU Local 73 and IUOE Local 143B. The current agreement expires on June 30, 2022.

### **Pension and Other Post-Employment Obligations**

*Overview.* Employees of the Board participate in one of two defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State. The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year ending June 30. The two Retirement Funds are: (i) the Public School Teachers' Pension and Retirement Fund of Chicago (the "Pension Fund"), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Annuity Fund"), which covers non-teacher employees of the Board and most civil servant employees of the City.

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

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer

contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds and may change from time to time.

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

*The Pension Fund.* As of June 30, 2017, the Pension Fund included 63,356 members (the majority of which are Board employees) consisting of 28,439 retirees and beneficiaries currently receiving benefits, 6,062 vested terminated members entitled to benefits but not yet receiving them, 17,800 total active vested current members and 11,055 nonvested current members.

The Pension Fund's active contributors make biweekly contributions to the Pension Fund from their salaries which contributions are currently set at 9% of covered payroll. Historically, as part of its collective bargaining agreement with the Chicago Teachers' Union ("CTU"), the Board has paid a substantial portion of the employee contribution in an amount equal to 7% of covered payroll. This contribution arrangement for the current CTU Pension Fund members was reaffirmed upon the final approval by the Board of a new collective bargaining agreement between the Board and CTU on December 7, 2016. New CTU Pension Fund members hired after January 1, 2017 will make their entire 9% employee contribution, but will receive a 7% increase to their base salary such that their total compensation does not decrease. This 7% salary increase occurred in two parts, with 3.5% being added between January 1, 2017 and June 30, 2017, and the remaining 3.5% being added to compensation beginning July 1, 2017.

The Pension Fund is presently underfunded and the funded status of the Pension Fund has deteriorated steadily over time. The decrease in the Pension Fund's funding levels is due to a number of contributing factors, including but not limited to adverse economic factors, inadequacy of legislatively-mandated employee, employer and other contributions, automatic annual increases and changes in benefit levels, changes in actuarial assumptions and the changed demographics of both the workforce and retirees of the Funds. The required Statutory Contributions under the Pension Code have been lower than those which would have been necessary to fund the Pension Fund on an actuarial basis in recent years. The most recent Pension Fund Actuarial Valuation projects required Board Pension Fund contributions to annually increase through Fiscal Year 2059 (the end of the projection period).

*Dedicated Revenues to Fund Required Board Statutory Contributions to the Pension Fund.*

Overview. The State's authorization of the Pension Property Tax Levy and the increase in the authorized rate cap for such tax, combined with the required State Statutory Contribution to the Pension Fund, have established dedicated sources of revenue that are intercepted and directly deposited with the Pension Fund and credited to the Board's required Statutory Contribution to the Pension Fund.

Required State Contribution to the Pension Fund. P.A. 100-465 provided for an increase in the required annual State contribution to the Board's Pension Fund to cover the "normal pension costs" of Board teachers and other covered employees and the Board's annual required retiree health care

contribution, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. The State required contribution is expected to increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required health care contributions which have historically been capped at \$65 million. The required State Statutory Contribution to the Pension Fund is approximately \$221 million in Fiscal Year 2018 and \$239 million in Fiscal Year 2019. Such State funding is subject to a continuing appropriation and a statutory amendment would be required to discontinue such appropriation.

Pension Property Tax Levy. Public Act 099-0521 became effective in 2016 and authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% to be paid directly to the Pension Fund to be credited to the Board's annual required contribution (the "Pension Property Tax" or the "Pension Property Tax Levy"). This tax is not subject to PTELL. The Board authorized the levy of this additional tax for Tax Levy Year 2016. P.A. 100-465 authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567%. The Board increased such levy to the maximum rate for Tax Levy Year 2018.

*Change in Pension Fund Actuarial Assumptions and Board Funding of Pension Contributions.* In 2017, the Pension Fund's actuary reduced the investment rate of return assumptions for the Pension Fund from 7.75% to 7.25%, which is expected to result in an approximately \$700 million increase in the unfunded actuarial accrued liability of the Pension Fund; but will also increase the likelihood that the assumed rate of return will be realized in future years. The expected rate of return on investments is a key assumption in estimating the value of pension obligations and is used to estimate the present value of future benefit payments. Reducing the rate increases the estimated present value because more money must be set aside now to pay future benefits. This present value, known as the actuarial liability, is compared with the value of pension assets to determine the funded status of pension plans and therefore how much must be contributed by the Board to the Pension Fund. However, it is the actual rate of return on Pension Fund investments that determines the value of pension assets and actual rates of return that exceed the assumed rate will decrease the required Statutory Contribution to the Pension Fund by the Board.

Periodically, the Pension Fund commissions an "experience study" to evaluate certain actuarial assumptions used by the actuaries in preparing the annual actuarial valuation. The most recent experience study was presented to the Pension Fund at its September 2018 meeting whereupon the Pension Fund board adopted certain recommendations in the experience study related to actuarial assumptions and certain related recommendations made by the Board to the Pension Fund. Among the revisions to the actuarial assumptions and assumption changes due to the experience study were a lower assumed investment rate of return of 7%, updated mortality tables, retirement rates and new entrant profile assumptions. Changes to actuarial assumptions that were adopted will be implemented in future actuarial valuations and will not impact the Fiscal Year 2019 contribution amount that was already certified by the Pension Fund. The lower assumed investment rate of return, together with the other revised assumptions from the experience study, is expected to result in an approximately \$640 million increase in the unfunded actuarial accrued liability of the Pension Fund, but also increases the likelihood that the assumed rate of return will be realized in future years. The Board expects that the impact of the actuarial assumption revisions taken together will be a minimal impact on the Board's required Statutory Contributions in Fiscal Year 2020 compared to previous budgetary expectations and will increase to the Board's required Statutory Contributions of \$15 million in Fiscal Year 2021 and \$10 million in Fiscal Year 2022.

*The Annuity Fund.* Employees of the Board that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. See APPENDIX - B - "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017"



– Note 12. As of December 31, 2017, the Annuity Fund had 73,854 total members including 25,383 retirees and beneficiaries, 17,549 inactive members entitled to benefits and 30,922 active members (of which 15,320 were vested and 15,602 were non-vested). As of December 31, 2017, Board employees comprised approximately 54% of the Annuity Fund’s active participants.

The Annuity Fund receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees’ salaries. See APPENDIX E — “PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS — Pensions for Other Board Personnel.”

*Other Post-Employment Benefits and Other Board Liabilities.* Health care benefits for certified teachers and administrators are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the “Health Insurance Program”). Certain recipients of a retirement pension, survivor pension, or disability pension may be eligible to participate in the Health Insurance Program and premium rebate sponsored by the Pension Fund. Although the Board does not contribute directly to retirees’ health care premiums, the funding of such premiums by the Pension Fund increases the Board’s required contributions to such fund. See APPENDIX E — “PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS — Other Post-Employment Benefits and Other Board Liabilities.”

In addition, as of June 30, 2017, the Board had approximately \$289.8 million in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. See APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017” – Note 11.

*Illinois Constitution Pension Protection Clause.* Illinois’s state constitution contains a pension protection clause (Illinois Constitution, Article XIII, Section 5) that provides “membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.” This constitutional provision and related judicial decisions have and in the future may impact any State pension reform efforts.

*Overlapping Taxing Districts.* Certain of the Overlapping Taxing Districts and the State maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the “Other Retirement Funds”), many of which are also significantly underfunded. The underfunding of the Other Retirement Funds places a substantial additional potential burden on the City’s taxpayers, who bear the burden of funding a portion of the contributions to such plans. Additional information regarding each of the Overlapping Taxing Districts and the State (including with respect to their pension plans) may be obtained on their respective websites. None of the information on such websites is incorporated by reference into this Official Statement and the Board takes no responsibility for the information contained therein nor has the Board attempted to verify the accuracy of such information.

## DEBT STRUCTURE

### Overview

The Board’s debt structure includes both short and long-term obligations as described under this heading. Short-term debt includes both tax and grant anticipation notes payable respectively from a pledge of specified ad valorem property tax and State grant receipts. The Board’s primary source of debt funding is long-term general obligation Alternate Revenue Bonds (as defined herein) and PBC Leases (as defined herein). The “*alternate bonds*” (“Alternate Revenue Bonds”) are issued under the School Code and the Debt Reform Act payable from a dedicated revenue source (“Pledged Revenues”). The full faith

and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Alternate Revenue Bonds and the PBC Leases.

In addition, the 2018 Bonds and the Outstanding Parity Bonds are payable from the Capital Improvement Taxes and are not general obligations of the Board.

### **Long-Term General Obligation Debt**

As of November 1, 2018 the Board has approximately \$7.4 billion aggregate principal amount of outstanding long-term general obligation debt. The Board's outstanding long-term general obligation debt includes approximately \$7.3 billion aggregate principal amount of Alternate Revenue Bonds of which approximately \$6.8 billion is fixed rate debt and approximately \$432.2 million is variable rate debt. It also includes approximately \$73.5 million aggregate principal amount of fixed rate leases with the Public Building Commission (the "PBC Leases"). The lease rentals due under the PBC Leases are supported by separate unlimited property tax levies of the Board. For additional information on the Public Building Commission, see "– Overlapping Taxing Districts and Overlapping Debt." To provide for payment of the lease rentals under the PBC Leases, the Board has established lease payment debt service fund accounts with a lease payment trustee. Under the School Code and resolutions of the Board establishing those trust accounts, the Board has levied a separate tax unlimited as to rate or amount on real property within the School District to pay the lease rentals under the PBC Leases. Tax receipts of the Board attributable to the Board's PBC Leases are required to be paid by the County Collectors directly to the lease payment trustee and deposited in a fund account to be used for the payment of the applicable lease rentals under the PBC Leases when due. Investment income on deposits in the fund accounts established to make lease rentals under the PBC Leases is paid to the Board to the extent not needed to meet the lease obligations for which the particular fund account is established.

Near the time of issuance of the 2018 Bonds, the Board expects to issue up to approximately \$450 million of 2018C Alternate Revenue Bonds of the Board to be used to refund the 2018 Alternate Revenue Refunded Bonds for savings and approximately \$313 million of 2018D Alternate Revenue Bonds of the Board to fund certain costs of implementing the Board's Capital Improvement Program and to fund certain capitalized interest and costs of issuance of such Bonds. The 2018C Alternate Revenue Bonds and the 2018D Alternate Revenue Bonds are collectively referred to herein as the "2018 Alternate Revenue Bonds." See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings" and see "– Board's Long-Term Debt Service Schedule."

### **Board's Dedicated Capital Improvement Tax Bonds**

The 2018 Bonds are long-term debt obligations of the Board that are not general obligations. See "SECURITY FOR THE 2018 BONDS." The debt service schedule for the Outstanding Parity Bonds and the 2018 Bonds is set forth under the heading "DEBT SERVICE SCHEDULE AND COVERAGE – Bond Debt Service Schedule and Coverage."

The Board may issue Additional Bonds and Refunding Bonds secured by the Capital Improvement Taxes on a parity basis with the Outstanding Parity Bonds and the 2018 Bonds in accordance with the provisions of the Indenture, the School Code and the Debt Reform Act. See "SECURITY FOR THE 2018 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

## **Board's Long-Term Debt Service Schedule**

The following table sets forth the debt service requirements on the Board's long-term general obligation debt secured by ad valorem property tax levies unlimited as to rate or amount, including outstanding Alternate Revenue Bonds. The table includes debt service on the Board's long-term general obligation debt following the issuance of certain Alternate Revenue Bonds that the Board expects to issue near the time of issuance of the 2018 Bonds. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings." Debt service is shown on a calendar year basis (rather than on the basis of the Board's Fiscal Year) to be consistent with the calendar year used for the levy and collection of the taxes that secure the Board's general obligation bonds. The table does not include any obligations of the Board which are not general obligations and are not secured by the unlimited taxing power of the Board, including any outstanding tax anticipation notes and Outstanding Parity Bonds and the 2018 Bonds.

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**Board's Long-Term General Obligation Debt Service Schedule<sup>(1)</sup>**  
(Dollars in Thousands)

Calendar Year	Outstanding Alternate Revenue Bonds Debt Service <sup>(1)(2)</sup>	PBC Leases Debt Service	2018 Alternate Revenue Bonds Debt Service <sup>(2)</sup>	(Less)	Total Annual Debt Service <sup>(2)</sup>
				2018 Alternate Revenue Refunded Bonds Debt Service	
2018	\$293,503	\$22,738	\$-	\$-	\$316,241
2019	473,889	29,877	28,682	(29,296)	503,152
2020	627,446	28,505	10,440	(40,108)	626,284
2021	674,550	-	48,231	(38,134)	684,647
2022	668,879	-	78,569	(62,911)	684,537
2023	662,785	-	78,677	(63,019)	678,443
2024	663,358	-	78,810	(63,149)	679,020
2025	718,462	-	78,837	(63,176)	734,123
2026	718,548	-	78,955	(63,295)	734,209
2027	655,723	-	105,366	(89,703)	671,386
2028	686,969	-	41,918	(26,260)	702,627
2029	678,297	-	41,971	(26,313)	693,955
2030	661,786	-	42,024	(26,366)	677,444
2031	654,121	-	42,065	(26,406)	669,780
2032	401,494	-	32,280	(16,622)	417,153
2033	400,735	-	15,664	-	416,399
2034	415,468	-	15,664	-	431,132
2035	384,741	-	15,664	-	400,405
2036	385,683	-	15,664	-	401,347
2037	382,309	-	15,664	-	397,973
2038	382,670	-	15,664	-	398,334
2039	382,981	-	15,664	-	398,645
2040	383,796	-	15,664	-	399,460
2041	383,800	-	15,664	-	399,464
2042	384,190	-	15,664	-	399,854
2043	280,468	-	44,724	-	325,192
2044	279,565	-	79,211	-	358,776
2045	217,625	-	132,931	-	350,556
2046	217,708	-	102,113	-	319,821

Source: Chicago Public Schools.

- <sup>(1)</sup> Reflects bonds outstanding as of November 1, 2018, prior to the issuance of the 2018 Alternate Revenue Bonds and the refunding of the 2018 Alternate Revenue Refunded Bonds, and includes approximately \$432.2 million of variable rate bonds and interest on such bonds is calculated based on the applicable requirements of the indenture securing such bonds; actual rates may vary. See "DEBT STRUCTURE - Board's Variable Rate Bonds."
- <sup>(2)</sup> Net of capitalized interest.

**Additional Alternate Revenue Bonds**

From time to time, the Board may issue additional Alternate Revenue Bonds in accordance with the provisions of the Debt Reform Act as in existence on the date of issuance of such Alternate Revenue Bonds, including the Board's determination as to the availability of the required coverage of a dedicated source of revenues ("Pledged Revenues") pursuant to the Debt Reform Act. Subject only to compliance with such provisions of the Debt Reform Act, including coverage requirements, there is no limit on the aggregate principal amount of Alternate Revenue Bonds secured by Pledged Revenues that may be issued by the Board. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings." For a discussion of the risks associated with the Board's expected increased debt levels, see "BONDHOLDERS' RISKS – Bankruptcy of the Board - Structural Deficit, Cash Flow and Liquidity."

**Board’s Variable Rate Bonds**

The Board has approximately \$432.2 million in outstanding general obligation bonds or other borrowings that are structured in a variable rate mode. The following table sets forth the outstanding principal amount, interest rate index, and maturity date for each series of the Board’s variable rate bonds.

Series	Outstanding Principal	Variable Rate Index	Final Maturity Date
2008A	\$ 262,785,000	LIBOR-based	3/01/2034
2008B	<u>169,425,000</u>	LIBOR-based	3/01/2031
<b>Total</b>	<b>\$ 432,210,000</b>		

Source: Chicago Public Schools.

**Debt Management Policy**

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

**Board’s Borrowing Authority and Legal Debt Margin**

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>(3)</sup></u>
Equalized Assessed Value <sup>(1)</sup>	\$62,370,205	\$64,913,774	\$70,968,533	\$74,020,998	\$76,768,955
Debt Limit (13.80% of EAV)	8,607,088	8,958,101	9,793,658	10,214,898	10,594,116
General Obligation Debt <sup>(2)</sup>	290,849	238,820	186,823	134,803	82,734
Less: Amount set aside for repayment of debt <sup>(2)</sup>	<u>\$ (35,201)</u>	<u>\$ (34,684)</u>	<u>\$ (34,885)</u>	<u>\$ (32,761)</u>	<u>\$ (35,413)</u>
Total Net Applicable Debt <sup>(2)</sup>	<u>\$ 255,648</u>	<u>\$ 204,136</u>	<u>\$ 151,938</u>	<u>\$ 102,042</u>	<u>\$47,321</u>
Legal Debt Margin	<u>\$ 8,351,440</u>	<u>\$ 8,753,965</u>	<u>\$ 9,641,720</u>	<u>\$ 10,112,856</u>	<u>\$10,546,795</u>
Total Net Applicable Debt as a percentage of Debt Limit	2.97%	2.28%	1.55%	1.00%	0.45%

Source: Chicago Public Schools.

<sup>(1)</sup> Includes taxable property within the School District located in Cook County and DuPage County.

<sup>(2)</sup> Also includes only PBC Lease obligations that are secured by and payable from property taxes. Does not include the Board's outstanding Alternate Revenue Bonds, the 2018 Alternate Revenue Bonds or refunding of the 2018 Alternate Revenue Refunded Bonds, or the Board's Dedicated Capital Improvement Tax Bonds. Alternate Revenue Bonds would be included and would reduce the Board's borrowing capacity under the Legal Debt Margin if the ad valorem property taxes levied for such bonds were extended for collection to pay such bonds as the result of the unavailability of sufficient Alternate Revenues (including State Aid Revenues) to abate such taxes.

<sup>(3)</sup> Estimated; Fiscal Year 2018 figures have not been finalized.

### **Bond Issue Notification Act**

The Bond Issue Notification Act (30 ILCS 352) requires a public hearing to be held by any non-home rule governmental unit, including the Board, proposing to sell non-referendum general obligation bonds or limited bonds (other than refunding bonds) subject to backdoor referendum. The public hearing is intended to require the governing body approving the bond issue to explain the reasons for the proposed issuance and allow persons desiring to be heard an opportunity to present written or oral testimony.

### **Overlapping Taxing Districts and Overlapping Debt**

There are six major units of local government located in whole or in part within the boundaries of the School District, each of which (i) is separately incorporated under the laws of the State, (ii) has an independent tax levy, (iii) derives its power and authority under the laws of the State, (iv) maintains its own financial records and accounts, and (v) is authorized to issue debt obligations. Each of the Overlapping Taxing Districts levies taxes upon property located in the School District, and, in some cases, in other parts of Cook County. See APPENDIX E – "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS – Overlapping Taxing Districts," "FINANCIAL INFORMATION – Property Tax Revenues" and "BONDHOLDERS' RISKS – Availability of Capital Improvement Taxes." However, the Overlapping Taxing Districts are all separate legal and financial units, and the financial conditions or circumstances of any one unit do not necessarily imply similar financial conditions or circumstances for the Board. Information about these Overlapping Taxing Districts is set forth below and additional information may be obtained on their respective websites.

The **City of Chicago** is a home rule unit of government under the Illinois Constitution and was incorporated in 1837. The City is governed by a Mayor, elected at-large for a four-year term, and the

City Council. The City Council consists of 50 members elected for four-year terms and each representing one of the City's 50 wards.

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

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

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

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

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

In addition to the Overlapping Taxing Districts, there are also other governmental bodies in the geographical boundaries of the School District that are authorized to issue debt obligations, but which are not authorized to levy real property taxes and as such do not share an overlapping tax base with the Board. Among such other public bodies, the Public Building Commission of Chicago (the "PBC") is a municipal corporation authorized to acquire, construct and improve public buildings and facilities for use by one or more of the local governmental units. The PBC issues bonds to finance its various projects and then leases its facilities to certain governmental units, including the Board. See the table "Board's Overlapping Debt Schedule." Other such public bodies include the Chicago Transit Authority (the "CTA"), a municipal corporation which owns, operates and maintains a public mass transportation system in the City and portions of the County; the Regional Transportation Authority (the "RTA"), a municipal corporation which provides planning, funding, coordination and fiscal oversight of separately governed operating entities, including the CTA, which provide public mass transportation services in a six-county area of northeastern Illinois, including Cook County; and the Metropolitan Pier and Exposition Authority (the "MPEA"), a municipal corporation which owns the McCormick Place convention and exposition facilities and Navy Pier, both located in the City.

The following table sets forth the Board's long-term debt secured by ad valorem property taxes of the Board and that of the Overlapping Taxing Districts (as of November 1, 2018), including the Board's outstanding Alternate Revenue Bonds, the PBC Leases, and the Outstanding Parity Bonds.

**Board's Overlapping Debt Schedule**  
(Dollars in Thousands)

<b>Direct Debt</b>		
The 2018 Bonds		\$86,000
2018 Alternate Revenue Bonds		763,395
Outstanding Parity Bonds		794,480
Total Outstanding General Obligation Bonds		6,824,413
PBC Leases (principal component)		<u>73,520</u>
<b>Total Direct Debt<sup>(1)</sup></b>		<b><u>\$8,541,808</u></b>

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Overlapping Debt<sup>(1)(2)</sup></b>			
City of Chicago	\$8,819,502	100.00%	\$8,819,502
Community College District <sup>(3)</sup>	315,560	100.00%	315,560
Chicago Park District <sup>(4)</sup>	828,595	100.00%	828,595
Cook County <sup>(5)</sup>	3,085,187	51.03%	1,574,400
Forest Preserve District	150,960	51.03%	77,036
MWRD	2,865,610	54.54%	<u>1,562,902</u>
<b>Total Overlapping Debt</b>			<b><u>\$13,177,995</u></b>

**Total Direct and Overlapping Debt** **\$21,719,803**

Population (2017 estimate)	2,716,450 <sup>(6)</sup>
Equalized Assessed Valuation (2017)	\$76,768,959 <sup>(7)</sup>
Estimated Fair Market Value (2016)	\$293,121,793 <sup>(8)</sup>

	<u>Per Capita<sup>(9)</sup></u>	<u>% EAV</u>	<u>% FMV</u>
<b>Direct Debt</b>	\$3,144.47	11.12%	2.91%
<b>Total Direct and Overlapping Debt</b>	\$7,995.66	28.29%	7.41%

Source: Chicago Public Schools. Updated as of November 1, 2018.

Note: Reflects the issuance of the 2018 Bonds, the 2018 Alternate Revenue Bonds, and the refunding of the 2018 Alternate Revenue Refunded Bonds. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings."

- (1) Excludes outstanding tax anticipation notes.
- (2) Debt of Overlapping Taxing Districts.
- (3) All \$315,560,000 of outstanding general obligation bonds were issued as alternate bonds under the Debt Reform Act for which the alternate revenue sources are tuition, fees and State grant revenues.
- (4) Includes \$282,060,000 of outstanding general obligation bonds issued as alternate bonds under the Debt Reform Act for which the alternate revenue sources are personal property replacement tax revenues, harbor fees and other specific revenues.
- (5) Excludes outstanding sales tax-backed bonds.
- (6) Source: United States Census Bureau.
- (7) Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions and includes assessment of pollution control facilities. Includes Equalized Assessed Value of property in DuPage County.
- (8) Source: The Civic Federation Report May 21, 2018.
- (9) Per Capita amounts are not expressed as dollars in thousands.

**Tax Anticipation Notes**

In recent Fiscal Years, the Board has relied on short-term borrowing to fund operations and liquidity. These short-term borrowings have primarily consisted of the issuance of tax anticipation notes, payable from the collection of real property taxes levied by the Board for a given tax levy year (referred to herein as the Tax Levy Year) and payable in the following calendar year (referred to herein as the Tax Collection Year) (i.e., tax anticipation notes issued during Fiscal Year 2018 and early Fiscal Year 2019



were payable from collection of the real property taxes levied for tax levy year 2017). Real property taxes levied in one year become payable during the following year in two installments. The first installment, an estimated tax bill, is due on March 1 and is equal to 55% of the prior year’s tax extension. The second installment is due on the later of August 1 or 30 days after the mailing of the tax bill and is equal to the remaining amount of the current year’s tax extension. See APPENDIX C – “THE REAL PROPERTY TAX SYSTEM.”

The Board has levied in Tax Levy Year 2018 for collection in Tax Collection Year 2019, approximately \$2.46 billion of ad valorem property taxes for educational purposes. The Board is authorized under the School Code and the Debt Reform Act to issue tax anticipation notes in an amount equal to 85% of such tax levy and Resolution 18-0725-RS5 of the Board adopted on July 25, 2018 authorizes the issuance of up to \$1.25 billion of 2018 TANs in anticipation of the collection of the 2018 Tax Levy.

The Board issued the first tranche of 2018 TANs in October 2018 in the aggregate principal amount of \$200 million. The Board is planning a second issuance of 2018 TANs in the aggregate principal amount of \$200 million in December 2018 and anticipates that it will continue to issue tax anticipation notes to fund operations and liquidity in Fiscal Year 2019 and subsequent Fiscal Years. However, accounting for the timing of the Board’s cash flow needs and various repayments within the year, the Board does not anticipate that the maximum amount of 2018 TANs outstanding at any one time will exceed approximately \$994 million. See “PLAN OF FINANCE – Fiscal Year 2019 and Future Financings.”

The following chart sets forth the Board’s current projection for its issuances of 2018 TANs. Certain of the projected tax anticipation notes may be issued as revolving facilities. The chart shows the tax anticipation notes issued and projected to be issued prior to the receipt of the first installment of real property taxes and those projected to be issued prior to the receipt of the second installment of such taxes.

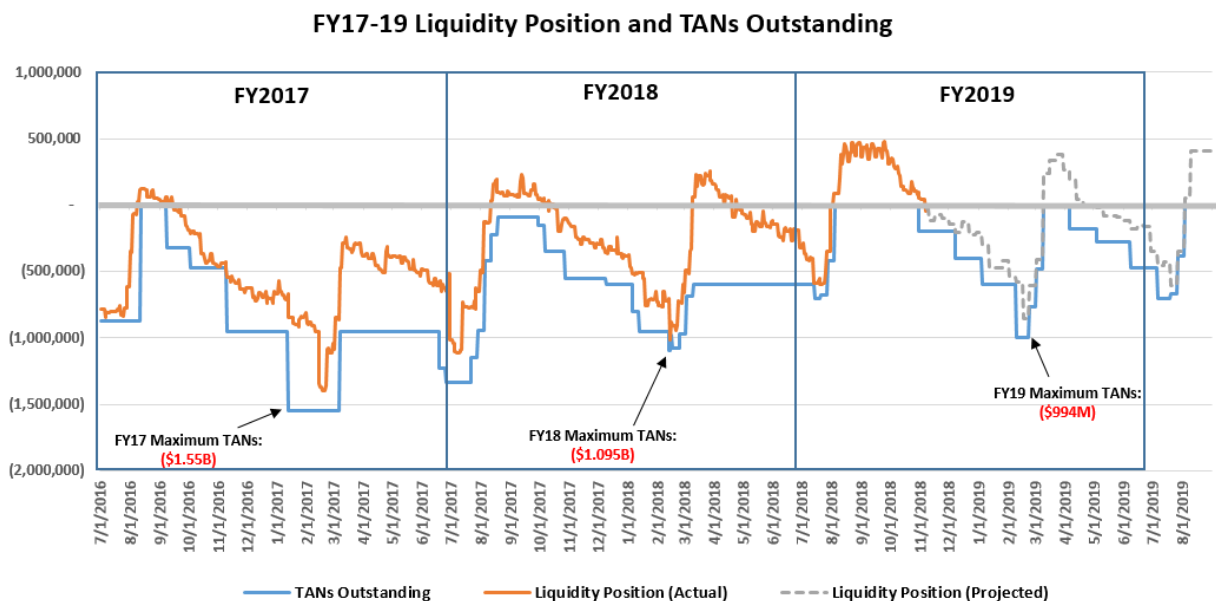
<b>Tax Levy Year 2018 Tax Anticipation Notes – Actual and Projected Issuances</b>			
<b>First Installment</b>		<b>Second Installment</b>	
<b>Date</b>	<b>Amount</b>	<b>Date</b>	<b>Amount</b>
October 31, 2018	\$200,000,000*	April 2019	\$175,000,000
December 5, 2018	\$200,000,000	May 2019	\$100,000,000
January 2019	\$200,000,000	June 2019	\$200,000,000
February 2019	\$394,000,000	July 2019	\$225,000,000

\*Issued and outstanding.

All First Installment 2018 TANs are expected to be repaid by March 29, 2019.

The Board anticipates that it will continue to issue tax anticipation notes to fund operations and liquidity in Fiscal Year 2019 and subsequent Fiscal Years. In the last three Fiscal Years, the initial issuance of tax anticipation notes occurred in August or September. Subsequently, the principal amount of tax anticipation notes outstanding increased with cash flow needs and has typically peaked initially in February due to the annual debt service deposit for the Board’s Alternate Revenue Bonds required on February 15. The collection of the first installment of property taxes historically has improved the Board’s cash position and resulted in a repayment of a portion of the Board’s outstanding tax anticipation notes. A second peak is typically experienced in July, due to additional cash needs and the Board’s annual pension contribution required on June 30, before the tax anticipation notes typically are repaid fully in August with the collections of the second installment of property taxes.

The following graph depicts the Board’s liquidity position and outstanding principal amount of tax anticipation notes payable from taxes levied for Fiscal Years 2017 and 2018 and a projection in respect of Fiscal Year 2019:



For further information concerning the Board’s issuance of tax anticipation notes during Fiscal Year 2019 and into early Fiscal Year 2020, see “CASH FLOW AND LIQUIDITY.”

## FINANCIAL INFORMATION

### Accounting and Financial Statements

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

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

See APPENDIX B – “Comprehensive Annual Financial Report for Fiscal Year 2017.”

### Funding of the Board Under Public Act 100-465

On August 31, 2017, Public Act 100-465 became effective that provides a significant revision to the State’s funding of the Board. Subsequent to its enactment, two technical correction bills were adopted

to assure that the language of the Act reflects legislative intent (Public Act 100-465, as supplemented and amended, is referred to herein as “P.A. 100-465”). P.A. 100-465 resulted in a structural change to and substantial increase in State funding of the Board and State authorization for the Board to impose increased ad valorem property taxes to fund its required pension contributions.

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

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

The EBF Formula achieves the following:

- (a) Protects school districts from a decrease in State funding resulting from declining enrollment such as that experienced by the Board.
- (b) Establishes a Base Funding Minimum (as defined herein) in every Fiscal Year to “hold harmless” all school districts, including the Board, to previous year funding levels.
- (c) Removes earmarking of \$261 million of State Aid received by the Board known as “Supplemental General State Aid” for programs for children from low-income families to provide more general unrestricted operating funds to the Board.
- (d) Prioritizes State funding to school districts with high poverty and other specific demographics, such as the Board, that are the least adequately funded.
- (e) The formula includes an adjustment for school districts that have to pay their own pension payments, such as the Board, and provides the Board with more parity in pension funding. Specifically, the new EBF Formula provides the Board with a credit for its annual payment to the Pension Fund (as defined herein) accrued liability not funded by the State as an allowable reduction of the Board’s financial capacity to fund schools.

2. Change in State Grants to the Board. Prior to P.A. 100-465 the Board received certain grants from the State (“State Grants”) on a “block grant” basis (“State Block Grants”) which were fixed amounts appropriated to the Board. These State Grants to the Board differed from State grant funding to other school districts which was derived from each school district’s “claim” based on a demonstration of need. These State Block Grants were allocated to the Board each Fiscal Year based on a statutorily-defined percentage (percentage of appropriation received by the Board for each grant in Fiscal Year 1995) of the annual Statewide appropriation for such grants to the Board and other school districts.

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

(a) It includes four previous grants included in State Block Grants (Special Education – Personnel, Special Education – Funding for Children Requiring Special Education, Special Education – Summer School, and Bilingual – T.B.I. & T.B.E), into the EBF Formula. This change is revenue neutral to the Board because it rolls the amount of these grants into the Board’s Base Funding Minimum. In

addition, the EBF Formula now includes the special education and bilingual demographics of the Board's students as key metrics for determining its State Aid Revenues under the EBF Formula.

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

4. Increase in the Cap on the Board's Pension Property Tax Levy. P.A. 100-465 authorizes the Board to increase the annual Pension Property Tax Levy (as defined herein) to a rate not to exceed 0.567% in Tax Levy Year 2017 and thereafter from 0.383% in Tax Levy Year 2016.

5. Required State Contribution to the Board's Pension Fund to the Level of Other School Districts in the State. Provides for an increase in the required annual State contribution to the Board's Pension Fund in the amount of approximately \$221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees and the Board's annual required retiree health care contribution, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. This \$221 million is expected to increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required health care contributions which have historically been capped at \$65 million. Such State funding is subject to a continuing appropriation and a statutory amendment would be required to discontinue such appropriation. See "FINANCIAL INFORMATION – Board's Fiscal Year 2019 Budget," "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS," "CHICAGO PUBLIC SCHOOLS – Pension and Other Post-Employment Obligations" and APPENDIX E - "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS."

### **Increased Board Funding From State Structural Change in Funding of the Board**

In Fiscal Years 2017 and 2018, the State implemented certain structural changes in funding of the Board that increased Board revenues in such Fiscal Years and beyond.

For Fiscal Year 2017, this increased funding totals approximately \$473 million including the following: (i) The State authorized Pension Property Tax (as herein defined) was initially levied in Tax Levy Year 2016 to provide approximately \$250 million in revenue to the Pension Fund in Tax Collection Year 2017, offsetting the need for such amount of funding from the Board's operating revenues; (ii) State Aid included an equity grant and "hold harmless" funding to the level of funding for the prior Fiscal Year that together totaled approximately \$195 million; and (iii) The State increased the Early Childhood State Grant to the Board by \$28 million.

P.A. 100-465 became effective for Fiscal Year 2018 and beyond and the EBF Formula includes a Base Funding Minimum in every Fiscal Year to "hold harmless" all school districts, including the Board, to previous year funding levels for State Aid and certain State Grants. This provides assurance of continuation of the approximately \$223 million in additional State Aid and State Grant funding provided in Fiscal Year 2017, in Fiscal Year 2018 and beyond.

For Fiscal Year 2018, this increased funding totals approximately \$444 million including the following: (i) \$93 million in funding for the Board, including \$70 million in increased State Aid from the EBF Formula, \$19 million in an increase in the Early Childhood State Grant to the Board and \$4 million in other State funding; (ii) P.A. 100-465 also authorized the Board to increase the annual Pension

Property Tax Levy to a rate not to exceed 0.567% in Tax Levy Year 2017 and thereafter from 0.383% rate cap in effect in Tax Levy Year 2016 and this increased rate cap resulted in an estimated \$130 million in additional revenue to the Board for Fiscal Year 2018; and (iii) P.A. 100-465 requires the State to make an ongoing annual Statutory Contribution to the Pension Fund to cover the “normal pension costs” of Board teachers and other covered employees and the Board’s annual required retiree health care contribution, similar to State funding that has historically been provided to other school districts in the State for teachers’ pensions and this required State Statutory Contribution to the Pension Fund was approximately \$221 million for Fiscal Year 2018 and offsets contributions that otherwise would be required of the Board.

## **Investment Policy**

The Board has adopted an Investment Policy (the “Investment Policy”). The objectives of the Investment Policy are to invest public funds in a manner which is consistent with all State and local statutes governing the investment of public funds and which will provide for the safety of principal, diversification and maximization of the rate of return. The Investment Policy specifically prohibits any purchase of financial futures, any leveraged investment lending securities and any collateralized mortgage obligations. All investments of the moneys on deposit in the funds and accounts established under the Indenture are subject to the provisions of the Investment Policy as in effect from time to time. A copy of the Investment Policy is available on the Board’s website. The Investment Policy may be subsequently amended or modified by the Board, without notice to or consent of the registered owners of the 2018 Bonds subject, in all respects, to the provisions of the Public Funds Investment Act of the State of Illinois, as amended.

## **Auditing Procedures**

In addition, the Board is required to have an annual independent audit of its financial statements. The Comprehensive Annual Financial Report of the Board for the year ended June 30, 2017, prepared by Baker Tilly Virchow Krause, LLP, the Board’s independent auditor, is attached hereto as APPENDIX B. See “FINANCIAL STATEMENTS.”

## **Property Tax Revenues**

Overview. In Fiscal Year 2017, revenues from ad valorem property taxes were approximately \$2.6 billion and made up approximately 54.6% of the General Operating Fund revenues. The Board’s educational fund property tax levy has had a compounded annual growth rate of approximately 4% per year. For Fiscal Year 2018, the Board estimates property tax revenue of approximately \$2.9 billion and that this will account for approximately 50.7% of the General Operating Fund revenues of the Board. Property tax revenue is the Board’s largest revenue source. As a part of its Fiscal Year 2019 Budget, the Board increased its educational fund property tax levy to the maximum levy allowable under PTELL. The Fiscal Year 2019 Budget includes increased revenues of approximately \$29 million versus the Fiscal Year 2018 year end collections and property taxes will be approximately 49% of Fiscal Year 2019 budgeted operating revenues. As part of the Fiscal Year 2019 Budget, the Board estimates that the Pension Property Tax Levy, which was first implemented in Fiscal Year 2017, will generate approximately \$429.5 million. In addition to the operating property tax revenues described above, the Board also recently levied taxes for capital improvements as described under Capital Improvement Tax Levy below and increased this levy in Tax Levy Years 2017 and 2018. For a discussion of the real property tax system see APPENDIX C – “THE REAL PROPERTY TAX SYSTEM.” For an overview of the historic and budgeted property tax revenues, see the tables under the subheadings “– General Operating Fund” and “–Board’s Fiscal Year 2019 Budget.” For a discussion of the timing of receipt of

property tax revenues see “CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues” and APPENDIX C – “THE REAL PROPERTY TAX SYSTEM.”

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

Pension Property Tax Levy. Public Act 099–0521 became effective in 2016 and authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% to be paid directly to the Pension Fund to be credited to the Board’s annual required contribution (the “Pension Property Tax” or the “Pension Property Tax Levy”). This tax is not subject to PTELL. The Board authorized the levy of this additional tax for Tax Levy Year 2016. P.A. 100-465 authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567%. The Board increased such levy beginning in Tax Levy Year 2018 and this increase, in addition to an increase in property values, is estimated to increase revenues by approximately \$17.6 million in Tax Collection Year 2019.

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

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**Assessed, Equalized Assessed and Estimated Value of All Taxable Property of the Board Tax Levy 2007–2017**

(Dollars in Thousands)

Tax Year Levy <sup>(1)</sup>	Assessed Values					State Equalization Factor	Total Equalized Assessed Value	Total Estimated Fair Cash Value <sup>(7)</sup>	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value %
	Class 2 <sup>(2)</sup>	Class 3 <sup>(3)</sup>	Class 5 <sup>(4)</sup>	Other <sup>(5)</sup>	Total				
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,537	693,240	33,995,120	2.9786	80,977,543	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,365	31,437,440	3.3701	84,592,286	280,288,730	30.18
2010	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	231,986,396	35.38
2011	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	222,856,064	33.71
2012	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	206,915,723	31.53
2013	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	236,695,475	26.35
2014	15,416,908	1,345,482	10,096,651	467,529	27,326,570	2.7253	64,908,057	255,639,792	25.39
2015	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	278,076,449	25.52
2016	17,219,809	1,663,312	11,316,868	562,402	30,762,391	2.8032	74,016,506 <sup>(6)</sup>	293,121,793	25.25
2017	***	***	***	***	***	2.9627	76,768,955 <sup>(6)</sup>	***	***

Source: Chicago Public Schools.

(1) Triennial updates of assessed valuation occurred in years 2009, 2012, and 2015.

(2) Residential, six units and under.

(3) Residential, seven units and over and mixed-use.

(4) Industrial/Commercial.

(5) Vacant, not-for-profit and industrial/commercial incentive classes.

(6) Source: Cook County Clerk's Offices. Calculation is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.

(7) Source: Civic Federation.

\*\*\* Information not available.

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The table below sets forth the Board’s *ad valorem* property tax extensions and collections for the Education Fund for Tax Collection Years 2013 – 2018.

**Board of Education of City of Chicago Education Fund Property Tax Collections**

(Dollars in Thousands)

Tax Levy Year	Collection Year	Education Fund Total Tax Extension	Amounts Collected within the Tax Collection Year of Extension <sup>(1)</sup>			Percentage of Extension	All Collections to Date <sup>(1)</sup>	
			1/1 to 6/30	7/1 to 12/31	1/1 to 12/31		Amount <sup>(2)</sup>	Percentage of Extension
2012	2013	\$2,159,263	\$1,057,494	\$ 993,986	\$2,051,480	95%	\$2,076,552	96%
2013	2014	2,193,826	1,096,823	1,018,120	2,114,943	96%	2,138,869	97%
2014	2015	2,212,422	1,096,988	1,040,217	2,137,205	97%	2,165,397	98%
2015	2016	2,274,161	1,148,340	1,063,987	2,212,327	97%	2,246,211	99%
2016	2017	2,305,534	1,174,181	1,090,446	2,264,627	98%	2,290,786	99%
2017	2018 <sup>(3)</sup>	2,426,902	1,214,851	1,150,618 <sup>(3)</sup>	2,365,469 <sup>(3)</sup>	97%	2,365,479 <sup>(3)</sup>	97%

Source: Chicago Public Schools and Cook Country Treasurer. Only Education Fund extensions and collections are included in the figures shown above. Excludes all other property tax levies of the Board.

<sup>(1)</sup> All collections are net of refunds.

<sup>(2)</sup> Includes all amounts including those received during and after the calendar year of the extension.

<sup>(3)</sup> Tax Levy Year 2017 is still in the process of collection, and the information presented has not been finalized. Collections are shown through October 31, 2018.

Tax Rates of the Board and Overlapping Taxing Districts. The following table sets forth the tax rates that were extended by the Board and the Overlapping Taxing Districts for collection in calendar years 2008–2017. For a discussion of these Overlapping Taxing Districts see “DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt.” These Overlapping Taxing Districts share in varying degrees a common property tax base with the Board.

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

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**Real Property Tax Rates of Overlapping Major Units of Government  
2009–2017 Tax Levy Year**

(per \$100 equalized assessed valuation)

<b>Year of Levy</b> (Taxes Extended for Collection in Following Calendar Year)	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Tax Rates by Board Fund:</b>									
Educational <sup>(1)</sup>	\$2.204	\$2.449	\$2.671	\$3.309	\$3.519	\$3.409	\$3.205	\$3.115	\$3.161
Workers' and Unemployment Compensation Tort Immunity	0.148	0.067	0.133	0.031	0.067	0.169	0.111	0.107	0.038
PBC Operation and Maintenance	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PBC Lease Rentals	0.014	0.065	0.071	0.081	0.085	0.082	0.075	0.072	0.069
Capital Improvement Tax <sup>(1)</sup>	0.000	0.000	0.000	0.000	0.000	0.000	0.064	0.065	0.070
Teacher Pension <sup>(2)</sup>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.367</u>	<u>0.551</u>
Board Subtotal	<u>\$2.366</u>	<u>\$2.581</u>	<u>\$2.875</u>	<u>\$3.421</u>	<u>\$3.671</u>	<u>\$3.660</u>	<u>\$3.455</u>	<u>\$3.726</u>	<u>\$3.890</u>
<b>Other Major Government Units:</b>									
City of Chicago	\$1.098	\$1.132	\$1.229	1.425	1.496	1.473	\$1.806	\$1.880	\$1.89
Community College District	0.150	0.151	0.165	0.190	0.199	0.193	0.177	0.169	0.164
Chicago Park District	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.362	0.352
Water Reclamation District	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406	0.402
Cook County	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533	0.496
Cook County Forest Preserve	<u>0.049</u>	<u>0.051</u>	<u>0.058</u>	<u>0.063</u>	<u>0.069</u>	<u>0.069</u>	<u>0.069</u>	<u>0.063</u>	<u>0.062</u>
Other Unit Subtotal	<u>\$2.260</u>	<u>\$2.350</u>	<u>\$2.580</u>	<u>\$2.974</u>	<u>\$3.161</u>	<u>\$3.148</u>	<u>\$3.412</u>	<u>\$3.413</u>	<u>\$3.37</u>
<b>TOTAL</b>	<u>\$4.630</u>	<u>\$4.931</u>	<u>\$5.455</u>	<u>\$6.395</u>	<u>\$6.832</u>	<u>\$6.808</u>	<u>\$6.867</u>	<u>\$7.139</u>	<u>\$7.20</u>

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

(1) The Capital Improvement Tax was levied for the first time in 2015.

(2) The Pension Property Tax Levy was levied for the first time in 2016.

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

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

Certain Property Tax Increases of the City. The City's Fiscal Year 2016 budget called for a phased-in property tax increase starting in Tax Levy Year 2015 through 2018 of \$543 million to fund the City's Police and Fire pensions. In 2015, the City's property tax levy increased by \$318 million to fund the City's increased contributions to the Policeman's Annuity & Benefit Fund and the Fireman's Annuity & Benefit Fund as required by P.A. 99-0506. From 2016 through 2018, the City's levy increased to fund required contributions to Police and Fire pensions by an additional \$109 million in 2016, \$53 million in 2017 and \$63 million in 2018. The City's Fiscal Year 2019 budget would fund the increased 2019 pension contribution without an additional property tax increase.

## State Aid Revenues

“State Aid Revenues” consist of a portion of the State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement act as may be enacted from time to time. State Aid Revenues for Fiscal Year 2019 are expected to be approximately \$1,605.4 million and make up approximately 22% of the budgeted General Operating Fund Revenues and are received from August through June in equal semi-monthly installments. The increase in State Aid Revenues from Fiscal Year 2017 is primarily the result of the State’s enactment of P.A. 100-465.

Public Act 100-465. On July 6, 2017, the Illinois General Assembly enacted a budget for the State Fiscal Year ending June 30, 2018 (the “State Fiscal Year 2018 Budget”), ending a two-year budget stalemate. The State Fiscal Year 2018 Budget contained an appropriation for State Aid that was contingent upon State Aid being allocated among school districts in accordance with a new “Evidence-Based Funding Formula.” P.A. 100-465 established the EBF Formula for allocating State Aid to school districts, beginning with the 2017-2018 school year, and replaced the Historical State Aid Formula. See “--Funding of the Board Under Public Act 100-465.”

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

In Fiscal Year 2010 through 2016 the State appropriation for Historical State Aid did not fully fund the amounts determined under the Historical State Aid Formula and the amount each school district received was prorated. In Fiscal Year 2017, State appropriations for increased State Aid included an equity grant and “hold harmless” funding to the level of funding for the prior Fiscal Year that together totalled approximately \$195 million.

Evidence-Based Funding Formula. The State’s budget for fiscal year 2018 appropriated State Aid in an amount \$350 million greater Statewide than the appropriation for Fiscal Year 2017 and was distributed to school districts under the EBF Formula. The State’s budget for fiscal year 2019 appropriated State Aid in an amount \$350 million greater Statewide than the appropriation for Fiscal Year 2018 and such State Aid funds in the amount of \$50 million are statutorily required to be allocated to a separate Statewide property tax relief pool and the remaining \$300 million is required to be distributed to school districts under the EBF Formula. Under the EBF Formula, ISBE calculates the Adequacy Target each year for each school district based upon its unique student population, regional wage differences and best practices. Each school district is placed in one of four tiers depending on how close its local resources available to support education (based on certain State resources and its expected property tax collections, its “Local Capacity”) are to its Adequacy Target.

ISBE administers the calculation and distribution of State Aid under the EBF Model and has finalized EBF calculations, including verifying the necessary data elements with school districts that go

into the calculation of EBF. P.A. 100-465 provides that each school district will be allocated at least as much in State Aid in future years as it received in school year 2016-2017 (such amount being that school district's "Base Funding Minimum" for school year 2017-2018). This Base Funding Minimum for the Board includes the total amount of State Aid allocated to the Board in the prior school year and certain historical State Grant funding. For example, the Board was held harmless for the \$204 million increase in Historical State Aid funding for Fiscal Year 2017 in the Fiscal Year 2018 State appropriation of the Base Funding Minimum under the EBF Formula.

Under the EBF Formula, for each school year all State funds appropriated for State Aid in excess of the amount needed to fund the Base Funding Minimum for all school districts ("New State Funds") will be distributed to school districts based on "Tier" placement. "Tier 1" and "Tier 2" are those school districts that are the furthest away from their Adequacy Targets and "Tier 3" and "Tier 4" are those school districts that are the closest to (or above) their Adequacy Targets. Of any New State Funds available, Tier 1 receives 50%, Tier 2 receives 49%, Tier 3 receives 0.9%, and Tier 4 receives 0.1%. Tier 2 includes all Tier 1 school districts for the purpose of the allocation percentages for New State Funds. ISBE has determined that the Board is a Tier 1 school district. For Fiscal Year 2019, of the 853 school districts assigned to a tier, 307 fall within the Tier 1 adequacy level threshold of 65.5% or less. At an adequacy level of 64.3%, the Board is 44th of the 307 districts within Tier 1.

Under the EBF Formula, the Base Funding Minimum is designed to provide that in any school year no school district receive less State Aid funding than it received the prior year since all New State Funds received by a school district in a year become part of its Base Funding Minimum in the following year. If the State appropriates insufficient funds to cover the cost of the Base Funding Minimum, reductions will be made first to the Base Funding Minimum for all Tier 3 and Tier 4 school districts on a per pupil basis; *provided, however*, that such reductions may not reduce State funding for such school districts below the Base Funding Minimum for school year 2017-2018 (approximately \$1.5 billion for the Board). If funds are still insufficient, then further reductions are to be done on a per pupil basis for all school districts. Consequently, reduced appropriations for State Aid in future years could result in the Board receiving less in a future Fiscal Year than its Base Funding Minimum.

In April 2018, ISBE finalized EBF for Illinois school districts for Fiscal Year 2018. Since adoption of P.A. 100-465, ISBE had been working with the Illinois General Assembly for the adoption of technical amendments to clarify P.A. 100-465 (Public Act 100-578 and Public Act 100-0582). In addition, ISBE had been working with Illinois school districts to verify detailed enrollment counts for the past three years and determine the Adequacy Target for each school district, based on enrollment numbers and the cost of 34 factors proven to deliver the greatest positive impact to students, and each school district's Local Capacity Target. The formula compares each school district's current resources (Local Capacity) to its unique Adequacy Target. State Aid is distributed to the Board twice per month from August through June, and until April 2018 State Aid payments were based on the level of funding provided in Fiscal Year 2017 (Base Funding Minimum) to the Board totalling approximately \$1.5 billion. Beginning in April 2018, State Aid distributions to school districts included New State Funds provided for all school districts.

State Aid Revenues for the Board for Fiscal Year 2018 are estimated to be \$1,540.3 million and for Fiscal Year 2019 are expected to be \$1,605.4 million.

### **State Grant Revenues**

For Fiscal Year 2018 the State's grant funding for the Board has changed as a result of P.A. 100-465. See "— Funding of the Board Under Public Act 100-465." For Fiscal Year 2019, Board revenues from State Grants are budgeted to be approximately \$291.7 million and make up approximately 5% of the

budgeted General Operating Fund Revenues. For a discussion of the timing of receipt of State Grant Revenues see “CASH FLOW AND LIQUIDITY – Timing of Receipt of Revenues.”

### **PPRT Revenues**

The Illinois Personal Property Replacement Tax is a revenue source for the Board and other local governments that was created by the Illinois General Assembly in 1979 to replace a tax on the personal property of businesses that was abolished pursuant to the 1970 Illinois Constitution Article IX section 5. Although its name refers to the tax it replaces, the PPRT includes an income tax on the federal taxable income of corporations, business partnerships, trusts and Subchapter S corporations as well as a tax on public utilities. The rates established by the Illinois Income Tax Act include a 2.5% tax on income for corporations; a 1.5% tax on income for partnerships, trusts, and S corporations; and a 0.8% tax on invested capital for public utilities. Corporate income taxpayers submit their PPRT payments along with their state income tax payments. Estimated payments are made quarterly. A final return is due two and one half months after the close of their taxable year. Partnerships, trusts, and S corporations pay PPRT payments on an annual basis. No estimated payments are required. Utilities pay the PPRT payments by the fifteenth day of March, June, September, and December. A final return is due by the fifteenth day of March after the close of their taxable year.

The revenues from the PPRT are collected by the Department of Revenue of the State (the “Department of Revenue”) and are deposited and distributed from the Personal Property Tax Replacement Fund pursuant to Illinois law (30 ILCS 115/12) (the “PPRT Act”). Total PPRT Statewide collections (“PPRT Statewide Collections”) vary from year to year based on corporate income and utility invested capital and the economic and business climate in general. Amounts available in each fiscal year for distribution to local taxing districts, including the Board (the “Local Taxing District PPRT Distribution Amount”), varies depending not only on PPRT Statewide Collections, but on the amount of various transfers and appropriations made by the State, including the Illinois General Assembly, from the Personal Property Tax Replacement Fund for purposes other than for distribution to local taxing districts (the “PPRT Revenue Other Uses”). The PPRT Revenue Other Uses include funding of refunds of PPRT collections for preceding taxing periods, funding of administrative and other expenses incurred in collection and distribution of PPRT, and amounts appropriated by the Illinois General Assembly pursuant to the PPRT Act for purposes other than for distribution to local taxing districts.

The Local Taxing District PPRT Distribution Amount for each Fiscal Year is PPRT Statewide Collections less the PPRT Revenue Other Uses. The percentage of the PPRT Statewide Collections that has been expended for PPRT Revenue Other Uses (the “PPRT Percentage for Other Uses”) has averaged 12% over the past four fiscal years. The PPRT Percentage for Other Uses was 8% in fiscal year 2017 and 19% in fiscal year 2018. The growth in the fiscal year 2018 PPRT Percentage for Other Uses results in part from amendments to the PPRT Act that authorize appropriation of PPRT Statewide Collections for fiscal years 2018 and 2019 for PPRT Revenue Other Uses consisting of public community college base operating grants and local health protection grants to certified local health departments. Based upon Illinois Department of Revenue projections of total PPRT collections for fiscal year 2019 and the amounts appropriated for fiscal year 2019 for PPRT Revenue Other Uses, which include but are not limited to public community college base operating grants, the PPRT Percentage for Other Uses for fiscal year 2019 is projected to be approximately 21%. The Board cannot predict if the State will continue to appropriate PPRT Revenues for purposes other than distribution to local taxing districts, including the Board, or the amount of any such appropriation in any Fiscal Year.

The Board’s share of the Local Taxing District Distribution Amount is statutorily fixed at 14% and such distributions are automatically paid to the local taxing districts, including the Board, and are not subject to appropriation by the Illinois General Assembly. The Local Taxing District Distribution

Amount is distributed pursuant to a continuing appropriation and as a result such distributions continue regardless of the State's adoption of an annual budget.

The PPRT Revenues received by the Board in Fiscal Years 2016 and 2017 decreased from Fiscal Year 2015 as a result of reduced collections and the State's appropriation of PPRT Statewide Collections for PPRT Revenue Other Uses. In Fiscal Year 2016, the State announced that an error was made in the distribution of PPRT revenues to various local entities, including the Board. As a result of this error, the Board realized a \$23 million offset to its PPRT Revenue distribution in Fiscal Year 2016. In addition, the State appropriated funds to community college districts out of the Personal Property Replacement Tax Fund in lieu of recouping the overpayment of PPRT monies. Also in Fiscal Year 2016, the State informed the Board that the recent years' PPRT distributions Statewide were artificially high due to an error in the State's calculation of corporate income tax payments.

The Board's PPRT Revenues were budgeted to be \$148.7 million for Fiscal Year 2018 and PPRT Revenues are estimated to be approximately \$168 million for Fiscal Year 2018.

The Board's PPRT Revenues are budgeted to be \$161.1 million in Fiscal Year 2019. For Fiscal Year 2019, the State has announced an approximately 7% projected decline from Fiscal Year 2018 in PPRT Revenue allocations and estimates an allocation of approximately \$160 million to the Board. Factors impacting the decline in revenues include the State's appropriation of PPRT Statewide Collections for PPRT Revenue Other Uses, an estimated 2.5% decrease in revenues resulting from some one-time only federal tax changes that had the effect of increasing PPRT Revenues in Fiscal Year 2018, a decline in revenues related to the reconciliation of actual receipts to disbursements to local governments tied to historical estimates, and a change in the amount of reserves for refunds.

## **Federal Revenues**

For Fiscal Year 2019, revenues from federal grants are budgeted to be approximately \$805.4 million and make up approximately 13% of the budgeted General Operating Fund revenues of the Board. The Board receives federal revenue in the form of grants that are dedicated to specific purposes and may not be used for other expenditures. Grants are linked to overarching federal programs including the Elementary and Secondary Education Act (also referred to as No Child Left Behind), the largest of which is geared toward a district's poverty count, or Title 1-A; the Individuals with Disabilities Education Act; the National School Lunch Program and Child and Adult Care Food Program; Medicaid Reimbursement; and other federal competitive grants such as Head Start (the largest competitive program), Carl D. Perkins (job training), and Race to the Top funds. In Fiscal Year 2018, Title 1-A was funded at \$283 million, the Individuals with Disabilities Education Act was funded at \$96.5 million, the National School Lunch Program and Child and Adult Care Food Program was funded at \$206 million, and Head Start was funded at \$41 million. In addition to these federal grants, the Board receives federal subsidies on debt service related to its Build America Bonds and Qualified School Construction Bonds. For an overview of the historical and budgeted federal revenues, see the tables under the subheadings "- General Operating Fund." A decline in total receipts of federal revenues by year-end typically indicates offsetting expenditures that were less than expected. For a discussion of the timing of receipt of federal revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues."

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

The receipt of federal revenues is impacted by many factors including satisfaction of grant eligibility requirements, compliance with requirements of the grant agreements including certain federal regulations, and congressional appropriation of funding. The Board is unable to predict the amount, timing or likelihood of receipt of future federal revenues.

School enrollment is a factor in receipt of federal aid and enrollment at Board schools has declined over the last five years from 400,545 students enrolled for the Fall of 2014 to 361,314 students enrolled for the Fall of 2018.

The Board's federal revenues include receipts from a five year Magnet Schools Assistance Program Federal grant award initially totalling \$14,963,921 and the Board received revenues from this grant for federal fiscal year 2018, ending September 30, 2018. The Board has received a letter from the former Acting Assistant Deputy Secretary of the Office of Innovation and Improvement ("OII") in the U.S. Department of Education ("USDOE") that administers such grant in connection with its review of the continuation of funding of the grant to the Board. The letter indicates that such review includes a review by the Assistant Secretary of the Office of Civil Rights that the grantee meets applicable requirements to determine eligibility. The letter further indicates that the Assistant Secretary is unable to certify that for purposes of federal fiscal year 2019 funding (October 1, 2018 through September 30, 2019) that the Board's required grant assurances under Title IX will be met and that grant funding for such federal fiscal year in the amount of approximately \$4 million is being withheld. This decision was made without prior notice to the Board or an opportunity for a pre-decisional hearing that the Board believes is required by law. The Board requested that OII provide the Board with the factual and legal basis for its decision and a fair opportunity to present evidence of its compliance and such request has not been granted. The Board has filed a lawsuit in the U.S. District Court for the Northern District of Illinois seeking injunctive and declaratory relief, including ordering the USDOE to set aside its decision to terminate such grant funding and to continue such grant funding to the Board in the amount of approximately \$4 million for federal fiscal year 2019. The Board believes it has demonstrated how it will comply with its obligations under Title IX in the 2018-19 school year.

### **General Operating Fund Fiscal Years 2013–2017**

The following table presents a summary of the General Operating Fund for Fiscal Years ending June 30, 2013 to June 30, 2017. The table depicts the amount of revenues versus expenditures, other financing resources, changes in fund balance and fund balance composition to prior years.

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**General Operating Fund Revenues, Expenditures, Other Financing Sources  
and Changes in Fund Balances of the Board<sup>(1)</sup>**

(Dollars in Thousands)

Fiscal Years	2013	Restated 2014 <sup>(2)</sup>	2015	2016	2017
<b>Revenue:</b>					
Property Taxes	\$2,157,777	\$2,152,753	\$2,252,828	\$2,313,469	\$ 2,613,889
Replacement Taxes (PPRT)	128,212	131,075	143,867	115,961	169,637
State Aid	1,599,424	1,629,892	1,579,324	1,398,855	1,287,702
Federal Aid	805,983	867,512	767,548	776,277	752,295
Interest and investment income	2,207	4,458	198	1,347	1,964
Other	<u>132,717</u>	<u>156,115</u>	<u>165,819</u>	<u>271,858</u>	<u>265,099</u>
<b>Total Revenue</b>	<u>\$4,826,320</u>	<u>\$4,941,805</u>	<u>\$4,909,584</u>	<u>\$4,877,767</u>	<u>\$ 5,090,586</u>
<b>Expenditures:</b>					
Salaries:					
Teachers	\$1,942,007	\$1,921,969	\$1,953,938	\$1,869,683	\$ 1,815,309
Career Services / Education Services Personnel	633,489	619,462	622,591	605,817	581,665
Commodities:					
Energy	76,559	87,547	74,516	70,227	69,067
Food	106,650	96,816	99,573	98,777	94,911
Other Commodities	122,302	108,742	106,299	102,235	87,516
Services:					
Professional Services	398,064	441,667	395,221	314,732	357,258
Charter schools	498,162	580,652	662,553	704,981	668,412
Transportation	106,861	104,430	103,891	104,450	95,974
Other	150,360	173,576	194,057	147,485	120,447
Building and sites	26,524	31,679	27,296	19,988	19,336
Fixed Charges:					
Teachers' pension	374,567	740,419	826,304	811,051	853,474
Career Services / Education Services Personnel pension	102,342	101,885	102,012	102,762	99,428
Hospitalization and dental insurance	319,792	343,308	357,124	348,083	306,871
Other Benefits	69,505	78,023	70,621	64,599	61,229
Other Fixed Charges	<u>19,186</u>	<u>19,956</u>	<u>24,370</u>	<u>49,497</u>	<u>66,861</u>
<b>Total Expenditures</b>	<u>\$4,946,370</u>	<u>\$5,450,131</u>	<u>\$5,620,366</u>	<u>\$5,414,846</u>	<u>\$ 5,297,758</u>
Revenue (less than) Expenditure	\$ (120,050)	\$ (508,326)	\$ (710,782)	\$ (537,079)	\$ (207,172)
Transfers in (out)	<u>439</u>	<u>161</u>	<u>(12,915)</u>	<u>50,162</u>	<u>58,574</u>
Net Change in Fund Balance	(119,611)	(508,165)	(723,697)	(486,917)	(148,598)
<b>Fund Balance, beginning of period</b>	<u>1,068,754</u>	<u>1,592,147</u>	<u>1,083,982</u>	<u>360,285</u>	<u>(126,632)</u>
<b>Fund Balance, end of period</b>	<u>\$ 949,143</u>	<u>\$1,083,982</u>	<u>\$ 360,285</u>	<u>\$ (126,632)</u>	<u>\$ (275,230)</u>
<b>Composition of Fund Balance</b>					
Non-Spendable	\$ 1,720	\$ 429	\$ 429	\$ 429	429
Restricted	128,419	80,860	105,528	99,970	79,202
Assigned for appropriated fund balance	562,682	861,952	79,225	-	-
Assigned for encumbrances	105,664	140,741	73,101	-	-
Unassigned	<u>150,658</u>	<u>-</u>	<u>102,002</u>	<u>(227,031)</u>	<u>(354,861)</u>
<b>Total Ending Fund Balance</b>	<u>\$ 949,143</u>	<u>\$1,083,982</u>	<u>\$ 360,285</u>	<u>\$ (126,632)</u>	<u>\$ (275,230)</u>

Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2017. See APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017.”

(1) The Board reports its financial activities through the use of fund accounting and follows the modified accrual basis of accounting for its Governmental Funds. See the subheading “–Accounting and Financial Statements.”

(2) For Fiscal Year 2013, collections reflect a period of revenue recognition through July 30 of the succeeding Fiscal Year, and for Fiscal Years 2015 through 2017 collections reflect a period of revenue recognition through August 29 of the succeeding Fiscal Year due to a change in accounting practice. Fiscal Year 2014 includes \$648 million of restated fund balance for use in Fiscal Year 2015 resulting from a 30 day increase in the period of revenue recognition for accounting purposes. This results in a restated Fiscal Year 2014 “Fund Balance, end of period” of approximately \$1.08 billion.

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

For Fiscal Years 2015 through 2017, the Board experienced General Operating Fund structural deficits, with expenditures exceeding revenues and drawing from and depleting the Board’s General Operating Fund reserves. See “BONDHOLDERS’ RISKS — Bankruptcy of the Board.”

Fiscal Year 2015. The Board reported General Operating Fund revenues of approximately \$4.9 billion and expenses and net transfers of approximately \$5.6 billion, resulting in a shortfall of approximately \$723 million. The Board adopted a change in its revenue recognition policy in Fiscal Year 2015, which changed the revenue recognition period from 30 days to 60 days. This change resulted in a restatement of the General Operating Fund balance in Fiscal Year 2014 from \$436 million to approximately \$1.1 billion due to a one-time increase of \$648 million. The General Operating Fund deficit and net transfers of approximately \$723 million resulted in a decline in the General Operating Fund balance from approximately \$1.1 billion at the beginning of Fiscal Year 2015 to approximately \$360 million at the end of the Fiscal Year 2015. Approximately \$102 million of the \$360 million General Operating Fund balance is unassigned fund balance. General Operating Fund revenues decreased by approximately \$32 million in Fiscal Year 2015. This decrease was largely due to an approximately \$100 million increase in property taxes, an approximately \$100 million decrease due to the timing of the receipt of federal aid, an approximately \$51 million decrease in State Aid and an approximately \$10 million increase in other revenues due largely to increased surplus tax increment financing (TIF) funds. Overall General Operating Fund expenses increased in Fiscal Year 2015 by approximately \$170 million over Fiscal Year 2014, largely due to an approximately \$34 million increase in salaries due to cost of living increases, an approximately \$152 million increase in benefits due to increasing pension contributions and an approximately \$57 million increase in the Student-Based Budgeting Rate as well as charter school funding.

Fiscal Year 2016. The Board reported General Operating Fund revenues of approximately \$4.9 billion and expenses of approximately \$5.4 billion, resulting in an operating deficit of approximately \$537 million. The Board utilized transfers into the General Operating Fund of \$50.2 million as a result of debt restructuring and decreased its General Operating Fund balance by \$486.9 million to reconcile the deficit. This resulted in a decline in the General Operating Fund balance from \$360.3 million at the beginning of Fiscal Year 2016 to negative \$126.6 million at the end of the Fiscal Year. Operating revenues decreased slightly by approximately \$31.8 million in Fiscal Year 2016. The decrease was largely driven by a decline in State revenues available for operations which was \$180.5 million lower than the prior year, due primarily to a delay in the payment of State Grants offset by an increase in property tax and tax increment financing revenues. Operating expenses were approximately \$5.4 billion and represented a decrease of \$206 million versus Fiscal Year 2015 expenses, despite the \$42 million increase in the statutorily-required Board Pension Fund contribution, largely due to budget cuts and central office layoffs and a \$66 million non-personnel spending freeze.

Fiscal Year 2017. The Board reported General Operating Fund revenues of approximately \$5.09 billion and expenses of approximately \$5.3 billion, resulting in an operating deficit of approximately \$207 million. The Board transferred into the General Operating Fund \$58.4 million from debt service funds, primarily as a result of a termination of investment agreements and excess budgeted debt service, and decreased its General Operating Fund balance by \$148.6 million to reconcile the deficit. This resulted in a decline in the General Operating Fund balance from negative \$126.6 million at the beginning of Fiscal Year 2017 to negative \$275.2 million at the end of the Fiscal Year. Operating revenues increased by approximately \$212.8 million in Fiscal Year 2017. The increase was largely due to an increase in property tax revenues over the prior year in the amount of approximately \$300 million. Operating expenses totaled approximately \$5.3 billion, a decrease of \$117.1 million versus Fiscal Year 2016 expenses.



## **Overview of Board's Budget Process**

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

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

P.A. 100-465 requires the Board to set charter tuition rates between 97 and 103 percent of the Board's per capital tuition charge (or "PCTC"). Before this change, the range was between 75 and 125 percent of PCTC. The Board previously used a SBB funding model where charters received funding at a per-pupil rate equivalent to district schools. Charters also received non-SBB funding based on the funding for services provided to district schools, such as operations and maintenance, security and central offices services. The change in funding will increase charter school funding by an estimated \$37 million for the change in funding methodology for Fiscal Year 2018. Charter schools also receive an equitable share of categorical funding sources, including State grant payments and federal grant revenues. For a discussion of the Board's funding of charter schools in Fiscal Year 2019 see the discussion under the heading "- Board's Fiscal Year 2019 Budget."

## **Board's Fiscal Year 2018 Budget and Estimated Year-End 2018**

In August 2017, the Board adopted its Fiscal Year 2018 budget (the "Original Budget"). Following the enactment of P.A. 100-465, the Board adopted an amended Fiscal Year 2018 budget in October 2017 (the "FY 2018 Amended Budget"). The FY 2018 Amended Budget included approximately \$5.64 billion in revenues and \$5.70 billion in expenditures and the General Operating Fund balance at the beginning of Fiscal Year 2018 was negative in the amount of approximately \$275 million.

Currently, the Board estimates an approximately \$275 million year-end operating surplus versus the operating deficit of \$57 million included in the FY 2018 Amended Budget. Below are the various estimated year-end variances from the FY 2018 Amended Budget. These estimates are preliminary and unaudited. There are numerous variables which would impact the Fiscal Year 2018 year-end estimated financial performance and the variations could be substantial. In addition, the Board estimates \$274 million of transfers in due to recent financing activities that will increase year-end fund balance.

- Positive variances to the FY 2018 Amended Budget are estimated as follows:
  - \$67 million decrease in debt service costs resulting from debt restructuring and refunding for savings, reduced borrowing costs on new indebtedness, and reduced variable interest rates.
  - \$45 million decrease in tax anticipation note borrowing costs resulting from a \$455 million reduction in maximum short-term borrowing outstanding, delayed draws, more precise cash forecasting, and lower short-term interest rates. The total reduction in tax anticipation note interest cost versus Fiscal Year 2017 is \$62 million.
  - \$129 million of State Grants in excess of the amount budgeted due to acceleration of the timing of receipts.
  - \$10 million of PPRT Revenues in Fiscal Year 2017 in excess of the amount budgeted that is applied as a credit to the Board's Fiscal Year 2018 required Statutory Contribution to the Pension Fund.
  - \$4 million increase in investment earnings resulting from increased short-term interest rates.
  
- Negative variances to the FY 2018 Amended Budget are estimated as follows:
  - \$12 million decrease in federal Medicaid revenues due to finalization of prior year reimbursement rates.
  - \$11 million increase in expenses resulting from a delay in payments of the State Statutory Contribution to the Pension Fund.
  - \$10 million increase in expenses for various facility-related expenditures including the hiring of additional custodians and emergency maintenance needs.
  - \$6 million decrease in revenues from State Aid resulting from ISBE's finalization of actual demographic data for all Illinois school districts to determine EBF Formula Funding for Fiscal Year 2018.

The variance between the FY 2018 Amended Budget and the estimated year-end Fiscal Year 2018 is largely driven by a combination of spending levels below budget and the payment by the State of State Grant revenues thru the end of the Board's 60 day revenue recognition period in August 2018. The estimated end-of year surplus improves the Board's financial position by reducing the need for short-term borrowing.

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

**Fiscal Year 2018 Amended Budgeted and Year-end Estimated General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board**

(Dollars in Millions)

	<b>FY 2018 Amended Budget</b>	<b>Estimated Year-End 2018</b>	<b>Variance Estimated vs. FY 2018 Amended Budget</b>
<b>Revenue:</b>			
<b>Total Revenue</b>	\$5,642.0	\$ 5,777.0	\$ 135.0
<b>Expenditures:</b>			
<b>Total Expenditures</b>	<u>\$(5,699.3)</u>	<u>\$ (5,501.2)</u>	<u>\$ 198.1</u>
Revenue less Expenditure (Operating Surplus / (Deficit))	\$ (57.3)	275.8	\$ 333.1
Transfers in	361.1	274.0	(87.1)
Net Change in Fund Balance	303.8	549.8	246.0
<b>Fund Balance, beginning of period</b>	<u>(275.2)</u>	<u>(275.2)</u>	<u>0.0</u>
<b>Fund Balance, end of period</b>	<u>\$ 28.6</u>	<u>\$ 274.6</u>	<u>\$ 246.0</u>

**Board’s Fiscal Year 2019 Budget**

On July 25, 2018, the Board adopted its Fiscal Year 2019 Budget that includes approximately \$5.98 billion in revenues and \$5.98 billion in expenditures and an estimated General Operating Fund balance at the beginning of Fiscal Year 2019 of approximately \$275 million.

The Fiscal Year 2019 Budget reflects \$105 million increase in revenues over Fiscal Year 2018, which includes a \$71 million increase in the property tax revenues for the General Operating Fund, a \$35 million increase in the Pension Property Tax Levy, and certain offsetting increases and decreases in PPRT revenues and federal revenues.

**CASH FLOW AND LIQUIDITY**

**Overview**

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

The liquidity position of the Board's operating funds has declined during previous Fiscal Years (prior to Fiscal Year 2018) because operating expenses have exceeded operating revenues as discussed under “BONDHOLDERS’ RISKS – Bankruptcy of the Board - Structural Deficit, Cash Flow and Liquidity.” With its operating reserves depleted, the Board spent the majority of Fiscal Years 2015, 2016 and 2017 in a negative cash flow position. In order to address these liquidity issues, the Board has issued from time to time, tax anticipation notes and grant anticipation notes to provide needed operating funds. See “- Fiscal Years 2017 to 2019 Short-Term Borrowing to Fund Liquidity” and “DEBT STRUCTURE – Tax Anticipation Notes.”

For Fiscal Year 2018, the Board's liquidity position improved by \$372 million versus Fiscal Year 2017. This improvement in cash flow has also translated to a reduction in the aggregate amount of tax anticipation note borrowing and a deferral of the timing for the issuance of tax anticipation notes. The Board's aggregate principal amount of tax anticipation notes borrowed in Fiscal Year 2018 was reduced by \$455 million versus Fiscal Year 2017.

### **Timing of Receipt of Revenues**

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

Property Taxes. Property taxes will be approximately 49% of Fiscal Year 2019 budgeted operating revenues and are predominantly received in two installments. The first installment is typically received in late February and March. Receipt of the second installment depends on the due date established by the County. Since 2012, this due date has been on or about August 1, resulting in the receipt of second installment revenues in late July and August. See "FINANCIAL INFORMATION – Property Tax Revenues."

State Revenues. State revenues are largely made up of State Aid Revenues and State Grant revenues. Prior to P.A. 100-465, State Aid Revenues were historically 18% of budgeted operating revenues and received from August through June in equal semi-monthly installments. State Aid Revenues for Fiscal Year 2019 will be approximately 22% of budgeted operating revenues and received from August through June in equal semi-monthly installments. The timing of the Board's receipt of State Grant payments has varied and has been often dependent on the State's financial condition and cash flow. In Fiscal Year 2018, the amount of State Grants appropriated but unpaid by June 30 was \$70 million. Prior to Fiscal Year 2018, the unpaid but appropriated State Grants by June 30 was \$158 million and \$330 million for Fiscal Year 2016 and 2017, respectively. The State is currently delayed \$25 million in Fiscal Year 2018 State Grants. See "FINANCIAL INFORMATION – State Grant Revenues."

Federal Revenues. Federal revenues are approximately 14% of total Fiscal Year 2019 budgeted operating revenues. The State administers federal grants to the Board on behalf of the federal government and federal grant revenues are distributed to the Board only after the grants for these funds have been approved by the State. Upon this approval, which historically occurs approximately half way through the Fiscal Year, the Board submits for reimbursement of qualified expenditures which drives the timing of federal revenues for cash flow purposes. A decline in total receipts of federal revenues by year-end typically indicates offsetting expenditures were also less than expected. See "FINANCIAL INFORMATION – Federal Revenues."

### **Timing of Expenditures**

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

Payroll and Vendor Expenses. Historically, approximately 41% of the Board's budgeted expenditures are for payroll and associated taxes, withholding and employee contributions. These payments occur every other week and occur primarily during the school year from September through June. In addition, the Board's recurring expenses for textbooks, educational materials, charter school payments, healthcare, transportation, facilities and commodities total approximately 47% of the Board's budgeted expenditures; the timing of such payments is relatively predictable and spread throughout the fiscal year.

Debt Service Deposits. Debt service payments on the Board's Alternate Revenue Bonds backed by State Aid Revenues are deposited into debt service funds once a year by February 15, prior to when the Board receives the first installment of property tax revenues. In Fiscal Year 2019, the budgeted debt service deposit in February 2019 relative to these Alternate Revenue Bonds was approximately \$314 million. Deposits for debt service for Alternate Revenue Bonds backed by PPRT in Fiscal Year 2019 are budgeted at approximately \$35 million.

Pension Contributions. In Fiscal Year 2019, the Board expects total pension contributions to be approximately \$809 million, as certified by the Pension Fund as the necessary contribution to achieve 90% funded status by 2059 as prescribed by statute. In Fiscal Year 2019, approximately \$430 million of this pension contribution will be funded through the Pension Property Tax Levy and \$239 million will be funded by the State contribution, as provided for under P.A. 100-465. These funds are directly intercepted to the Pension Fund. In the aggregate, \$669 million or 83% will be funded by a dedicated revenue source other than the Board's unrestricted general operating funds, and is credited against the Board's required pension contribution. The remaining contribution by the Board is projected to be \$141 million, which is expected to be funded from the Board's operating revenues. In addition, the Board has in recent fiscal years made periodic pension contributions totaling approximately \$14 million that coincide with the payroll for employees paid with federal funds.

The historical annual growth in equalized assessed valuation of property within the School District for the period 1997-2016 has averaged approximately 4% based upon records of the Cook County Clerk. The Board's required pension contribution is currently projected by the Pension Fund's actuaries to grow by an average of approximately 2% annually through 2059. The majority of the Board's required contributions to the Retirement Funds are required to be made in late June, before the Board receives the distribution of the second installment of property tax revenues in July and August.

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

The Board's current state of diminished liquidity originated from a draw-down of general fund balances to fund recurring structural budget deficits. Future structural budget deficits would create further downward pressures on cash flow. For Fiscal Years 2017 and 2018, the Board relied on short-term borrowing to fund liquidity. In Fiscal Year 2017, the Board issued \$1.55 billion principal amount of 2016 tax anticipation notes in anticipation of the collection of the 2016 tax levy in the amount of approximately \$2.34 billion. The Board repaid in full the 2016 tax anticipation notes on August 11, 2017. In Fiscal Year 2018, the Board issued \$1.09 billion principal amount of 2017 tax anticipation notes in anticipation of the collection of the 2017 tax levy in the amount of \$2.42 billion. The Board repaid in full the 2017 tax anticipation notes on August 7, 2018. The maximum amount of tax anticipation notes outstanding at any point in time during Fiscal Year 2018 was a \$455 million reduction from the Fiscal Year 2017 amount of \$1.55 billion. In 2017, the Board also issued \$387 million of grant anticipation notes triggered by delays in receipt of State Block Grants.

For Fiscal Year 2019, the Board has levied in Tax Levy Year 2018, for collection in calendar year 2019, the 2018 tax levy. Further, the Board has authorized the issuance of the 2018 TANs in a principal amount outstanding from time to time of up to \$1.25 billion to be issued in tranches to fund its cash flow needs. See "PLAN OF FINANCE—Fiscal Year 2019 and Future Financings" and "DEBT STRUCTURE—Tax Anticipation Notes." The Board did not issue grant anticipation notes in Fiscal Year 2018 and the Board does not anticipate issuing grant anticipation notes in Fiscal Year 2019.

## Forecasted Liquidity

The following table reflects the Board's forecasted liquidity profile by month from July 2018 to August 2019. The table shows the use of proceeds of 2018 TANs to provide needed operating funds. Additional tax anticipation notes are expected to be issued in early Fiscal Year 2020. Forecasting future results is inherently subject to uncertainty. The forecasts in the table below are based upon various judgments (many of which are subjective), estimates and assumptions relating to the timing and amount of revenues and expenses of the Board, many of which are outside the control of the Board and may not materialize. These assumptions include (but are not limited to) the following: (i) the timing and amount of revenues and expenses of the Board will be consistent with current expectations for its Fiscal Year 2019 and Fiscal Year 2020, and (ii) the issuance of the 2018 TANs in tranches providing net funding to the Board of up to the authorized \$1.25 billion. See "PLAN OF FINANCE—Fiscal Year 2019 and Future Financings" and "DEBT STRUCTURE—Tax Anticipation Notes."

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

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

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## Projected Cash Flow Table

### Chicago Public Schools

#### Cash Flow Forecast

#### FY2019 - Current Forecast

\$ in millions

		FY 2019												Total FY 2019	FY 2020	
		Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19		Jul-19	Aug-19
Beginning cash balance	A	\$ 280.1	\$ 65.7	\$ 437.4	\$ 357.2	\$ 107.1	\$ 57.1	\$ 197.9	\$ 52.8	\$ 66.1	\$ 262.3	\$ 167.3	\$ 155.6	\$ 280.1	\$ 125.6	\$ 41.2
Operating receipts																
Property taxes		\$ 300.4	\$ 804.4	\$ (15.0)	\$ 5.7	\$ 24.0	\$ 7.9	\$ 8.9	\$ 515.2	\$ 776.7	\$ 13.0	\$ 22.1	\$ 0.0	\$ 2,463.2	\$ 312.9	\$ 798.6
TIF		-	-	-	-	-	-	-	15.9	-	-	-	-	15.9	-	4.0
Other local revenue		34.9	12.0	20.7	33.0	5.8	12.4	7.8	25.5	7.2	21.1	54.0	9.4	243.7	35.7	7.4
State block grants		15.6	0.9	24.3	4.1	0.0	24.9	0.1	17.9	89.3	38.7	36.8	39.3	291.7	16.2	0.9
Evidence Based Funding		-	144.1	144.1	144.2	144.2	144.2	160.5	144.2	144.2	144.2	144.2	147.2	1,605.4	-	144.1
Federal revenue		61.3	67.9	3.6	55.4	19.7	116.5	93.9	66.9	81.8	80.6	70.1	86.3	804.0	77.7	10.7
Total operating receipts		412.1	1,029.3	177.7	242.5	193.8	305.9	271.2	785.5	1,099.1	297.5	327.1	282.2	5,423.9	442.4	965.7
Operating expenditures																
Payroll		(122.2)	(65.6)	(147.6)	(227.3)	(257.0)	(225.9)	(267.1)	(230.9)	(240.9)	(232.0)	(258.5)	(229.0)	(2,503.9)	(129.7)	(89.6)
Health Insurance		(32.0)	(34.5)	(36.5)	(28.8)	(35.1)	(35.8)	(39.6)	(35.8)	(35.4)	(35.4)	(36.4)	(35.8)	(421.1)	(35.4)	(35.2)
Employer pension payment		-	-	(0.7)	(15.8)	-	(4.1)	(1.5)	(1.5)	(1.1)	(1.4)	(3.0)	(128.9)	(158.0)	-	-
Pension Pick-up		(7.0)	(1.6)	(4.3)	(13.9)	(22.8)	(13.7)	(13.2)	(15.0)	(15.0)	(15.0)	(22.5)	(15.0)	(159.1)	(6.6)	(1.9)
Charter School		(174.8)	(1.1)	(3.3)	(142.9)	(16.0)	(4.4)	(160.8)	(3.7)	(6.2)	(167.0)	(4.0)	(4.8)	(689.0)	(174.1)	(9.8)
AP disbursements		(100.8)	(83.4)	(55.1)	(93.7)	(123.6)	(93.5)	(146.2)	(83.9)	(114.4)	(118.9)	(125.8)	(98.2)	(1,237.5)	(90.4)	(102.2)
Total operating expenditures		(436.8)	(186.2)	(247.5)	(522.4)	(454.5)	(377.5)	(628.3)	(370.8)	(413.0)	(569.8)	(450.1)	(511.7)	(5,168.5)	(436.2)	(238.8)
Net operating cash flows		(24.7)	843.0	(69.8)	(279.9)	(260.7)	(71.6)	(357.1)	414.7	686.2	(272.2)	(123.0)	(229.6)	255.4	6.1	726.9
Financing cash flows																
FY18 TAN drawdown		99.9	-	-	-	-	-	-	-	-	-	-	-	99.9	-	-
FY18 TAN repayment		(284.8)	(415.2)	-	-	-	-	-	-	-	-	-	-	(700.0)	-	-
FY19 TAN drawdown		-	-	-	-	199.3	199.8	199.8	393.6	-	174.8	99.9	199.8	1,467.0	224.8	-
FY19 TAN repayment		-	-	-	-	-	-	-	(515.2)	(478.8)	-	-	-	(994.0)	(313.5)	(386.5)
Debt service and transfers		(5.7)	(9.7)	-	-	-	10.0	-	(291.2)	(2.5)	-	-	-	(299.0)	-	(6.0)
Financing cash flows		(190.6)	(424.9)	-	-	199.3	209.8	199.8	(412.7)	(481.3)	174.8	99.9	199.8	(426.1)	(88.7)	(392.5)
Capital cash flows																
Capital reimbursements		23.3	24.1	49.7	72.0	84.0	42.4	40.1	51.3	32.6	40.5	40.5	43.1	543.8	51.9	33.1
Capital expenditures		(22.5)	(70.5)	(60.1)	(42.2)	(72.5)	(39.8)	(28.0)	(40.1)	(41.3)	(38.2)	(29.1)	(43.3)	(527.5)	(53.7)	(47.5)
Net capital cash flows		0.9	(46.4)	(10.4)	29.8	11.4	2.6	12.2	11.2	(8.6)	2.4	11.4	(0.2)	16.2	(1.8)	(14.4)
Net cash flows	B	\$ (214.4)	\$ 371.7	\$ (80.2)	\$ (250.1)	\$ (50.0)	\$ 140.9	\$ (145.1)	\$ 13.3	\$ 196.2	\$ (95.0)	\$ (11.7)	\$ (30.0)	\$ (154.5)	\$ (84.4)	\$ 320.0
Ending cash balance	A+B=C	\$ 65.7	\$ 437.4	\$ 357.2	\$ 107.1	\$ 57.1	\$ 197.9	\$ 52.8	\$ 66.1	\$ 262.3	\$ 167.3	\$ 155.6	\$ 125.6	\$ 125.6	\$ 41.2	\$ 361.2
Minimum cash balance		\$ 65.7	\$ 66.0	\$ 357.2	\$ 84.0	\$ 39.5	\$ 61.3	\$ 52.8	\$ 66.1	\$ 66.1	\$ 163.0	\$ 155.6	\$ 113.4	\$ 113.4	\$ 41.2	\$ 51.6
End of Month TANs Outstand.		(415.2)	-	-	-	(200.0)	(400.0)	(600.0)	(478.8)	-	(175.0)	(275.0)	(475.0)	(475.0)	(386.5)	-
Max TANs Outstanding		(700.0)	(119.0)	-	-	(200.0)	(400.0)	(600.0)	(994.0)	(478.8)	(175.0)	(275.0)	(475.0)	(475.0)	(700.0)	(386.5)

## TAX MATTERS

*Summary of Co-Bond Counsel Opinions.* Katten Muchin Rosenman LLP and Taft Stettinius & Hollister LLP, Co-Bond Counsel, are of the opinion that under existing law, interest on the 2018 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), Co-Bond Counsel are of the opinion that interest on the 2018 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the 2018 Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the 2018 Bonds is not exempt from Illinois income taxes.

*Exclusion from Gross Income: Requirements.* The Code contains certain requirements that must be satisfied from and after the date of issuance of the 2018 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the 2018 Bonds. These requirements relate to the use and investment of the proceeds of the 2018 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2018 Bonds and the use of the property financed with the proceeds of the 2018 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions.* Except during certain “temporary periods,” proceeds of the 2018 Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “minor portion”) may generally not be invested in investments having a yield that is materially higher than the yield on the 2018 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings.* Earnings from the investment of the “gross proceeds” of the 2018 Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the 2018 Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the 2018 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 2018 Bonds.

(c) *Restrictions on Ownership and Use.* The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the 2018 Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the 2018 Bonds.

*Covenants to Comply.* The Board covenants in the Indenture to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the 2018 Bonds.

*Risk of Non Compliance.* In the event that the Board fails to comply with the requirements of the Code, interest on the 2018 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Indenture does not require acceleration of payment of principal of or interest on the 2018 Bonds or payment of any additional interest or penalties to the owners of the 2018 Bonds.

*Federal Income Tax Consequences.* Pursuant to Section 103 of the Code, interest on the 2018 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the 2018 Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below.



PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE 2018 BONDS.

(a) *Cost of Carry.* Owners of the 2018 Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the 2018 Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the 2018 Bonds.

(b) *Corporate Owners.* Interest on the 2018 Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the 2018 Bonds is taken into account in computing the alternative minimum tax for corporations (but only for tax years beginning in 2017), but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) *Individual Owners.* Receipt of interest on the 2018 Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

(d) *Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the 2018 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) *Property or Casualty Insurance Companies.* Receipt of interest on the 2018 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) *Foreign Personal Holding Company Income.* A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the 2018 Bonds held by such a company is properly allocable to the shareholder.

*Change of Law.* The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the 2018 Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the 2018 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2018 Bonds.

*2018 Bonds Purchased at a Premium or Discount.* The difference (if any) between the “issue price” of the 2018 Bonds as determined for federal tax purposes (the “Offering Price”) and the principal amount payable at maturity of such 2018 Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a bond, the difference between the two is known as “bond premium,” if the Offering Price is lower than the maturity value of a bond, the difference between the two is known as “original issue discount.”

Bond premium and original issue discount are amortized over the term of a 2018 Bond on the basis of the owner’s yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight-line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing

during each period is treated as an offset against interest paid on the 2018 Bonds and is subtracted from the owner's tax basis in the 2018 Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such 2018 Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the 2018 Bond. A 2018 Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the 2018 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the 2018 Bond).

Owners who purchase 2018 Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the 2018 Bonds. In addition, owners of 2018 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 2018 Bonds. Under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

## **RATINGS**

The 2018 Bonds have been assigned the ratings of "A" (stable outlook) by Fitch Ratings and "BBB" (positive outlook) by Kroll Bond Rating Agency, Inc. The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the 2018 Bonds and the Board that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. The above ratings are not a recommendation to buy, sell or hold the 2018 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the heading captioned "CONTINUING DISCLOSURE UNDERTAKING," neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the 2018 Bonds any proposed revision or withdrawal of the ratings of the 2018 Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the 2018 Bonds.

The Board previously engaged Moody's Investors Service and S&P Global Ratings, to assign ratings for prior Alternate Revenue Bond issues. The Board did not obtain a rating from such rating agencies for the Outstanding Parity Bonds and has elected not to obtain a rating from such rating agencies for the 2018 Bonds.

## **FINANCIAL STATEMENTS**

The financial statements of the Board of Education of the City of Chicago as of and for the Fiscal Year ended June 30, 2017, included in APPENDIX B to this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, Chicago, Illinois, independent auditors, as stated in their report appearing herein. Baker Tilly Virchow Krause, LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP also has not performed any procedures relating to this Official Statement.

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

### **FINANCIAL ADVISOR**

The Board has engaged PFM Financial Advisors LLC and Public Alternative Advisors, LLC (collectively the "Financial Advisor") in connection with the authorization, issuance and sale of the 2018 Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the 2018 Bonds and has reviewed certain legal documents, including this Official Statement, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Board and other sources. The Financial Advisor is a "*municipal advisor*" as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203.

### **UNDERWRITING**

The 2018 Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"), led by J.P. Morgan Securities LLC. The Underwriters have agreed to purchase the 2018 Bonds at an aggregate purchase price of \$90,167,102.67 (representing an aggregate principal amount of \$86,000,000.00, plus \$4,841,790.00 original issue premium and less \$674,687.33 of Underwriters' discount). The Underwriters will be obligated to purchase all of the 2018 Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2018 Bonds to the public.

The obligation of the Underwriters to accept delivery of and pay for the 2018 Bonds is subject to various conditions set forth in the Bond Purchase Agreement to be entered into in connection with the 2018 Bonds, including, among others, the delivery of specified opinions of counsel and a certificate of the Board that there has been no material adverse changes in its conditions (financial or otherwise) from that set forth in this Official Statement.

The obligation of the Underwriters to accept delivery of and pay for the 2018 Bonds is subject to various conditions set forth in the Contract of Purchase to be entered into in connection with the 2018 Bonds, including, among others, the delivery of specified opinions of counsel and a certificate of the Board that there has been no material adverse changes in its conditions (financial or otherwise) from that set forth in this Official Statement.

### **CERTAIN RELATIONSHIPS**

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

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

and/or other rights against the Board and any affiliates thereof in connection with such transactions and/or services.

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

### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the 2018 Bonds are subject to the approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Taft Stettinius & Hollister LLP, Chicago, Illinois, as Co-Bond Counsel (“Co-Bond Counsel”), who have been retained by, and act as Co-Bond Counsel to, the Board. The proposed forms of such opinions are included herein as APPENDIX G. Co-Bond Counsel has not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the 2018 Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their capacity as Co-Bond Counsel, Katten Muchin Rosenman LLP and Taft Stettinius & Hollister LLP, at the request of the Board, reviewed those sections of this Official Statement involving the description of the 2018 Bonds, the security for the 2018 Bonds and the description of the federal tax exemption of interest on the 2018 Bonds. This review was undertaken solely at the request and for the benefit of the Board and did not include any obligation to establish or confirm factual matters set forth herein. In connection with the issuance of the 2018 Bonds, certain legal matters were passed upon for the Board by its General Counsel, Joseph T. Moriarty, by its Co-Issuer’s Counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co-Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel Mayer Brown LLP, Chicago, Illinois.

### **LITIGATION**

The Board is involved in numerous lawsuits that arise out of the ordinary course of operating the school system, including, but not limited to, any lawsuits described in this Official Statement. Some of the cases pending against the Board involve claims for substantial moneys. As discussed in Note 15e of the Board's Comprehensive Annual Financial Report for Fiscal Year 2017 attached hereto as APPENDIX B, in the opinion of Board management and legal counsel the final resolution of these claims and legal actions are not material to the Board's financial statements as of June 30, 2017. Since that date, there have been no additional cases where an adverse result is probable or reasonably possible and where the Board’s liability, on any individual matter and net of insurance, is greater than \$10 million.

As is true with any complex litigation, neither the Board nor its counsel is able to predict either the eventual outcome of such litigation or its impact on the Board’s finances. The Board has available to it a tort liability tax levy to pay tort judgments and settlements. This tort liability tax levy is unlimited as

to rate, but subject to the limitations on the annual growth in property tax extensions of the Board imposed by PTELL.

Upon delivery of the 2018 Bonds to the Underwriters, the Board will furnish a certificate to the effect that, among other things, except as disclosed in this Official Statement, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the 2018 Bonds, or in any way contesting the validity or enforceability of the 2018 Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The Board will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the 2018 Bonds for the benefit of the Beneficial Owners of the 2018 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended. The MSRB has designated its Electronic Municipal Market Access system (“EMMA”) as the system to be used for continuing disclosure to investors.

A failure by the Board to comply with the Undertaking will not constitute an event of default under the Bond Resolution or the Indenture, and Beneficial Owners of the 2018 Bonds are limited to the remedies described in the Undertaking. See “– Consequences of Failure to Provide Information.”

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

### **Annual Financial Information Disclosure**

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

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

The Undertaking for the 2018 Bonds requires that Annual Financial Information be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year. The Board has covenanted to give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due pursuant to the Undertaking.

**“Audited Financial Statements”** means the general purpose financial statements of the Board which are in conformity with generally accepted accounting principles in the United States and audited by independent auditors. The Undertaking for the 2018 Bonds requires that Audited Financial Statements will be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year.

### **Events Notification; Material Events Disclosure**

The Board covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the **“Reportable Event”** (as described below), to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, the disclosure of the occurrence of a Reportable Event. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The “Reportable Events,” certain of which may not be applicable to the 2018 Bonds, are:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security Owners, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Board (such an Event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if the jurisdiction of the Board has been assumed by leaving the Board and the Board's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board);

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

### **Consequences of Failure to Provide Information**

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

A default under the Undertaking shall not be deemed an event of default under the Bond Resolution or the Indenture, and the sole remedy in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance. A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2018 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the 2018 Bonds and their market price.

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

### **Amendment; Waiver**

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

- (a)
  - (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board, or type of business conducted;
  - (ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
  - (iii) The amendment or waiver does not materially impair the interests of the Beneficial Owners of the 2018 Bonds, as determined by parties unaffiliated with the Board (such as the Trustee or Bond Counsel), or by the approving vote of the owners of the 2018 Bonds pursuant to the terms of the applicable Indenture at the time of the amendment; or
- (b) The amendment or waiver is otherwise permitted by the Rule.

## **Termination of Undertaking**

The Undertaking shall be terminated if the Board no longer has any legal liability relating to repayment of the 2018 Bonds. If a termination of the Undertaking occurs prior to the final maturity of the 2018 Bonds, the Board shall give notice in a timely manner to the MSRB.

## **Dissemination Agent**

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

## **Additional Information**

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

## **Corrective Action Related to Certain Bond Disclosure Requirements**

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

For the Fiscal Years ended 2013, 2014 and 2015, the Board's Annual Financial Information did not conform to the respective continuing disclosure undertakings due to missing information relating to the Pension Fund (the "Pension Fund Information"). The Pension Fund Information was incorporated by reference to the Board's Official Statement dated March 24, 2015, with respect to the Fiscal Years ended 2014 and 2013, and its Official Statement dated February 3, 2016, with respect to the Fiscal Year ended 2015, each later than 210 days after the last day of the Board's Fiscal Year (424 days with respect to Fiscal Year 2013, 59 days with respect to Fiscal Year 2014 and 16 days with respect to Fiscal Year 2015) (the "Incorporated Pension Fund Information"). The Board filed a notice on EMMA concerning the failure to timely file certain Pension Fund Information for the Fiscal Years ended 2013, 2014 and 2015 and of the failure to timely file a notice to that effect as required by the Board's continuing disclosure undertakings.

The rating agencies took certain actions with respect to the ratings of MBIA Insurance Corp., MBIA, Inc. and National Public Finance Guarantee Corp. (collectively, "MBIA") in March 2014. MBIA provided municipal bond insurance policies relating to certain series of the Board's bonds. Additionally, Moody's downgraded the rating on the Series 2003D-1 Bonds in July 2013. Event notices with respect to these rating actions were not filed with EMMA. The Board has not filed the report relating to the Series 2003D-1 Bonds as those bonds have since been retired and are no longer outstanding.



Certain required continuing disclosure filings relating to rating downgrades on the Board's outstanding bonds and the Board's budget report for one of its Fiscal Years, while made generally in a timely manner, was not properly linked on EMMA for all relevant series of bonds. The Board has procedures in place in order to mitigate the likelihood of this CUSIP linkage issue occurring in the future.

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**AUTHORIZATION**

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

**BOARD OF EDUCATION OF THE CITY OF  
CHICAGO**

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

## APPENDIX A

### CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture and the Third Supplemental Indenture (the Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the Third Supplemental Indenture, being referred to as the “*Indenture*”). This summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Master Trust Indenture and Third Supplemental Indenture.

#### DEFINITIONS

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

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

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

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

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

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

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

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

“*Bond*” or “*Bonds*” means any bond or bonds, including any 2016 Bond, any Additional Bond (including any 2017 Bond and any 2018 Bond), and any Refunding Bond, authenticated and delivered under the Indenture.

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

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

“*Bond Resolution*” means with respect to the 2016 Bonds and any Series of Additional Bonds (including the 2017 Bonds and the 2018 Bonds) or Refunding Bonds, the resolution of the Board authorizing such Series.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Debt Service Fund*” means the Debt Service Fund established in the Indenture.

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

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

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

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

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

“*Escrow Fund*” means the Escrow Fund established the Indenture.

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

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

“*Fitch*” means Fitch Ratings.

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

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

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

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

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

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

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

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

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

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

- (i) Government Obligations;
- (ii) Obligations of any of the following federal agencies which obligations represent the full, faith and credit of the United States of America, including:
  - Export Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Farmers Home Administration
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - U.S. Department of Housing & Urban Development (PHA’s)
  - Federal Housing Administration;
- (iii) Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government agencies;
- (iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than “A-1” by Fitch, or “A-1” or “A-1+” by S&P or “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);
- (v) Commercial paper which is rated at the time of purchase no less than “A-1” by Fitch, or “A-1” or “A-1+” by S&P or “P-1” by Moody’s and which matures not more than 180 days after the date of purchase;
- (vi) Investments in a money market fund which at the time of purchase is rated “AAAm” or “AAAm G” or better by S&P, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;
- (vii) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the Regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State of Illinois;
- (viii) Pre-refunded Municipal Obligations; and
- (ix) Any Forward Supply Contract;

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

“*Moody’s*” means Moody’s Investors Service.

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

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

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

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

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

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

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

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

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

“*Permitted Expenditures Account*” means the Permitted Expenditures Account established by the Indenture.

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

“*Pre-refunded Municipal Obligations*” means any bonds or other obligations of the District of Columbia or any state of the United States of America or of any agency, instrumentality or local



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

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

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

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

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

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

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

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

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due at maturity or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date,

were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided, however*, that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

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

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

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

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

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

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

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

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

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

“*S&P*” means Standard & Poor’s Global Ratings.

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

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

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

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

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

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

“*State*” means the State of Illinois.

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

“*Supplemental Indenture*” means any Supplemental Indenture authorized pursuant to the Indenture.

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

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

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

“*Treasurer*” means the Treasurer of the Board.

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

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

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

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

“*2018 Bonds*” means the \$86,000,000 original principal amount of Dedicated Capital Improvement Tax Bonds, Series 2018, of the Board.

“*2018 Project*” means, collectively, the capital improvements or purposes of the Board approved by the Bond Resolution authorizing the 2018 Bonds and such additional capital improvements or

purposes as may hereinafter be designated as part of the 2018 Project pursuant to a resolution of the Board filed with the Trustee.

### **Limited Obligations**

The 2018 Bonds are limited obligations of the Board payable from amounts on deposit in the Series 2018 Dedicated Sub-Fund and secured by a pledge of, lien on and security interest in the Trust Estate pledged for their payment in accordance with the Indenture and the Third Supplemental Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any 2018 Bond.

### **General Provisions for Issuance of Bonds**

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

- (1) A Counsel's Opinion regarding the validity and enforceability of such Series.
- (2) A written order as to the delivery of such Series signed by an Authorized Officer, which order shall direct, among other things, the application of the proceeds of such Series.
- (3) In the case of 2016 Bonds, an executed copy of this Indenture and a copy of the Resolution 16-1026-RS1 of the Board and Resolution 16-1207-RS2 of the Board.
- (4) In the case of each Series of Additional Bonds or Refunding Bonds, a copy of the Bond Resolution authorizing such Series and providing for the Bond Resolution Series Levy.
- (5) An executed copy of the Supplemental Indenture authorizing such Series, which shall specify:
  - (a) The authorized principal amount, designation and Series of such Bonds.
  - (b) The purposes for which such Series of Bonds is being issued.
  - (c) The date, and the maturity date or dates, of the Bonds of such Series.
  - (d) The interest rate or rates of the Bonds of such Series, or the manner of determining such interest rate or rates, and the Interest Payment Dates and Record Dates therefor.
  - (e) The Authorized Denominations and the manner of dating, numbering and lettering of the Bonds of such Series.
  - (f) The Registrar and the Paying Agent or Paying Agents for the Bonds of such Series.
  - (g) The Redemption Price or Prices, if any, or the method for determining Redemption Prices and any redemption dates and terms for the Bonds of such Series.

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

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

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

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

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

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

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

### **Additional Bonds**

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

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

made under said Section 34-53.5 prior to the date such Certificate of the Authorized Officer is filed with the Trustee and (iii) all of the Capital Improvement Taxes levied for any year will be collected in full during the corresponding Tax Collection Year.

### **Refunding Bonds**

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

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

### **Subordinated Indebtedness**

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

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

Prior to and in conjunction with the issuance of any Subordinated Indebtedness, the trustee for the Subordinated Indebtedness (the “Subordinate Trustee”) will enter into a Subordination and Standstill Agreement with the Trustee in a form customary in subordinated debt transactions which Subordination and Standstill Agreement will include, without limitation, provisions providing: (1) for a full payment and lien subordination, in each case relating to all assets of the Trust Estate; (2) for a standstill by the Subordinate Trustee and holders of Subordinated Indebtedness in exercising any remedies relating in any way to assets of the Trust Estate so long as the Bonds are outstanding; provided that the Subordinate Trustee shall have the right to sue for specific performance of breached covenants and sue for payment in the event moneys the holders of Subordinated Indebtedness are entitled to be paid are misappropriated; (3) that the Subordinated Indebtedness will not be able to be accelerated under any circumstances; (4) that in the event that the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws: a) the owners of the Bonds will be entitled to receive final payment in full prior to the holders of the Subordinated Indebtedness receiving or retaining any payment from the assets relating to

the Trust Estate on account of the Subordinated Indebtedness; and b) until the Bonds are paid in full, any payments or distribution of assets relating to assets of the Trust Estate to which holders of the Subordinated Indebtedness would be entitled but for the provisions of the Subordination and Standstill Agreement will be made by the Board directly to the Trustee until the Bonds are paid in full; and (5) that under no circumstances will holders of the Subordinated Indebtedness or the Subordinate Trustee challenge the validity or priority of the lien securing the Bonds.

### **Tax Anticipation Notes**

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

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

### **Pledge Effected by Indenture**

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

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

The Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with this Indenture. Neither the full

faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any Bond.

### **Establishment of Funds and Accounts**

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

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

### **Required Deposit of Capital Improvement Tax Receipts**

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

### **Allocation of Escrow Fund**

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

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

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



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

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

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

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

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

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

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

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

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

## **Debt Service Fund**

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

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

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

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

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

### **Series 2018 Dedicated Sub-Fund**

The Board has established with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund, such Sub-Fund to be designated the "Series 2018 Dedicated Sub-Fund". Moneys on deposit in the Series 2018 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2018 Bonds and shall not be used or available for the payment of any other Bonds.

#### **Deposits into Series 2018 Dedicated Sub-Fund and Accounts**

(A) On each Business Day, commencing February 1, 2020 (each such date referred to herein as the "*Deposit Date*") there shall be withdrawn from the Debt Service Fund and deposited into the Series 2018 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2018 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth in Paragraph (B) (such aggregate amount with respect to any Deposit Date being referred to herein as the "*Series 2018 Deposit Requirement*").

(B) On each Deposit Date that moneys are available for deposit into the Series 2018 Dedicated Sub-Fund, the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2018 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

First: for deposit into the 2018 Interest Account, an amount equal to the amount required so that the sum held in the 2018 Interest Account, when added to the interest payable from the

2018 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2018 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and

Second: commencing on February 1, 2032, for deposit into the 2018 Principal Account, the amount required so that the sum then held in the 2018 Principal Account will equal the sum of the unpaid Principal due on the 2018 Bonds on the first day of April of the next calendar year.

### **2018 Interest Account**

The Trustee shall withdraw from the 2018 Interest Account, prior to each Interest Payment Date, an amount equal to the interest due on the 2018 Bonds and not payable from the 2018 Capitalized Interest Account, and apply the same to the payment of such interest.

### **2018 Capitalized Interest Account**

The Trustee shall withdraw from the 2018 Capitalized Interest Account, prior to each of the following Interest Payment Dates, the amount set forth in the following table, and apply the same to the payment of the interest on the 2018 Bonds due on such Interest Payment Date:

<u>Interest Payment Date</u>	<u>Amount</u>
April 1, 2019	\$1,290,000
October 1, 2019	2,150,000
April 1, 2020	2,150,000

Any amount remaining in the 2018 Capitalized Interest Account on April 2, 2020, shall be withdrawn from the 2018 Capitalized Interest Account and deposited into the 2018 Interest Account.

### **2018 Principal Account**

(A) The Trustee shall withdraw from the 2018 Principal Account, prior to each Principal Payment Date, an amount equal to the Principal of the 2018 Bonds maturing or due on that date, and apply the same to the payment of such Principal when due.

(B) The Trustee shall establish and maintain in the 2018 Principal Account a separate Sub-Account for the Term Bonds for which Sinking Fund Installments are established. Moneys paid into the 2018 Principal Account in respect of Sinking Fund Installments in any Bond Year shall upon receipt be segregated and set aside in said Sub-Accounts in proportion to the respective amounts of the Sinking Fund Installment on the next ensuing Principal Payment Date with respect to the particular Term Bonds for which each such Sub-Account is maintained.

(C) The Trustee shall apply moneys in any such Sub-Account to the redemption of the Term Bonds for which such Sub-Account is maintained or to the payment of the Principal thereof at maturity. If at any date there shall be moneys in any such Sub-Account and there shall be Outstanding none of the Term Bonds for which such Sub-Account was established, said Sub-Account shall be closed and the moneys therein shall be withdrawn therefrom and be applied by the Trustee as if paid into the 2018 Principal Account on that date.

(D) Amounts deposited to the credit of the 2018 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on

or prior to the 60<sup>th</sup> day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2018 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2018 Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

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

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

(G) If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2018 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes not more than 45 days after the payment in excess of such Sinking Fund Installment.

### **2018 Project Account**

(A) The Trustee shall apply moneys in the 2018 Project Account for the payment of costs of issuance of the 2018 Bonds, as directed by the Board.

(B) The Trustee shall make payment of the Costs of Construction of the 2018 Project that are both Capital Expenditures and Permitted Expenditures from the 2018 Project Account as provided in Paragraphs (D), (E) and (F).

(C) At the direction of the Board moneys in the 2018 Project Account shall be applied to pay such amounts as are required to be paid to the United States of America pursuant to Section 148(f) of the Code.

(D) The Trustee shall, during construction of the 2018 Project, pay from the 2018 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$5,000,000, exclusive of and in addition to reimbursements as hereinafter in this Section authorized, such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid. Such revolving fund shall be reimbursed by the Trustee from time

to time for such expenses so paid, by payments from the 2018 Project Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures.

(E) The Trustee shall, during and upon completion of construction of the 2018 Project, make payments from the 2018 Project Account in addition to those made pursuant to Paragraph (D), in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Paragraph. Before any such payment shall be made, the Board shall file with the Trustee:

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

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2018 Project, and that each item thereof (i) is a proper charge against the 2018 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed pursuant to Paragraph (D) or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

(F) The Trustee shall withdraw from the 2018 Project Account and pay to the Board free from the lien of the Indenture any balance in the 2018 Project Account, or any part thereof. Before any such withdrawal and payment shall be made, the Board shall file with the Trustee its Certificate certifying: (1) that the 2018 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2018 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2018 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2018 Project Account. Moneys so withdrawn from the 2018 Project Account (i) may be applied for the payment, purchase or redemption of 2018 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by Section 34-53.5 of the School Code and will not adversely affect the exclusion from gross income under the Code of interest on the 2018 Bonds.

## **Consolidated Debt Service Reserve Fund**

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

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

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

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

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

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

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

### **Debt Service Reserve Accounts**

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

### **Depositaries**

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

### **Deposits**

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

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

### **Investment of Moneys**

Moneys held in the several Funds, Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the written direction of the Treasurer or an Authorized Officer in Investment Securities within the parameters of this Indenture and the Investment Policy which mature no later than

necessary to provide moneys when needed for payments to be made. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. Such investments or reinvestments may be made through the use of a Forward Supply Contract, to the extent permitted by State law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived.

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

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

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

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

### **Indenture to Constitute Contract**

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

### **Punctual Payment of Bonds**

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

### **Extension of Payment of Bonds**

If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any



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

### **Annual Levy Amount**

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

### **Further Assurance**

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

### **Power to Issue Bonds and Pledge Trust Estate**

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

### **Indebtedness and Liens**

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

the Escrow Fund free from the lien of this Indenture or (b) payable from, or secured by the pledge of, Capital Improvement Taxes to be derived on and after such date as the pledge of the Trust Estate provided in this Indenture shall be discharged and satisfied.

### **Covenants Regarding Capital Improvement Taxes**

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

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

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

### **2018 Bonds Tax Levy**

Pursuant to the authority granted in Section 13 of the Act and the Third Supplemental Indenture, the Board has bound itself irrevocably for the term of the 2018 Bonds to impose the Bond Resolution Series Levy for the 2018 Bonds to the fullest extent permitted by law and has confirmed and covenanted that the Bond Resolution Series Levy for the 2018 Bonds shall be irrevocable during such time as any 2018 Bond remains Outstanding.

### **Tax Covenants**

The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any 2018 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2018 Bond is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the 2018 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any 2018 Bond to constitute a “private activity bond” within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the 2018 Bonds or other moneys to be invested in any manner that would cause any 2018 Bond to constitute an “arbitrage bond” within the meaning of Section 148 of the Code or a “hedge bond” within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

## **Events of Default**

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

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

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

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

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

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

## **Application of Funds After Default**

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

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

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

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

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the

amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

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

#### **Proceedings Brought by Trustee**

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

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

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

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

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

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

### **Restriction on Owners' Action**

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

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

### **Rights of Bond Insurer**

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

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

## **Responsibilities of Fiduciaries**

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

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

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

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

## **Resignation of Trustee**

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

### **Removal of Trustee**

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

### **Appointment of Successor Trustee**

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

### **Supplemental Indentures**

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

successor Fiduciary; (11) to conform the provisions of the Indenture to the provisions of the Act, the Property Tax Code, the School Code, the Code and Regulations, or other applicable law; and (12) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee, any Bond Insurer or the Owners.

### **Powers of Amendment**

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

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

### **Consent of Owners**

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

A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel’s Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon the Board, the Owners and the Trustee, and (b) a notice shall have been mailed as



hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to the Board that consents have been given by the Owners of the Bonds shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it.

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

### **Defeasance**

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

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

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

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

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

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

#### **No Recourse on Bonds**

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

such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

### **Bond Insurer Provisions**

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

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**APPENDIX B**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017**

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**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education  
Chicago, Illinois

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**  
For the year ended June 30, 2017

*Prepared by the  
Department of Finance*

Rahm Emanuel, Mayor, City of Chicago  
Frank M. Clark, Board President  
Janice K. Jackson, EdD, Chief Executive Officer



**Board of Education**  
CITY OF CHICAGO

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**JAIME GUZMAN**  
VICE PRESIDENT

**FRANK M. CLARK**  
PRESIDENT

MEMBERS  
MARK F. FURLONG  
ALEJANDRA GARZA  
DR. MAHALIA A. HINES  
GAIL D. WARD

January 24, 2018

Dear Stakeholders,

We are pleased to present you with the Chicago Public Schools (CPS) fiscal year 2017 financial results.

As a result of Illinois' historic education funding reform and two years of increased fiscal responsibility, CPS is on firmer financial footing than in many years.

Due to the courage and diligence of Illinois' lawmakers, CPS and districts throughout the state are now receiving the funding needed to consistently support high quality schools. This dramatic reform will allow CPS to complete the current school year without furloughs or economic layoffs, and the district now has the financial stability to provide schools with 2018-19 budgets far in advance of the coming school year to allow for effective and thoughtful planning.

In addition to improving the stability of operations, the district's financial turnaround is also attracting the attention of outside experts. In recent months, all major ratings agencies have acknowledged the district's financial improvement, which has allowed CPS to significantly reduce the cost of borrowing.

Despite financial challenges, CPS schools have been making significant progress for many years. A recent study by Stanford University found that Chicago students are progressing in the classroom at a faster rate than 96 percent of school districts in the United States, with gains found across all racial and economic subgroups. This promising research echoes findings from the University of Illinois at Chicago and the University of Chicago's Consortium on School Research, which show CPS students outpacing their peers in Illinois.

We are optimistic that as a result of funding reform and the district's commitment to fiscal responsibility, our schools are entering a new era of stability that will allow Chicago educators to further improve upon what has become one of the finest school districts in the country. As the district looks forward, we are putting an emphasis on stabilizing operations, supporting investments and resources throughout the city, and identifying opportunities to continue investment in high-quality academic programs that help prepare our students for a successful future.

Respectfully submitted,

Frank M. Clark  
President  
Chicago Board of Education

Janice K. Jackson, EdD  
Chief Executive Officer  
Chicago Public Schools

**CHICAGO PUBLIC SCHOOLS**  
**Chicago Board of Education**  
**2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

BOARD OFFICIALS AS OF JANUARY 24, 2018

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

**Members**

Mark F. Furlong  
Alejandra Garza  
Dr. Mahalia A. Hines  
Gail D. Ward

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

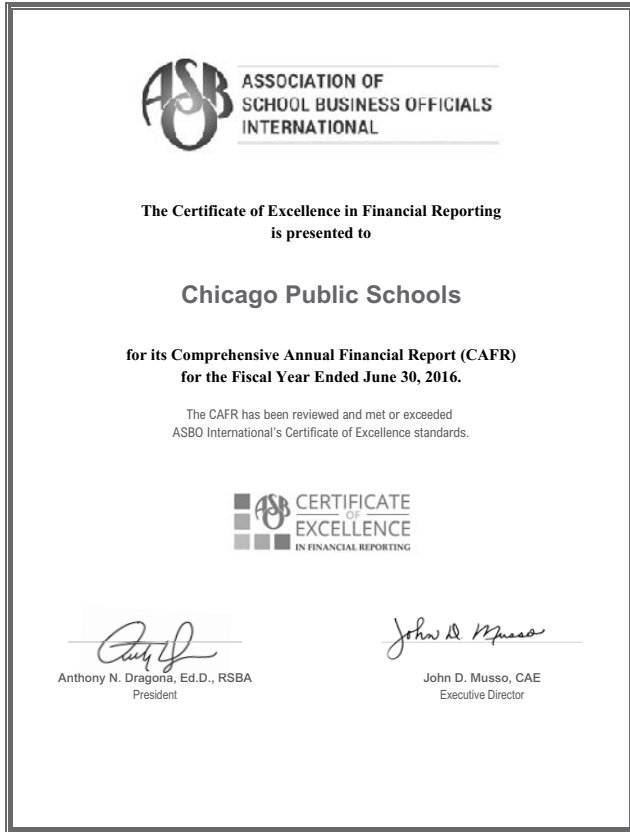
Chicago Public Schools  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2016

*Christopher P. Morill*

Executive Director/CEO

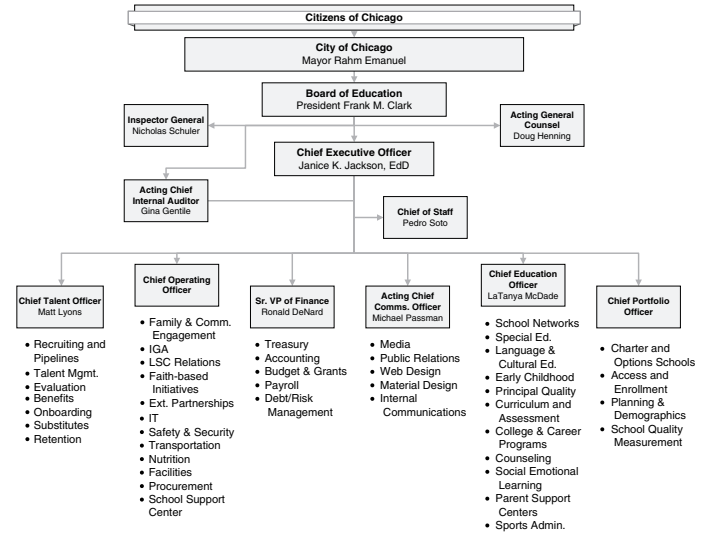




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**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education  
Organizational Chart



## Introductory Section

**CHICAGO PUBLIC SCHOOLS**  
**Chicago Board of Education**
**Board Member Profiles**
**Frank M. Clark**

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

**Jaime Guzman**

Jaime Guzman was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016 and was elected as Vice President on January 27, 2016. Mr. Guzman leads Chicago Youth Opportunity Programs for the Obama Foundation, including initiatives of the My Brother's Keeper Alliance, born out of President Obama's call to action to ensure that all of our nation's young people have the opportunity to live up to their full potential. He has nearly 20 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

**Mark F. Furlong**

Mark Furlong was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong

## Introductory Section

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

**Dr. Mahalia A. Hines**

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

**Gail D. Ward**

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



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traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

The members of the Chicago Board of Education (the Board) have been appointed to serve terms ending as follows:

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Alejandra Garza	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Gail D. Ward	June 30, 2019
Vacancy	June 30, 2019

At the expiration of the term of each member, the Mayor shall appoint a successor for a four-year term from July 1 of the year in which the term commences. Any vacancy shall be filled by appointment of the Mayor for the unexpired term.

The Board elect annually from its members a president and vice president in such a manner as the Board determines.

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Department of Finance · 42 West Madison, 2nd Floor · Chicago, Illinois 60602-4413  
Telephone: 773-553-2710 · Fax: 773-553-2711

January 24, 2018

Frank M. Clark, President,  
Members of the Chicago Board of Education,  
And Citizens of the City of Chicago:

The Comprehensive Annual Financial Report (CAFR) of Chicago Public Schools (CPS) for the fiscal year ended June 30, 2017, is hereby submitted. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of CPS. Responsibility for the accuracy of the data presented as well as completeness and fairness of presentation of this report rests with CPS management.

Illinois School Code (105 ILCS 5/34-9) requires CPS to submit an annual report of the financial records and transactions audited by independent certified public accountants. This document is submitted in fulfillment of this requirement. An audit was also conducted to meet the requirements of the Office of Management and Budget (OMB) Uniform Guidance (including the Single Audit Act Amendment of 1996, Government Auditing Standards and the OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). For fiscal year ended June 30, 2017, the independent auditors have issued an unmodified opinion on CPS' basic financial statements and other required supplementary information, etc. (See Independent Auditors' Report in the Financial Section of the document).

CPS ended fiscal year 2017 with a deficit of \$275.2 million in the operating funds, due in part to declining state funding and massive pension obligations that were addressed by the state legislature at the beginning of fiscal year 2016. While CPS has continued to streamline operational costs, and has made some important progress in securing additional funding, the compounding financial challenges of declining state revenues, dramatically increasing pension costs, and limits on federal and local revenues persisted over the course of fiscal year 2017.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

**PROFILE OF CHICAGO PUBLIC SCHOOLS**

CPS is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code (105 ILCS 5/34-9). The Chicago Board of Education is not a home-rule unit of government and operates a system of schools primarily for grades pre-kindergarten through twelve. CPS has no component units that are legally separate organizations for which CPS is financially accountable.

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CPS is governed by a seven-member Board of Education appointed by the Mayor of the City of Chicago. Board members elect one member to serve as President of the Board. In addition, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected Local School Councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools, most notably the selection of principals. Refer to the CPS website for more information on Local School Councils.

As a large urban school district, our schools and students reflect the broad diversity of our city. In fiscal year 2017, CPS had 652 schools, including district-run traditional and options schools, charter and contract schools. Charter schools are public schools managed by independent operators, and approved and certified under the State charter law. They can offer a general K-12 educational program or may be approved to offer a program specifically targeting students who have dropped out or are at risk of dropping out. CPS currently authorizes 122 charter schools, serving just under 60,000 students.

Student enrollment as of September 2016 was 381,349 a decrease of 10,936 from the September 2015 level (392,285). Approximately 77.7% of our students come from low-income families and 18.0% are English Language Learners. CPS employs 37,345 workers, including 25,044 teaching positions.

LOCAL ECONOMIC OUTLOOK

The Chicago economy continues to improve and grow. However, it is important to note that CPS revenues are not economically sensitive. Property tax increases are capped at the rate of inflation; and Federal and State aid are allocated based on formulas and limited by federal and state appropriations. Therefore, our revenues are not directly affected by changes in the local economy. For more information regarding Chicago's local economy, refer to the City of Chicago budget book at [http://www.cityofchicago.org/city/en/depts/obm/supp\\_info/annual-budget-recommendations---documents.html](http://www.cityofchicago.org/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html).

Local revenues included \$2,715 million in property taxes and \$227 million in personal property replacement taxes in fiscal year 2017. Property taxes support the General Operating Fund, Tort Fund and Debt Service Funds. Personal property replacement taxes support the General Operating and Debt Service Funds. In fiscal year 2017, there was \$48.4 million in tax revenue for Capital Improvement Tax. This is due to the Chicago City Council authorizing a Capital Improvement Tax to be derived from property taxes collections levied in fiscal year 2017.

Tax abatements are a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled, and (b) the individual or entity promises to take a specific action after the agreement has been entered into, that contributes to economic development or otherwise benefits the governments or the citizens of those governments. CPS did not enter into or hold any direct tax abatement agreements during fiscal year 2017. Cook County enters into property tax abatements which do not directly reduce CPS property tax revenue. The purpose of these property tax abatements are to spur economic development and promote growth in residential housing. CPS views these abatements as a long-term strategy to increase student enrollment and promote a safe community around CPS schools. CPS monitors the incentives offered by the County and incorporates the impact of any modifications into CPS' annual budget process. Additional information on tax abatements that impact CPS can be found in Note 15 to the financial statement footnotes.

CURRENT CONDITION

The General Operating Fund expenditures budget for fiscal year 2017 was \$5,411 million, \$281 million below the fiscal year 2016 budget of \$5,692 million. This reduction in budgeted expenditures for 2017 was largely driven by \$173 million in mid-year budget reductions in fiscal year 2016 and \$200 million of expense-reducing measures included in the fiscal year 2017 budget. In addition, CPS amended the fiscal year 2017 budget in February 2017 to reduce expenses by an additional \$104 million, due to the

Introductory Section

failure of the state's pension funding bill. The reductions were partially offset by \$61 million in contractual labor increases, \$45 million increase in pension costs, a \$14 million increase for interest on cash flow borrowing, over \$70 million in additional grant funding and other cost increases. Actual General Operating Fund expenditures for fiscal year 2017 were \$5,298 million, \$113 million less than budgeted.

Total governmental funds revenues for fiscal year 2017 were \$5,828 million, which is \$555 million more than the \$5,273 million fiscal year 2016 revenue. Total expenditures for fiscal year 2017 were \$6,034 million, which were approximately \$129 million lower than the prior year of \$6,163 million.

CPS ended fiscal year 2017 with a combined fund balance of \$1,095 million in all governmental funds, an increase of \$645 million from fiscal year 2016's ending fund balance of \$450 million.

CPS continues to trim administrative, central office and operational expenses in an effort to protect the classrooms. Due to the timing of collections of property tax revenues due from the new Chicago Teachers Pension Levy, CPS made cash payments of \$483 million of the total \$733 million amount payable to the CTPF as of June 30, 2017. The remaining \$250 million was recorded as a payable due to the Fund at year end, but was collected and disbursed in full, prior to the end of CPS' 60 day revenue recognition period. Making the required payment from these legally restricted property tax monies collected subsequent to the end of the fiscal year, allowed CPS to refrain from borrowing the amount owed from outside parties and incurring additional interest costs.

Despite these challenges, CPS continues to prioritize our classrooms. Even as our resources become scarcer, we continued to seek more effective and innovative ways to educate our students. The past few years have been some of the most financially challenging in CPS' history, yet we continue to make strides. During this time, we have moved to a full school day, implemented full day kindergarten for all students, and expanded Pre-K programs throughout Chicago. We also successfully expanded Safe Passage so that students can focus on their studies and not their safety.

From fiscal years 2014 through 2017, charter schools were paid through the CPS' Student Based Budgeting system, with the same funding formula as CPS schools. They also received equitable shares of Title and other state and federal funding, and were reimbursed based on IEP needs. Following a 2017 change in law, charter schools are now funded a per pupil tuition rate based on the CPS' per capita tuition charge, which is differentiated based on the grades served and whether the charter school operates in a CPS or independent facility. They continue to receive a proportionate share of state and federal funds for serving special populations of students.

**One-Time Resources:** In past years, financial results have benefited from one-time fixes such as federal stimulus funding, bond restructuring and TIF surplus, which helped mask the depth of the structural deficit.

As its pension burden has increased, CPS has drawn down its prior years' reserves in order to balance the budget. To bridge the ebb and flow of revenue receipt and payments, CPS now relies on short-term borrowing. CPS receives its major revenue source, property taxes, in two installments: March and August. However, most CPS payments are made throughout the year, with two exceptions. Debt service is due in February right before the March installment is collected, and the pension payment is due in June, right before the August installment is received.

Overall, CPS' cash flow challenges are driven by its calendar. As previously stated, CPS receives the bulk of its annual property tax collections in March and August installments, and currently operates at a deficit financed by a short term line of credit. CPS ended the year with a total interest expense of \$448 million compared to \$365 million in fiscal year 2016. This represents an increase of \$83 million in borrowing expense.

**Pension Funding:** Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2016, the Pension Fund reported \$10,611 million in



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actuarial assets and \$20,246 million in actuarial liabilities, for a funded ratio of 52.4%. In accordance with GASB 68, CPS has recorded a net pension liability of \$11,011 million in the accompanying financial statements, 100% of which is recognized by CPS. For the reasons discussed in Note 12, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund.

Public Act 100-0465 increased CPS' maximum teacher pension property tax levy rate from 0.383% to 0.567%. The increase is initially estimated to generate approximately \$130 million in additional revenue annually, which will go directly to the Pension Fund. This tax is not subject to the Property Tax Extension Limitation Law – more commonly known as "tax caps" – so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom. Although this incremental value of approximately \$130 million does not impact CPS' financial statements for the fiscal year ending June 30, 2017, it will have a positive impact on future statements.

**Debt Ratings:** Investors who purchase municipal bonds use debt ratings as an indicator of the safety and security of the debt sold by that organization. CPS currently has bonds outstanding with credit ratings from Fitch Ratings, Kroll Bond Rating Agency, Moody's Investor Service and Standard & Poor's. In recent fiscal years and during fiscal year 2017, the rating agencies have made downgrades to their respective CPS' debt rating citing budget and pension concerns as rationale.

**LONG-TERM FINANCIAL PLANNING**

Throughout fiscal year 2017, CPS continued to face structural budget challenges, with our major revenue sources generally flat or declining at the state and federal level, pension costs increasing and property taxes capped. In addition, CPS remained the only school district in the state that must fund the vast majority of its teacher pension costs.

The structural budget deficit that persistent through fiscal year 2017 was due in part to inequitable state education funding prior to state funding reform in early fiscal year 2018, as well as escalating teacher pension costs. CPS has, and continues to, use short-term strategies to balance the General Operating Fund budget. The new state funding law significantly revised the amount of funding to be received by CPS from the State. The Act became effective in August 2017 and is expected to generate approximately \$450 million of additional revenue in fiscal year 2018, which is comprised of \$221 million in State funding of CPS' annual Teachers' Pension Fund contribution, \$76 million in additional State Aid Revenues under the new Evidence Based Funding Formula, increased Teacher's Pension Fund contribution from property tax levy revenues of approximately \$130 million, \$19 million in State Grants and \$4 million of other additional State revenues. These additional resources provide additional financial stability to CPS in the years to come.

State funding is driven by formula and as a result, CPS has become increasingly reliant on property tax revenue. Since 2007, the percentage of property tax revenue comprising the total budget has steadily increased from 36.7% in fiscal year 2007 to 41.5% in 2017. However, property taxes are capped at the rate of inflation. In fiscal year 2017, with inflation at 0.7%, the base property tax increased to \$17 million. Though CPS is able to take advantage of new property that is added to the base property values, the annual increase in non-pension dedicated revenues remains modest and is not sufficient to make up for the continuing declines in state funding nor the dramatic increases in pension costs.

**RELEVANT FINANCIAL POLICIES**

**Fund Accounting:** CPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. See Notes 1 and 2 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types and account groups.

**Internal Control Structure:** CPS financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of CPS from loss, theft, or misuse and to ensure that reliable accounting data is available for the timely preparation of financial statements in

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accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

**Budgetary Control:** Annual budgets are prepared on a basis consistent with GAAP for the General Operating, Capital Projects and Debt Service Funds. The fiscal year begins on July 1 and ends June 30. Individual school units submit budgets based on the school improvement plans and approved by the Local School Councils. Administrative units submit budget requests to the Office of Management and Budget, which analyzes all requests and prepares a comprehensive budget, balancing revenues and appropriations of each fund. The budget is submitted to the Board of Education for appropriation.

The appropriated budget is prepared by fund, unit, and account. The legal level of budgetary control is at the account level, except for school-based discretionary programs. Board approval is required for all funding transfers except school-based discretionary program expenditures, which are governed by specific program policies and procedures. In addition, an amended budget is required for increases in total appropriation.

Budgetary control is maintained by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Capital Projects Funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year.

**MAJOR INITIATIVES**

At Chicago Public Schools, our mission is to provide a high-quality public education for every child in every neighborhood that prepares them for success in college, career, and community. Despite budget challenges, this crucial work continues with impressive results from our students. We have implemented cohesive strategies with educational, financial, community, and environmental initiatives, all of which impact our students and their families.

**Educational Initiatives**

Academic progress is crucial to our success as a district. We are seeing impressive results, with higher test scores, climbing graduation rates, improvement in college enrollment and persistence. This progress is remarkable and is a tribute to the hard-working educators, parents, and students committed to their classrooms.

We continue to invest in proven programs that expand access to high-quality education such as Advanced Placement courses, the largest network of International Baccalaureate programs in the nation, a math tutoring program that improves outcomes for at-risk high school students, or adding comprehensive dual language programming so that more students can be certified as bilingual before taking their post-secondary steps.

We are better preparing our students for the jobs of the future, by implementing a computer science curriculum and requiring a computer science credit to graduate high school. CPS has become a model district for those interested in incorporating computer science, first launching the CS4All Initiative in 2013, and now being the first district in the nation to elevate computer science to a core graduation requirement, separate from math and science.

In school year 2017, the Department of Social Science and Civic Engagement implemented a number of educational initiatives in order to expand access for all students to high quality social science curriculum, financial literacy, civic learning and student leadership opportunities. During the past year, a district-wide professional development for social science was developed over 1,000 educators were trained to implement the City Council mandated Burge reparations curriculum; curricular modules were developed for Financial Education and, the US Constitution (HS); the minimum graduation requirement

### Introductory Section

for Financial Education was revised; and a number of pilot curricular projects with several social science education organizations including Facing History and Ourselves, Colonial Williamsburg, Harvard Business School, and the DBQ Project were implemented. In the area of Civic Engagement, over 90 new civics teachers have been trained, and in-depth civic-engagement-related instructional initiatives were provided to 62 additional civics course teachers.

While Chicago is already home to the largest network of IB schools in the nation, with a total of 51 authorized schools (22 high schools and 29 elementary) and 5 schools in the candidacy phase of the application process, CPS continues to add additional opportunities for student participation in IB programming. Results from the IB programme have revealed exceptional outcomes for CPS IB students, with graduation rates, college enrollment, and college persistence rates all outpacing their CPS and national peers. By providing access to the IB programme for our students, we are providing better options while allowing high school students to earn college credit, easing their transition to, and financial burden from, their college experience.

CPS' financial struggles continue as CPS looks for other funding sources to support the expansion of high quality programming. In April 2017 CPS submitted a Magnet Schools Assistance Program (MSAP) Grant application to the Department of Education. MSAP is a five year competitive grant in which districts can apply for up to \$15 million dollars. CPS was one of 32 school districts to be awarded this grant for \$14.9 million dollars. As a result of this grant, three new magnet STEM schools will be developed. CPS aspires to develop STEM schools where students have opportunities to engage in transdisciplinary learning experiences that will support them in developing the types of skills needed to effectively tackle unknown problems. Everyday in every STEM classroom in CPS, all students will: a) actively make sense of and construct solutions to complex problem, b) productively contribute to the learning community to support a culture of collaboration, risk taking, and innovation, and c) regularly reflect on and communicate their understanding of disciplinary ideas. Through these experiences and purposeful opportunities to face transdisciplinary challenges, students will graduate from CPS as knowledgeable, flexible, and resourceful problem solvers prepared to make the world a better place.

Finally, through a commitment to Social Emotional Learning, we are keeping more of our students in school and engaged. Based on research-based preventative structures and targeted interventions to address the root cause of students' behaviors, our students learn the skills they will need to succeed in life (like goal-setting, cooperation, and conflict resolution), as the number of suspensions and expulsions have dropped dramatically. We have also opened Parent Universities at a number of high schools, giving parents the chance to re-engage in our curriculum alongside their students, and enhance the learning process.

All of our children want to succeed, and it is our job to ensure that they can. We will continue our holistic approach to education to address achievement gaps, and best support our students as they move through our district.

#### Go Green Initiative

CPS is working to minimize its impact on the environment and teach students to be environmental stewards. The initiative is driven by a 5-year action plan which covers energy, waste and recycling, transportation and air, water and education and engagement.

Every CPS school can recycle paper, cardboard, newspaper, steel cans, plastic bottles, aluminum cans, and now milk cartons. Schools track how much they recycle online through the Weekly Recycling Report. Students have the opportunity to earn Service Learning hours in Recycling Clubs. Some schools compost food waste, outdoors or in worm bins, to reduce waste and teach students about decomposition. Teachers can find and share free items donated to CPS instead of making new purchases.

Our goal for the land initiative is to increase green space and gardens. In order to conserve water, many schools use rain gardens or green roofs for storm-water management. Schools can also attach



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rain barrels to small modular or shed gutters and catch rainwater for reuse in the garden. CPS has also established guidelines on the use of student transportation vehicles, cleaning supplies and other chemicals in an effort to improve air quality and reduce contribution to climate change. For example, idling a diesel school bus is prohibited by law and CPS contract. CPS janitors clean with green cleaning supplies, following the Illinois Green Cleaning Act. Finally, all CPS staff can save 40 percent on public transit commuting cost by taking part in the CPS transit benefits program to encourage the use of public transportation.

#### Community Schools Initiative

CPS manages the largest community schools system in the nation, known as the Community Schools Initiative (CSI). Awarded by the Coalition for Community Schools in 2006 with the Community Schools National Award for Excellence, CSI has launched more than 200 schools, in partnership with nearly 50 lead non-profit organizations, that serve as hubs of their communities to meet students' and families' academic and non-academic needs to develop educated citizens and strengthen local neighborhoods.

Community Schools bring together the academic and social supports needed to ensure that all students succeed by offering programs before, during and after the school day for students and their families. The programs are designed to support the school's academic program and expand the services offered within the community. Programs and services offered at each community school vary, but most community schools offer some combination of academic enrichment activities for students, adult education and English as a Second Language classes, student and adult technology training, art activities, recreation and health services.

Lastly, Community Schools assert a strong link between addressing students' psychosocial well-being and effective support for student learning. In particular, the improvement of student learning is linked to the accomplishment of three operational objectives: 1) to broaden and deepen the range of services, resources, and developmental opportunities available to students, in ways that promote student well-being and attachment to school, address academic and psychosocial deficits, and promote positive development; 2) to address the needs of parents and families, and strengthen the parent-school relationship as an asset to student learning; and, 3) to link classrooms and teachers to community resources and professionals in ways that support student learning.

#### Capital Improvement Program

The Capital budget plan includes improvement to school facilities as well as support for technology upgrades, major equipment replacement in schools and continuing CPS' efforts to make its facilities accessible to people with disabilities. The Capital budget reflects the funds for large construction, renovation, or investment projects with value that lasts for multiple years and are outside the scope of CPS' day-to-day operations. Total expenditures in the Capital Projects Fund in fiscal year 2017 were \$205 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

In addition, the Capital Improvement Tax levy is an annual property tax levy dedicated exclusively to school construction projects. Beginning in fiscal year 2016, the Capital Improvement Tax levy will generated roughly \$45 million in fiscal year 2016 and over \$48 million in fiscal year 2017, which will be used to pay for the school construction projects and repay bonds issued to finance them. The property tax levy is authorized under state law and can be used only to fund capital projects.

Because the CIT bonds issued in fiscal year 2017 (backed by these CIT property tax revenues) can be used only for capital projects, the bonds have no impact on CPS' operating budget, which funds staff and other day-to-day expenses. This allows CPS to issue long-term debt for building projects without impacting classroom funding. Two ratings agencies rated the CIT bond offering investment grade, thus allowing CPS to achieve a lower borrowing cost. Fitch rated the upcoming CIT bonds A and Kroll rated the bonds BBB.



**AWARDS AND ACKNOWLEDGEMENTS**

**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Education of the City of Chicago for its CAFR for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. CPS has received this award every year since 1996.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are again submitting it to GFOA.

CPS also received the Certificate of Excellence for Financial Reporting from the Association of School Business Officials International for the 16th consecutive year. We have included this award in the recognition of the importance of fiscal policies on our ability to educate our students and undertake the new initiatives outlined above.

**Acknowledgments:** This report could not have been prepared without the commitment and dedication of the entire staff of the Department of Finance, the Chief Education Office and the Office of the Board. We wish to express our gratitude and appreciation to them for their dedicated efforts and professionalism.

Respectfully submitted,

*Ronald DeNard*      *Melinda M. Gildart*

Ronald DeNard  
Senior Vice President of Finance

Melinda M. Gildart, CPA, MBA  
Controller





INDEPENDENT AUDITORS' REPORT

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Chicago Public Schools (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Chicago Public Schools' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Chicago Public Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Chicago Public Schools as of June 30, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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To the Board of Education of the City of Chicago
Chicago Public Schools

Emphasis of Matters

As discussed in Note 1, Chicago Public Schools adopted the provisions of GASB Statement No. 77, Tax Abatement Disclosures, effective July 1, 2016. Our opinions are not modified with respect to this matter.

As discussed in Note 1, Chicago Public Schools adopted the provisions of GASB Statement No. 82, Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73, effective July 1, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chicago Public Schools' basic financial statements. The individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for the year ended June 30, 2017 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

The basic financial statements of Chicago Public Schools as of and for the year ended June 30, 2016 (not presented herein) were audited by other auditors whose report contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 23, 2017, stated that the

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To the Board of Education of the City of Chicago  
Chicago Public Schools

individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for the year ended June 30, 2016 were subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chicago Public Schools' basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Prior-Year Comparative Information*

The basic financial statements of Chicago Public Schools' as of and for the year ended June 30, 2016, were audited by other auditors whose report dated January 23, 2017, contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The summarized comparative information presented herein as of and for the year ended June 30, 2016, has been derived from these audited financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018 on our consideration of Chicago Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chicago Public Schools' internal control over financial reporting and compliance.

*Baker Tilly Voichaw Krause, LLP*

Chicago, Illinois  
January 24, 2018

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CHICAGO PUBLIC SCHOOLS  
 Management's Discussion and Analysis (Unaudited)  
 June 30, 2017

Our discussion and analysis of the financial performance of Chicago Public Schools provides an overview of financial activities for the fiscal year ended June 30, 2017. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the transmittal letter, financial statements and notes to the basic financial statements to further enhance their understanding of CPS' financial performance.

**FINANCIAL HIGHLIGHTS**

The government-wide financial statements and Statement of Net Position shows liabilities and deferred inflows totaling \$24.0 billion, an increase of \$2.4 billion from fiscal year 2016, while assets and deferred outflows equaled \$11.0 billion, with an increase of \$1.4 billion, respectively. The overall increase in total liabilities and deferred inflows stems from combined increases in CPS' long-term debt borrowings of \$709.3 million and higher pension and other post employment benefit obligations of \$1.1 billion. The overall increase in total assets and deferred outflows is derived from a decrease in net capital assets of \$155.8 million, higher cash on hand of \$518 million from prior year, as well as increased cash held by the trustee of \$501.6 million. CPS ended fiscal year 2017 with a deficit in net position of \$13.011 billion, an increase in the deficit of \$1.04 billion or 8.7% from the prior year. The Statement of Activities presents an increase in total expenses from fiscal year 2016 in governmental activities of \$234 million, a net decrease of \$43 million in grants and contributions and an increase in interest and investment earnings of \$24 million.

CPS ended fiscal year 2017 with a combined fund balance for its governmental funds of \$1.095 billion, an increase of \$644.6 million or 143.3%, from fiscal year 2016. The fund balance decreased by \$148.6 million in the General Operating Fund, increased by \$685.3 million in the Capital Project Fund, and increased by \$107.9 million in the Debt Service Fund. Total revenues in the general fund for fiscal year 2017 were \$5.091 billion, which were \$212.8 million or 4.4% higher than the prior year amount of \$4.878 billion. Total expenses in the General Operating Fund for fiscal year 2017 were \$5.298 billion, which decreased by \$116 million or, 2.1% from the fiscal year 2016 amount of \$5.415 billion. The General Operating Fund ended fiscal year 2017 with a negative fund balance of \$275.2 million. Though CPS ended the year with a negative fund balance in the General Operating Fund, the decrease of \$148.6 million was the smallest year over year decline since 2013. In addition, actual spending results in the General Operating Fund were \$113 million less than projected spending for 2017.

In fiscal year 2017, the Board issued two series of long-term fixed rate bonds. First, \$150 million in Unlimited Tax General Obligation (GO) Bonds which carried a discount of \$13.7 million, and \$730 million in Dedicated Revenue Capital Improvement Tax ("CIT") Bonds including a discount of \$22 million. Both series were issued to provide funds for the Board's capital improvement program. Total expenditures in the Capital Projects Fund were \$205 million and total debt service expenditures totaled \$531 million.

Several bond rating changes related to the long-term debt of the Board occurred during fiscal year 2017, and subsequent to the year end. Within the fiscal year, Moody's Investor Service downgraded their General Obligation debt rating of the Board to "B3" negative outlook. Standard & Poor's downgraded its long-term bond rating of the Board to "B" negative outlook. Fitch Ratings lowered its rating to "B+" negative outlook. Finally, Kroll Bond Rating Agency affirmed its rating of "BBB" negative outlook on the Board's Series 2016A GO bonds and affirmed the "BBB-" negative outlook rating on the Board's remaining outstanding GO bonds. Subsequent to the end of fiscal year 2017, as a result of the passage of PA 100-465 with its' additional State and local sources of revenue, along with a hold harmless provision of the new State funding formula, all rating agencies revised their GO bond rating outlooks from negative to stable or positive. In addition, The Moody's Investor Service "B3" general

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obligation rating of the Board was confirmed and the outlook was revised to stable on September 5, 2017. The Standard & Poor's "B" General Obligation rating of the Board was affirmed and the outlook was revised to stable on October 31, 2017. Fitch Ratings upgraded the Board's General Obligation rating to "BB-" with a stable outlook on October 27, 2017. On November 8, 2017, Kroll Bond Rating Agency revised their rating outlook to positive and affirmed its rating of "BBB" on the Board's Series 2016A, B and 2017B, C, D, E, F, G, H GO bonds and affirmed the "BBB-" rating on the Board's remaining outstanding GO bonds. All rating agencies expressed concern about the accumulated General Operating Fund deficit as a result of years of structurally imbalanced operations of the Board. However, the revised stable and positive outlooks reflects views by the rating agencies that additional State and local sources of revenue now available to the Board, along with a hold harmless provision of the new State funding formula, provide improved tools for operational and financial improvements going forward.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Comprehensive Annual Financial Report (CAFR) consists of Management's Discussion and Analysis and a series of financial statements and accompanying notes, both primarily focusing on the school district as a whole.

The government-wide financial statements including the Statement of Net Position and the Statement of Activities provide both short-term and long-term information about CPS' financial status. The fund financial statements provide a greater level of detail of how services are financed in the short-term as well as the remaining available resources for future spending. The accompanying notes provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the school district as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of CPS' assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, for the resulting net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing the details of change in net position during the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of CPS that are principally supported by taxes and inter-governmental revenues (governmental activities).

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

**Condensed Statement of Net Position**  
(Millions of Dollars)

	Governmental Activities			
	2017	2016	Difference	% Change
Current Assets .....	\$ 3,137	\$ 2,561	\$ 576	22.5%
Capital Assets, net .....	5,994	6,150	(156)	-2.5%
Non-current Assets .....	502	—	502	100.0%
<b>Total Assets .....</b>	<b>\$ 9,633</b>	<b>\$ 8,711</b>	<b>\$ 922</b>	<b>10.6%</b>
Total deferred outflows of resources .....	\$ 1,388	\$ 952	\$ 436	45.8%
Current Liabilities .....	\$ 2,513	\$ 1,707	\$ 806	47.2%
Long-term liabilities: .....	21,342	19,561	1,781	9.1%
<b>Total Liabilities .....</b>	<b>\$ 23,855</b>	<b>\$ 21,268</b>	<b>\$ 2,587</b>	<b>12.2%</b>
Total deferred inflows of resources .....	\$ 176	\$ 365	\$ (189)	-51.8%
<b>Net Position:</b>				
Net investment in capital assets .....	\$ (644)	\$ (343)	\$ (301)	-87.8%
Restricted for:				
Capital projects .....	126	—	126	100.0%
Debt service .....	630	511	119	23.3%
Grants and donations .....	52	65	(13)	-20.0%
Workers' comp/tort immunity .....	27	35	(8)	-22.9%
Unrestricted .....	(13,202)	(12,239)	(963)	-7.9%
<b>Total net position (deficit) .....</b>	<b>\$ (13,011)</b>	<b>\$ (11,971)</b>	<b>\$ (1,040)</b>	<b>-8.7%</b>

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**Current assets** increased by \$576.1 million primarily due to higher cash and investment balances, including bond proceeds, which were \$520.1 million higher as of June 30, 2017. Receivables for property taxes were higher by \$260.7 million (as the Board recorded the new levy for the Chicago Teachers' Pension Fund ("CTPF")). But overall, net receivables from State and Federal aid were down by \$204.3 million, due to the change in the Illinois School Funding formula which resulted in a significant shift of funding away from Educational Block Grant programs (for which CPS has previously accrued) and into General State Aid. Refer to Note 3 to the basic financial statements for more detailed information on property taxes and state aid.

**Capital assets, net of depreciation**, decreased due to the sale of several properties, including adjustments for three school actions approved by the Board within fiscal year 2017, and the recording of asset impairments in relation to CPS software systems and other under-utilized assets. Refer to Note 6 to the basic financial statements for more detailed information on capital assets.

**Non-current assets** also increased by \$501.6 million due to bond proceeds held with the trustee and other long term investments. Refer to Note 4 to the basic financial statements for more detailed information on cash and investments.

**Deferred outflows of resources** showed an increase of \$436.1 million, which was directly attributable to an increase in deferred pension outflows in relation to GASB Statement No. 68, of \$448 million and a decrease of \$12 million in deferred charges stemming from refundings. Refer to Note 12 to the basic financial statements for more information on CPS' pension liabilities.

**Current liabilities** increased by \$806 million from the issuance of new Grant Anticipation Notes (GANs), which had a balance of \$386.9 million at year end, as well as a \$249.9 million payable due to the Chicago Teacher's Pension Fund. Other reasons for the overall increase in current liabilities were due to: \$80 million increase in Tax Anticipation Notes (TANs), a \$44 million increase of interest



payable in relation to the GANs and TANs outstanding balances, and a combined increase in accounts payable, other accrued liabilities and the current portion of long-term debt of \$91 million. Combined decreases in other current liabilities such as unearned revenue, accrued payroll and benefits and amounts held for student activities of \$46 million were also recorded as of June 30, 2017. Refer to Note 8 to the basic financial statements for more detailed information on short-term debt.

**Long-term liabilities** increased by nearly \$1.8 billion, as a result of the increase in long-term debt of \$709.3 million, from the issuance of the new CIT bond series, as well as the increase in the pension liability for CTPF of \$988.1 million (primarily attributed to year over year investment losses recorded by the Pension Fund). The liability for Other Postemployment Benefits also increased by \$138.9 million, in addition to other long-term accrued liabilities of \$3.9 million, stemming from the recording of a long-term liability for Medicaid reimbursement overpayments of \$5 million. Combined decreases in long-term liabilities include amounts for other benefits and claims and capitalized lease obligations to the Public Building Commission totaling \$59.9 million. Refer to Note 9 to the basic financial statements for more detailed information on long-term debt.

**Deferred inflows of resources**, composed solely of deferred pension inflows related to GASB Statement No. 68, decreased by \$188.8 million.

**Net position (deficit)** decreased by \$1.040 billion to an \$13.011 billion deficit. Of this amount, CPS recorded a net investment in capital assets of negative \$644 million, combined restricted net position of \$835 million, including \$126 million for capital assets, \$630 million for debt service, \$52 million for grants and donations and \$27 million for worker's compensation claims and torts. Restricted net position represents legal constraints from debt covenants and enabling legislation. The \$13.202 billion of unrestricted deficit represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2017.



The following table presents the changes in net position to fiscal year 2017 from fiscal year 2016:

**Changes in Net Position  
(In Millions)**

	Governmental Activities			
	2017	2016	Difference	% Change
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 2	\$ 2	\$ —	0.0%
Operating grants and contributions	1,156	1,147	9	0.8%
Capital grants and contributions	58	110	(52)	-47.3%
Total program revenues	\$ 1,216	\$ 1,259	\$ (43)	-3.4%
<b>General revenues:</b>				
Property taxes	\$ 2,696	\$ 2,399	297	12.4%
Replacement taxes (PPRT)	228	162	66	40.7%
Non-program state aid	1,212	1,443	(231)	-16.0%
Interest and investment earnings	5	(19)	24	126.3%
Other	156	190	(34)	-17.9%
Gain on sale of capital assets	7	10	(3)	-30.0%
Total general revenues	\$ 4,304	\$ 4,185	\$ 119	2.8%
Total revenues	\$ 5,520	\$ 5,444	\$ 76	1.4%
<b>Expenses:</b>				
Instruction	\$ 4,024	\$ 3,870	\$ 154	4.0%
<b>Support Services:</b>				
Pupil Support Services	472	470	2	0.4%
Administrative Support Services	301	319	(18)	-5.6%
Facilities Support Services	465	455	10	2.2%
Instructional Support Services	460	469	(9)	-1.9%
Food Services	214	211	3	1.4%
Community Services	40	37	3	8.1%
Interest expense	448	365	83	22.7%
Other	13	7	6	85.7%
Total expenses	\$ 6,437	\$ 6,203	\$ 234	3.8%
Change in net position	\$ (917)	\$ (759)	\$ (158)	-20.8%
Beginning net position (deficit)	(11,971)	(11,212)	(759)	-6.8%
Implementation of GASB 82	(123)	—	(123)	-100.0%
Beginning net position (deficit), as restated	(12,094)	(11,212)	(882)	-7.9%
Ending net position (deficit)	\$(13,011)	\$(11,971)	\$(1,040)	-8.7%

The accompanying notes to the basic financial statements are an integral part of this statement.

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**Pension Funding**

Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2016, the Pension Fund reported \$10,611 million in actuarial assets and \$20,246 million in actuarial liabilities, for a funded ratio of 52.4%. In accordance with GASB 68, CPS has recorded a net pension liability of \$11,011 million in the accompanying financial statements, 100% of which is recognized by CPS. For the reasons discussed in Note 12, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund.

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for fiscal year 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately \$250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law more commonly known as "tax caps" so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17).

**Capital Assets**

At June 30, 2017, CPS had \$5.994 billion invested in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease of \$156 million or 2.5% over the prior fiscal year. Refer to Note 6 of the basic financial statements for more detailed information on capital assets.

(In Millions)	2017	2016	Difference	% Change
Land	\$ 327	\$ 314	\$ 13	4.1%
Construction in progress	148	182	(34)	-18.7%
Buildings and improvements	9,392	9,242	150	1.6%
Equipment and administrative software	221	222	(1)	-0.5%
Internally developed software	6	7	(1)	-14.3%
Total capital assets	\$10,094	\$ 9,967	\$ 127	1.3%
Less: accumulated depreciation	(4,100)	(3,817)	(283)	-7.4%
Total capital assets, net	\$ 5,994	\$ 6,150	\$(156)	-2.5%

**Debt and Capitalized Lease Obligations**

In fiscal year 2017, the Board issued two series of long-term fixed rate bonds. First, \$150 million in Unlimited Tax GO Bonds which carried a discount of \$13.7 million, and \$729.6 million in Dedicated Revenue Capital Improvement Tax Bonds including a discount of \$22.3 million. The proceeds of the both series of bonds were used to finance expenditures related to the Board's capital improvement program, fund capitalized interest, and pay the cost of issuance. A portion of the proceeds of the CIT Bonds was also deposited into a consolidated debt service reserve fund.

A total of \$57 million was deposited into a capitalized interest account to pay for future debt payments. CPS recorded net proceeds of \$764.7 million in the Capital Improvement Fund. The debt service on the GO Bonds will be paid from General State Aid (GSA). The debt service on the CIT Bonds will be paid by a levy of a capital improvement tax that is outside the Board's property tax cap limitation. As of June 30, 2017, CPS had \$8.228 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus \$7.530 billion last year, an increase of 9.3%. For more detailed information, please refer to Notes 9 and 10 to the basic financial statements.



**Overview of Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All CPS funds are reported in the governmental funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of CPS' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CPS' fund financial statements provide detailed information about the most significant funds. CPS' governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of CPS' services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of CPS' operations and the services it provides.

CPS maintains three governmental funds: General Operating, Capital Projects, and Debt Service. The following schedules present a summary of the General Operating Fund, Capital Projects Fund and Debt Service Fund revenues, and other financing sources by type and expenditures by program for the period ended June 30, 2017, as compared with June 30, 2016. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

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**Governmental Funds  
Total Revenues, Other Financing Sources and Expenditures  
(In Millions)**

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
<b>Revenues:</b>					
Property taxes	\$2,715	\$2,409	40.4%	\$ 306	12.7%
Replacement taxes	228	162	3.4%	66	40.7%
State aid	1,709	1,552	25.5%	157	10.1%
Federal aid	784	809	11.7%	(25)	-3.1%
Interest and investment earnings	5	(96)	0.1%	101	105.2%
Other	387	437	5.8%	(50)	-11.4%
Subtotal	\$5,828	\$5,273	86.8%	\$ 555	10.5%
Other financing sources	886	740	13.2%	146	19.7%
Total	\$6,714	\$6,013	100.0%	\$ 701	11.7%
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction	\$2,859	\$2,971	47.1%	\$(112)	-3.8%
Pupil support services	441	448	7.3%	(7)	-1.6%
General support services	985	1,045	16.2%	(60)	-5.7%
Food services	200	201	3.3%	(1)	-0.5%
Community services	40	38	0.7%	2	5.3%
Teachers' pension and retirement benefits	709	664	11.7%	45	6.8%
Other	13	7	0.2%	6	85.7%
Capital outlay	217	308	3.6%	(91)	-29.5%
Debt service	570	481	9.4%	89	18.5%
Subtotal	\$6,034	\$6,163	99.4%	\$(129)	-2.1%
Other financing uses	36	231	0.6%	(195)	-84.4%
Total	\$6,070	\$6,394	100.0%	\$(324)	-5.1%
Net change in fund balances	\$ 644	\$ (381)			



**General Operating Fund**

The general operating fund supports the day-to-day operation of educational and related activities.

**Revenues and Other Financing Sources  
(Millions of Dollars)**

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property taxes .....	\$2,614	\$2,314	50.8%	\$ 300	13.0%
Replacement taxes (PPRT) .....	170	116	3.3%	54	46.6%
State aid .....	1,288	1,399	25.0%	(111)	-7.9%
Federal aid .....	752	776	14.6%	(24)	-3.1%
Interest and Investment earnings .....	2	1	0.0%	1	100.0%
Other .....	265	272	5.1%	(7)	-2.6%
Subtotal .....	\$5,091	\$4,878	98.9%	\$ 213	4.4%
Other financing sources .....	59	50	1.1%	9	18.0%
Total .....	<u>\$5,150</u>	<u>\$4,928</u>	<u>100.0%</u>	<u>\$ 222</u>	<u>4.5%</u>

**Property tax** revenues increased by \$300 million in fiscal year 2017 as a result of a new 0.383% teacher pension levy approved by state statute. In addition, collections from the existing levies were higher due to growth in the Consumer Price Index for All Urban Consumers (CPI-U) of 0.7% and new property added to the tax base. Collections received on or before August 29, 2017 were recognized as revenues under the modified accrual basis of accounting.

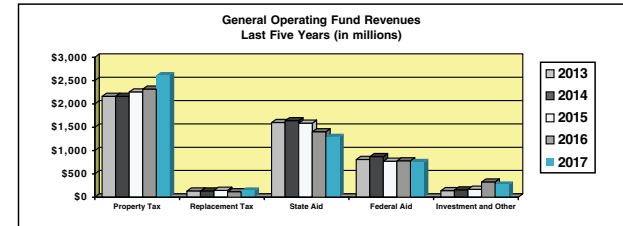
**Personal property replacement tax (PPRT)** revenues are primarily composed of additional State income taxes on corporations and partnerships. These revenues increased by \$54 million due to a state accounting system change which provided a one-time increase to the statewide PPRT Fund of \$236 million. In addition, the State released local municipalities from making requested repayments attributed to the prior years' errors in distributing PPRT funds to local taxing districts.

**State aid** revenues decreased by \$111 million, as a result of the delay in payments by the state, due primarily to the effects of the budget impasse and the bill backlog the State accrued over the last two years. While CPS' overall state aid allocation was considerably higher in fiscal year 2017 than in fiscal year 2016 (due to the state's enactment of a hold harmless for General State Aid, creation of a new Equity Grant, and increase in Early Childhood appropriations), payments not received by CPS within the revenue recognition period, were not recognized as revenue for governmental funds financial reporting purposes.

**Federal aid** decreased by \$24 million in fiscal year 2017 due to the decrease of 6% of Title I allocation and smaller allocations decreases in other miscellaneous grants in fiscal year 2017.

**Interest and investment earnings** totaled \$2 million for fiscal year 2017, which is a 100% increase from the prior year. The CPS investment policy dictates that investments in the operating fund are to be shorter in duration in order to maintain liquidity. CPS ended 2017 with higher investment earnings from the prior year mainly due to moderate increases in short-term interest rates and higher available cash on hand.

**Other** revenues are derived from local sources such as intergovernmental revenues, Tax Increment Financing ("TIF") surplus funds and other miscellaneous revenues. TIF surplus funds received, along with the new "Transit" TIF funds allocated to CPS from the City of Chicago accounted for \$82 million of the \$265 million recorded in fiscal year 2017.



**Expenditures:  
(In Millions)**

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Salaries .....	\$2,397	\$2,476	45.3%	\$ (79)	-3.2%
Benefits .....	1,321	1,326	24.9%	(5)	-0.4%
Services .....	1,211	1,226	22.9%	(15)	-1.2%
Commodities .....	251	271	4.7%	(20)	-7.4%
Other .....	118	115	2.2%	3	2.6%
Total .....	<u>\$5,298</u>	<u>\$5,414</u>	<u>100.0%</u>	<u>\$(116)</u>	<u>-2.1%</u>

**Salaries** decreased by \$79 million or 3.2% due to a reduction in teacher and ESP employee headcount over the course of fiscal year 2017, which directly resulted in a reduction in salary expense. Expanded outsourcing of facilities management services also contributed to the additional decrease in salaries from 2016, as these costs shifted to vendor payments for professional services.

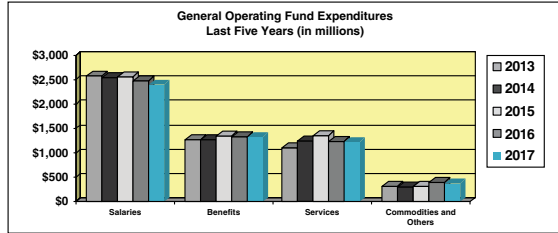
**Benefits** expenses decreased by a total of \$5 million in fiscal year 2017. This change is a combined decrease comprised of \$41 million in hospitalization expense (due to healthcare plan design change, lower claims, and lower enrollment from reduced staff and outsourcing) and \$4 million in Medicare and Unemployment Compensation expense reductions. CPS also realized a \$38 million increase in pension expense driven by growth in its contribution to the Chicago Teachers' Pension Fund.

**Services** expenses decreased by \$15 million or 1.2%, driven by \$37 million in reduced payments to charter schools. These reductions were the result of mid-year budget cuts and district-wide savings initiatives, from which charter schools received a proportionate reduction in funding. Conversely, professional services also showed increases of \$26 million for non-technical services due to the expanded outsourcing of facilities management and other services, of which some of the costs were previously payroll expenses. Vendor contract fees for these services are included here.

**Commodities** expenses decreased in fiscal year 2017 by 7.4% or \$20 million, due largely to lower spend on food services (\$4 million); utility costs (\$1 million); and instructional materials (\$10 million). These costs were lower as a result of reductions in school discretionary spending and the implementation of deferred payment options for textbooks.







**Capital Projects Fund**

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The use of Capital Projects Funds is required for major capital acquisition and construction activities financed through borrowing or other financing agreements.

**Revenues and Other Financing Sources  
(In Millions)**

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property Taxes	\$ 48	\$ 43	5.2%	\$ 5	11.6%
State aid	30	39	3.2%	(9)	-23.1%
Federal aid	7	8	0.8%	(1)	-12.5%
Interest and investment earnings	2	—	0.2%	2	100.0%
Other	21	63	2.3%	(42)	-66.7%
Subtotal	\$108	\$153	11.7%	\$(45)	-29.4%
Other financing sources	\$818	\$379	88.3%	\$439	115.8%
Total	\$926	\$532	100.0%	\$394	74.1%

**Property tax** revenues were collected in the Capital Projects Fund again in fiscal year 2017, as a result of the Chicago City Council authorized Capital Improvement Tax in 2016. Net collections received were \$48 million, an increase of \$5 million from fiscal year 2016. These funds are restricted for capital project expenditures only.

**State aid** revenues decreased by \$9 million from fiscal year 2016 due to lower cash receipts for restricted state grants for capital construction.

**Federal aid** revenues in fiscal year 2017 decreased by \$1 million due to a \$5 million decrease in reimbursements for federal noise abatement grants offset by a \$4 million increase in E-Rate reimbursements from the Federal Communications Commission.

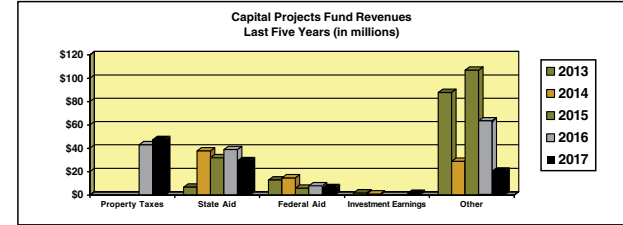
**Other** revenues were \$42 million or 66.7% lower in fiscal year 2017 from 2016, due to a decrease in capital project related cash reimbursements from Intergovernmental Agreement (IGA) revenues from the City of Chicago, other revenues in relation to the Modern Schools Across Chicago initiative and projects supported by TIF funds.

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**Other financing sources** increased \$439 million or 115.8% due to the CIT bond issuance in July 2016.

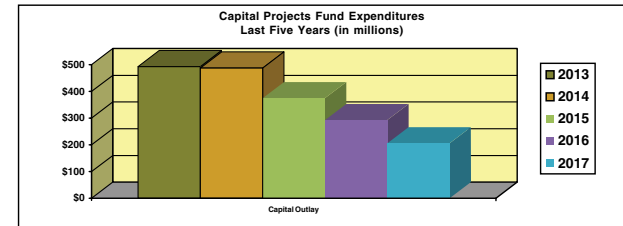


**Expenditures:  
(in Millions)**

	2017 Amount	2016 Amount	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Capital Outlay	\$205	\$293	\$(88)	-30%

**Capital outlay**

The actual spending on capital outlay decreased in 2017, as a result of CPS' limited capital market access at the time the annual capital plan was being developed. Fewer projects were initiated in 2016, which led to lower spending in 2017 (due to the extended time needed to complete many capital projects). Capital spending in fiscal year 2017 was funded from both capital dedicated property tax revenues and bond proceeds from prior year issuances. Encumbrances in the capital funds as of June 30, 2017 totaled \$266.2 million.

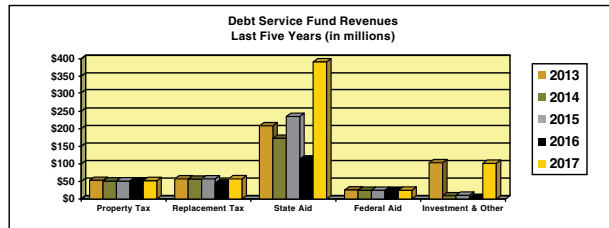


**Debt Service Fund**

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest on bonds and lease obligations.

Revenues and Other Financing Sources  
(In Millions)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property taxes	\$ 53	\$ 52	7.6%	\$ 1	1.9%
Replacement taxes (PPRT)	58	46	8.3%	12	26.1%
State aid	391	114	56.1%	277	243.0%
Federal aid	25	25	3.6%	—	0.0%
Interest and investment earnings	1	(97)	0.1%	98	101.0%
Other	101	102	14.5%	(1)	-1.0%
Subtotal	\$629	\$242	90.2%	\$ 387	159.9%
Other financing sources	68	296	9.8%	(228)	-77.0%
Total	\$697	\$538	100.0%	\$ 159	29.6%



Property tax revenues remained flat from fiscal year 2016, as there was no change in the levy extension, which drives the collection of these funds used to pay down debt service obligations.

Personal property replacement tax (PPRT) revenues increased by \$12 million or 26.1% from fiscal year 2016, as a result of a state accounting system change which provided a one-time increase to the statewide PPRT Fund.

State aid revenues related to debt service for fiscal year 2017 are comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). A total of \$391 million in revenues from these and other sources was allocated to support outstanding debt, an increase of \$277 million from fiscal year 2016, due to bond restructuring which temporarily suppressed costs associated with the debt service requirements in fiscal year 2016.

Federal aid totaling \$25 million in fiscal year 2017 remained unchanged from fiscal year 2016. These revenues are attributed to receipts on behalf of Federal subsidies from the issuance of Build America Bonds ("BABs").

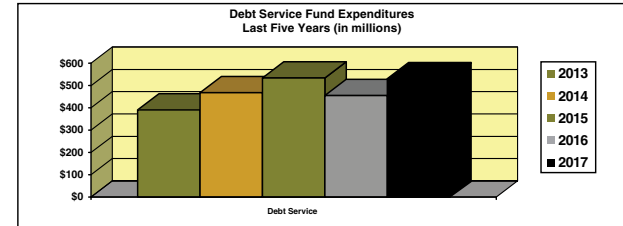
Interest and investment earnings totaled \$1 million in 2017 after showing net investment losses of \$93 and \$97 million in 2015 and 2016, respectively. These prior year losses were a result of the termination of various interest rate swap agreements. The Board also recognized revenue due to the termination of an investment agreement, which netted \$4 million in funds to be returned back the Board, as well as the recording of market value changes of securities in compliance with applicable GASB standards.

Other revenues account for one-time local revenues and/or the disbursement of property tax revenues from the City of Chicago (based on specific IGAs) allocated for debt service. These revenues were \$1 million lower than in fiscal year 2016.

Other financing sources reflect a decrease of \$228 million in fiscal year 2017 due to net proceeds received from debt issuances in the current year totaling just \$67.9 million versus \$296.1 million in the prior year.

Expenditures:  
(in Millions)

	2017 Amount	2016 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Debt Service	\$531	\$455	\$76	17%



Debt service costs

The overall debt service cost for fiscal year 2017 increased by \$76 million, primarily due to the principal repayments on new issues. The amount paid for other fees was similar when compared to fiscal year 2016.

Notes to the Basic Financial Statements

The notes to the basic financial statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Comparative Budgets for General Operating Fund

In August 2015, the Board adopted a balanced budget for fiscal year 2016 that reflected total resources including \$79 million of available fund balances, and appropriations of \$5.691 billion.

In August 2016, the Board adopted a balanced budget for fiscal year 2017 that reflected total resources including \$81 million of available fund balances, and appropriations of \$5.460 billion. In February 2017, the Board adopted a final amended budget for fiscal year 2017 that reflected total resources including \$81 million of available fund balances, and appropriations of \$5.411 billion.

General Operating Fund Budget and Actual

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating Fund. All annual unencumbered appropriations lapse at fiscal year-end.



The following schedule presents a summary of the operating fund revenues, expenditures, and other financing sources in comparison with the final budget for the period ended June 30, 2017.

The General Operating Fund ended fiscal year 2017 with a deficit of \$148 million, which compared unfavorably with the budgeted deficit of \$81 million. Major budget-to-actual variances are described below:

**Revenues, Other Financing Sources & Expenditures  
General Operating Fund  
Budget to Actual Comparison  
(In millions)**

	Fiscal Year 2017 Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Appropriations	Fiscal Year 2017 Actual	Over (under) Budget
<b>Revenues:</b>					
Property taxes	\$2,608	\$ —	\$2,608	\$2,614	\$ 6
Replacement taxes	131	—	131	170	39
State aid	1,499	—	1,499	1,288	(211)
Federal aid	830	—	830	752	(78)
Interest and investment earnings	—	—	—	2	2
Other	263	—	263	265	2
Subtotal	\$5,330	\$ —	\$5,330	\$5,091	(239)
Other financing sources (uses)	—	—	—	59	59
Total	\$5,330	\$ —	\$5,330	\$5,149	\$(181)
<b>Expenditures:</b>					
<b>Current:</b>					
Salaries	\$2,350	\$ 68	\$2,418	\$2,397	\$ (21)
Benefits	1,361	(33)	1,328	1,321	(7)
Services	1,194	92	1,286	1,211	(76)
Commodities	249	23	272	251	(21)
Other	257	(150)	107	118	11
Total	\$5,411	\$ —	\$5,411	\$5,298	\$(113)
Change in fund balances	\$ (81)			\$ (148)	

**Property tax** revenues received in fiscal year 2017 generated a positive variance of \$6 million in property tax revenue and was due to a combination of a higher collections percentage, as compared to original estimates.

**Personal property replacement taxes (PPRT)** revenues received by CPS were \$39 million higher than budgeted. This was driven largely due to the fact that CPS budgeted to repay over-allocated PPRT revenues received in prior years, based on an error found in the Illinois Department of Revenue's (IDOR) calculation of the PPRT Fund distribution rate. As a result, local governments were informed their PPRT revenues would be considerably lower going forward, due to the correction of this error. Given this information, CPS budgeted fiscal year 2017 revenues lower than fiscal year 2016. In combination with reductions in budgeted PPRT Fund revenues, IDOR has since implemented a new accounting system which provided a one-time bump in PPRT Fund revenues and thereby exceeded any downward adjustment in distribution rate that was budgeted.

FINANCIAL SECTION

FINANCIAL SECTION

**State aid** received by CPS in fiscal year 2017 was \$211 million lower than anticipated. The fiscal year 2017 budget relied on a state contribution of \$111 million for the normal cost to the Chicago Teachers' Pension Fund, which upon veto of the legislation that would have provided such funding, never came to fruition. In addition, the state backlog of bills caused a delay in the payment of block grant funding for CPS.

**Federal aid** revenues were \$78 million below budget due to a lower than expected spend. Lunchroom revenue was \$4 million below budget because fewer meals were served, thus reducing CPS' reimbursement (but with an associated cost reduction). Medicaid revenues received were lower by \$21 million than budgeted due to lower than projected enrollment and reimbursement rates. Other reimbursement based federal grant revenues were lower due to reduced spending in those grants. Title I was \$24 million below budget due to historic underspend at the school and district level. Title II (\$3 million) and Title III (\$5 million) were below budget because of lower claim amounts due to slower spending. Perkins, GEAR Up, and 21st Century (\$6 million) grants were below budget also due to delayed grant allocations and slower spending. School Improvement Grants and other submitted expected grants were lower because of \$15 million in anticipated grant funding that was not received during the school year.

**Other** local revenues comprise of miscellaneous or one-time receipts such as appropriated fund-balance, TIF surplus funds, rental income, daycare fees, private foundation grants, school internal account fund transfers, and flow-through employer contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago. Other local revenues were \$2 million higher than budget for fiscal year 2017. CPS saw a \$15 million shortfall in TIF surplus revenues due to timing of payments budgeted in fiscal year 2017 offset by higher than projected revenues from funds raised by schools, City of Chicago pension contributions for employees enrolled in the Municipal Employees' Annuity and Benefit Fund of Chicago, and other miscellaneous revenue sources.

**Expenditures**

Actual General Operating Fund expenditures were \$113 million under budget. CPS attributes these results to tighter spending restrictions, organization-wide savings initiatives, and mid-year budget cuts to make up for the shortfall in state revenue.

The variance is primarily due to the following:

**Salaries** expenses for the fiscal year 2017 totaled \$2.397 billion and resulted in a \$21 million positive variance from budget. Teacher salaries finished nearly on budget while career service salaries finished with a positive variance of \$21 million due to budget reductions and central hiring slowdowns.

**Benefits** costs are composed of health care (medical, dental, other), unemployment compensation, workers compensation, and pension costs. Benefit costs for fiscal year 2017 were \$1.325 billion and were \$7 million under budget due primarily to lower than expected spending on health care claims. For budgetary purposes, all funding is paid to charters as a "charter tuition" expense (aggregated under Services, below). However, pension payments made on behalf of eligible charter schools teachers are recorded as pension expense (included in this category). Charter schools currently reimburse CPS for this expense and the offsetting revenue is also recognized.

**Services** related to student transportation, tuition for charter schools and special education purposes, including contractual and professional services, telephone, printing and equipment rental, were budgeted at \$1.286 billion for fiscal year 2017. CPS ended the year \$75 million below budget in this category. The biggest positive variance to budget was a \$33 million underspend on charter school tuition, due to charter schools receiving a proportionate share of central and school-based budget cuts. The remaining \$43 million of underspend was driven by spending slowdowns, district-wide savings initiatives, transportation savings, and reduced professional development.



**Commodities** expenditures of \$251 million are derived from utility, food for school breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by \$21 million. Savings on supplies totaled \$10 million and was due primarily to mid-year budget reductions to schools and central office departments. Utilities costs were \$6 million lower than budget due to lower than anticipated electric and gas consumption and favorable commodity pricing. Savings of \$2 million in food costs was the result of fewer meals served than were budgeted. An additional \$2 million in textbook savings was due to school underspend.

**Other** expenditures includes equipment, facility rental, insurance, repairs, and for budgetary purposes, contingencies for new grants. In total, spending for the "other" category ended the year at \$11 million over budget. This category included budgeted savings for various organizational savings initiatives, including some that did not materialize, driving the negative variance to budget.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. Additional details can be requested by mail at the following address:

The Chicago Public Schools  
 Department of Finance  
 42 West Madison Street, 2<sup>nd</sup> Floor  
 Chicago, Illinois 60602

Or visit our website at: [http://cps.edu/About\\_CPS/Financial\\_information/Pages/Annualreport.aspx](http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx) for a complete copy of this report and other financial information.

*(Please note that some amounts may not tie to the financial statements due to rounding.)*

FINANCIAL SECTION

FINANCIAL SECTION

**CHICAGO PUBLIC SCHOOLS**  
**Chicago Board of Education**

**STATEMENT OF NET POSITION**

June 30, 2017

(Thousands of Dollars)

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>Assets:</b>	
<b>Current Assets:</b>	
Cash and investments	\$ 120,596
Cash and investments in escrow	952,521
Cash and investments held in school internal accounts	41,288
Property taxes receivable, net of allowance	1,395,299
Other receivables:	
Replacement taxes	32,296
State aid, net of allowance	431,478
Federal aid, net of allowance	98,148
Other, net of allowance	62,089
Other assets	2,677
<b>Total current assets:</b>	<b>\$ 3,137,192</b>
<b>Non-current Assets:</b>	
Cash and investments in escrow	501,641
Land and construction in progress	475,038
Buildings, building improvements and equipment, net of accumulated depreciation	5,519,324
<b>Total non-current assets:</b>	<b>\$ 6,496,003</b>
<b>Total Assets</b>	<b>\$ 9,633,195</b>
<b>Deferred Outflows of Resources:</b>	
Deferred charge on refunding	140,759
Deferred pension outflows	1,245,918
<b>Total deferred outflow of resources:</b>	<b>\$ 1,387,677</b>
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Accounts payable	404,731
Accrued payroll and benefits	201,984
Amount held for student activities	41,288
Due to Teacher's Pension Fund	248,990
Grant Anticipation Note	386,964
Tax Anticipation Note	950,000
Other accrued liabilities	12,589
Unearned revenue	1,389
Interest payable	72,863
Current portion of long-term debt and capitalized lease obligations	191,439
<b>Total current liabilities:</b>	<b>\$ 2,513,267</b>
<b>Long-term liabilities, net of current portion:</b>	
Debt, net of premiums and discounts	7,780,380
Capitalized lease obligations	74,395
Other accrued liabilities	17,251
Net pension liability	11,011,400
Other postemployment benefits	2,034,016
Other benefits and claims	424,372
<b>Total long-term liabilities:</b>	<b>\$ 21,341,814</b>
<b>Total liabilities</b>	<b>\$ 23,855,081</b>
<b>Deferred Inflows of Resources:</b>	
Deferred pension inflows	176,460
<b>Total deferred inflow of resources:</b>	<b>\$ 176,460</b>
<b>Net position (deficit):</b>	
Net investment in capital assets	(644,224)
<b>Restricted for:</b>	
Debt service	630,308
Capital projects	125,516
Grants and donations	52,287
Worker's comp/ort immunity	27,344
Unrestricted	(13,201,900)
<b>Total Net Position (deficit)</b>	<b>\$(13,010,669)</b>

The accompanying notes to the basic financial statements are an integral part of this statement.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017  
(Thousands of dollars)

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS</b>					
Governmental activities:					
Instruction	\$4,024,653	\$ 647	\$ 602,886	\$38,823	\$(3,382,297)
Support services:					
Pupil support services	472,176	—	70,612	4,555	(397,009)
Administrative support services	301,053	—	106,389	2,904	(191,760)
Facilities support services	465,170	—	69,564	4,487	(391,119)
Instructional support services	460,568	—	68,876	4,443	(387,249)
Food services	213,920	1,522	232,129	2,064	21,795
Community services	39,625	—	5,926	382	(33,317)
Interest expense	448,126	—	—	—	(448,126)
Other	12,691	—	—	—	(12,691)
Total governmental activities	<u>\$6,437,982</u>	<u>\$2,169</u>	<u>\$1,156,382</u>	<u>\$57,658</u>	<u>\$(5,221,773)</u>
General revenues:					
Taxes:					
Property taxes					\$ 2,696,046
Replacement taxes					227,921
Non-program state aid					1,212,143
Interest and investment earnings					5,442
Other					156,369
Gain on sale of capital assets					7,008
Total general revenues					<u>\$ 4,304,929</u>
Change in net position					(916,844)
Net position — beginning (deficit) as restated					(12,093,825)
Net position — ending (deficit)					<u>\$(13,010,669)</u>

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS  
June 30, 2017  
(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
<b>Assets:</b>				
Cash and investments	\$ 120,075	\$ —	\$ 521	\$ 120,596
Cash and investments in escrow	137,916	715,985	600,261	1,454,162
Cash and investments held in school internal accounts	41,288	—	—	41,288
<b>Receivables:</b>				
Property taxes, net of allowance	1,348,307	22,774	24,218	1,395,299
Replacement taxes	32,296	—	—	32,296
State aid, net of allowance	428,160	3,318	—	431,478
Federal aid, net of allowance	95,038	—	3,110	98,148
Other, net of allowance	15,390	6,281	41,218	62,889
Due from other funds	89,336	76,082	—	165,418
Other assets	—	—	2,356	2,356
Total assets	<u>\$2,307,806</u>	<u>\$824,440</u>	<u>\$671,684</u>	<u>\$3,803,930</u>
<b>Liabilities, deferred inflows of resources and fund balances (deficits)</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 376,904	\$ 23,458	\$ 4,369	\$ 404,731
Accrued payroll and benefits	132,427	—	—	132,427
Amount held for student activities	41,288	—	—	41,288
Due to other funds	76,082	2,967	86,369	165,418
Due to Teacher's Pension Fund	249,990	—	—	249,990
Tax Anticipation Notes	950,000	—	—	950,000
Grant Anticipation Notes	386,994	—	—	386,994
Unearned revenue	1,389	—	—	1,389
Interest Payable	36,534	—	—	36,534
Total liabilities	<u>\$2,251,608</u>	<u>\$ 26,425</u>	<u>\$ 90,738</u>	<u>\$2,368,771</u>
<b>Deferred inflows of resources:</b>				
Unavailable property tax revenue	\$ 40,273	\$ 182	\$ 670	\$ 41,125
Other unavailable revenue	291,155	5,247	3,110	299,512
Total deferred inflows of resources	<u>\$ 331,428</u>	<u>\$ 5,429</u>	<u>\$ 3,780</u>	<u>\$ 340,637</u>
<b>Fund balances (deficits):</b>				
Nonspendable	\$ 429	\$ —	\$ 2,356	\$ 2,785
Restricted for grants and donations	51,858	—	—	51,858
Restricted for workers' comp/tort immunity	27,344	—	—	27,344
Restricted for capital improvement program	—	792,586	—	792,586
Restricted for debt service	—	—	660,501	660,501
Unassigned	(354,861)	—	(85,691)	(440,552)
Total fund balances (deficits)	<u>\$ (275,230)</u>	<u>\$792,586</u>	<u>\$577,166</u>	<u>\$1,094,522</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$2,307,806</u>	<u>\$824,440</u>	<u>\$671,684</u>	<u>\$3,803,930</u>

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The accompanying notes to the basic financial statements are an integral part of this statement.

The accompanying notes to the basic financial statements are an integral part of this statement.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2017  
(Thousands of dollars)

Total fund balances — governmental funds	\$ 1,094,522
Certain items that are recorded as expenditures in the governmental funds are treated as assets in the Statement of Net Position. These items include:	
Prepaid bond insurance costs	321
Deferred outflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements	1,387,677
The cost of capital assets (land, buildings and improvements, equipment and software) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of CPS as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in the governmental funds.	
Cost of capital assets	10,094,415
Accumulated depreciation	(4,100,053)
Liabilities applicable to CPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Debt, interest payable on debt and other long-term obligations are not recorded in the governmental funds but they are reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.	
Other accrued liabilities	\$ (29,840)
Debt, net of premiums and discounts	(7,928,314)
Capitalized lease obligations	(117,900)
Net pension liability	(11,011,400)
Net other postemployment benefits obligation	(2,034,016)
Other benefits and claims	(493,929)
Interest payable	(21,615,399)
Other	(36,329)
Certain revenues are deferred inflows of resources in the governmental funds because they are not available but are recognized as revenue in the government-wide financial statements.	
Property tax revenue	41,125
Other	299,512
Deferred inflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements	(176,460)
Net position (deficit)	<u>\$ (13,010,669)</u>

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The accompanying notes to the basic financial statements are an integral part of this statement.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2017	Total Fiscal Year Ended June 30, 2016
<b>Revenues:</b>					
Property taxes	\$2,613,889	\$ 48,409	\$ 52,658	\$2,714,956	\$2,408,416
Replacement taxes	169,637	—	58,284	227,921	161,535
State aid	1,287,702	30,150	391,013	1,708,865	1,552,325
Federal aid	752,295	6,653	24,995	783,943	808,999
Interest and investment earnings	1,964	2,077	1,401	5,442	(95,650)
Other	265,099	21,090	100,856	387,045	437,042
Total revenues	<u>\$5,090,586</u>	<u>\$108,379</u>	<u>\$629,207</u>	<u>\$5,828,172</u>	<u>\$5,272,667</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction	\$2,859,105	\$ —	\$ —	\$2,859,105	\$2,970,553
Pupil support services	441,324	—	—	441,324	448,254
Administrative support services	281,383	—	—	281,383	303,785
Facilities support services	376,376	—	—	376,376	380,989
Instructional support services	327,184	—	—	327,184	359,966
Food services	199,944	—	—	199,944	201,377
Community services	39,607	—	—	39,607	37,497
Teachers' pension and retirement benefits	708,941	—	—	708,941	664,123
Other	12,691	—	—	12,691	7,388
Capital outlay	12,468	204,835	—	217,303	308,091
Debt service	38,735	—	530,959	569,694	481,419
Total expenditures	<u>\$5,297,758</u>	<u>\$204,835</u>	<u>\$530,959</u>	<u>\$6,033,552</u>	<u>\$6,163,442</u>
Revenues in excess of (less than) expenditures	<u>\$ (207,172)</u>	<u>\$(96,456)</u>	<u>\$ 98,248</u>	<u>\$(205,380)</u>	<u>\$(890,775)</u>
<b>Other financing sources (uses):</b>					
Gross amounts from debt issuances	\$ —	\$811,619	\$ 67,961	\$ 879,580	\$ 724,999
Discounts	—	(36,097)	—	(36,097)	(110,071)
Insurance proceeds	224	—	—	224	—
Sales of general capital assets	—	6,272	—	6,272	15,012
Payment to refunded bond escrow agent	—	—	—	—	(120,856)
Transfers in / (out)	58,350	—	(58,350)	—	—
Total other financing sources (uses)	<u>\$ 58,574</u>	<u>\$781,794</u>	<u>\$ 9,611</u>	<u>\$ 849,979</u>	<u>\$ 509,084</u>
Net change in fund balances (deficits)	<u>\$ (148,598)</u>	<u>\$685,338</u>	<u>\$107,859</u>	<u>\$ 644,599</u>	<u>\$(381,691)</u>
Fund balances (deficits), beginning of period	<u>(126,632)</u>	<u>107,248</u>	<u>469,307</u>	<u>449,923</u>	<u>831,614</u>
Fund balances (deficits), end of period	<u>\$(275,230)</u>	<u>\$792,586</u>	<u>\$577,166</u>	<u>\$1,094,522</u>	<u>\$ 449,923</u>

The accompanying notes to the basic financial statements are an integral part of this statement.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES  
IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017  
(Thousands of dollars)

Total net change in fund balances — governmental funds .....	\$644,599
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.	
Capital outlay/equipment .....	\$ 146,808
Depreciation expense .....	(303,302)
	(156,494)
In the Statement of Activities, gain or loss on disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds are recorded .....	736
Proceeds from sales of bonds are reported in the governmental funds as a source of financing, whereas they are recorded as long-term liabilities in the Statement of Net Position .....	(879,580)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position .....	152,813
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities however, interest cost is recognized as the interest accrues, regardless of when it is due .....	(22,251)
Government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities .....	27,104
Since some property taxes and intergovernmental amounts will not be collected for several months after CPS' fiscal year end, they are not considered as "available" revenues in the governmental funds and are instead recorded as unavailable revenues. They are, however, recorded as revenues in the Statement of Activities. The following represents the change in related unavailable revenue balances.	
Property taxes .....	(27,960)
Federal grants .....	4,542
State grants and other revenues .....	(293,265)
In the Statement of Activities, pollution remediation obligation, vacant property demolition obligation, legal settlements, sick pay, vacation pay, workers' compensation and unemployment insurance, general and automobile liability, net pension liability, and other postemployment benefits are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paid when the amounts become due. The following represents the change during the year for these obligations.	
Pollution remediation obligation .....	(10,512)
Vacant property demolition obligation .....	1,005
Tort liabilities and other claims .....	(1,516)
Other litigation and claims .....	(5,143)
Sick pay .....	21,560
Vacation pay .....	1,740
Workers' compensation and unemployment insurance .....	601
General and automobile liability .....	(7,577)
Net pension liability .....	(228,275)
Other postemployment benefits — teacher .....	(138,971)
Change in net position .....	<u>\$ (916,844)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

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CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of the City of Chicago (the Board) or the Chicago Public Schools (CPS), is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the boundaries of the City of Chicago. The Board is established under and governed by the Illinois School Code and maintains a system of schools primarily for kindergarten through twelfth grade.

As a result of legislation passed by the Illinois General Assembly, which became effective on June 30, 1995, the Mayor of the City of Chicago appoints the members of the Board. CPS is excluded from the City's reporting entity because it does not meet the financial accountability criteria for inclusion established by the Governmental Accounting Standards Board (GASB).

The City of Chicago, the Public Building Commission of Chicago (PBC) and the Public School Teachers' Pension and Retirement Fund of Chicago are deemed to be related organizations but separate entities, and are not included as part of the CPS reporting entity. No fiscal dependency exists between these organizations. These units are excluded from the CPS reporting entity because they do not meet the criteria for inclusion as established by GASB.

New Accounting Standards

During fiscal year 2017, CPS adopted the following GASB Statements:

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability, and establishes requirements for those pensions and pension plans that are not administered through a trust and pensions and pension plans not covered by Statements 67 and 68. This implementation of the statement had no financial impact on CPS.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This Statement also sets forth note disclosure requirements for defined contribution OPEB plans. This implementation of the statement had no financial impact on CPS.
- GASB 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. See Note 15 for additional information on tax abatements.





NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This implementation of the statement had no financial impact on CPS.
- GASB 80, *Blending Requirements for Certain Component Units — An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units for all state and local governments established in paragraph 53 of Statement No.14, *The financial Reporting Entity, as amended*. This implementation of the statement had no financial impact on CPS.
- GASB 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68 and No.73*. This Statement addresses issues with (1) the presentation of payroll-related measures in required supplementary information stated in Statements No. 67 *Financial Reporting for Pension Plans* and No. 68 *Accounting and Financial Reporting for Pensions*, (2) the selection of Assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, stated in Statements No. 67, No. 68, and No.73 *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*, and (3) the classification of payments made by employers to satisfy employee contribution requirements as stated by Statements No. 67 and No. 68. Implementation of this pronouncement resulted in a restatement of beginning Net Position. See Note 12 for the impact of the implementation of this pronouncement and additional information on pensions.

Other accounting standards that CPS is currently reviewing for applicability and potential impact on future financial statements include:

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement issued in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplemental information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the fiscal year ending June 30, 2018. This Statement will have an effect on CPS and the OPEB liability will be added to the Statement of Net Position.
- GASB 81, *Irrevocable Split-Interest Agreements*. Statement issued in March 2016. This Statement provides accounting and financial reporting guidance for irrevocable split-interest agreements in

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- which a government is a beneficiary. This Statement is effective for the fiscal year ending June 30, 2018. This Statement will have no effect on CPS
- GASB 83, *Certain Asset Retirement Obligations*. Statement issued in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for the fiscal year ending June 30, 2019. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 84, *Fiduciary Activities*. Statement issued in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for CPS' fiscal year ending June 30, 2020, but CPS plans to early adopt the standard in fiscal year 2019.
- GASB 85, *Omnibus 2017*. Statement issued in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for CPS' fiscal year ending June 30, 2018. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 86, *Certain Debt Extinguishment Issues*. Statement issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for CPS' fiscal year ending June 30, 2018. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 87, *Leases*. Statement issued in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for CPS' fiscal year ending June 30, 2021. Management has not determined what impact, if any, this Statement will have on its financial statements.

Description of Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*.





**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the GASB requirements of accounting and financial reporting for non-exchange transactions. Deferred outflows of resources represent consumption of resources that are applicable to future reporting periods and are reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that are applicable to future reporting periods and are reported in a separate section after liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside CPS' taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

CPS reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the activities of CPS. Interfund balances have been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. State and Federal grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, State aid, Federal aid, replacement taxes, IGA, and other revenue are considered to be available if collected within 60 days of fiscal year end.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, other postemployment benefits, pension benefits and pollution remediation obligations, are recorded only when payment is due.

**Funds**

CPS reports its financial activities through the use of "fund accounting". This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

**Governmental Funds**

*a. General Operating Fund*

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

- Educational Program
- Supplementary General State Aid Program
- School Food Service Program
- Elementary and Secondary Education Act (ESEA) Program
- Individuals with Disabilities Education Act (IDEA) Program
- Workers' and Unemployment Compensation/Tort Immunity Program
- Public Building Commission Operations and Maintenance Program
- Chicago Teacher's Pension Fund Pension Levy Program
- Other Government-Funded Programs

*b. Capital Projects Fund*

The Capital Projects Fund includes the following programs:

*Capital Asset Program* — This program is for the receipt and expenditure of the proceeds from the sale of certain Board real estate and other miscellaneous capital projects revenues from various sources as designated by the Board.

*Capital Improvement Program* — This program is for the receipt and expenditure of proceeds from the sale of Unlimited Tax GO Bonds, (PBC) Building Revenue Bonds, State of Illinois Construction Grants, Federal E-rate capital subsidies and other revenues for the purpose of building and improving schools as designated by the Board. The bonds are being repaid in the Debt Service Fund.

*c. Debt Service Fund*

The Debt Service Fund includes the following programs:

*Bond Redemption and Interest Program* — This program is for the receipt and expenditure of Replacement Taxes, City of Chicago IGA revenue, State of Illinois Construction Grants, General State Aid and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the PBC for school buildings are recorded in this program. The title to these properties passes to the City of Chicago, in trust for the use of CPS, at the end of the lease terms.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Deposits and Investments

CPS' cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, State statutes authorize CPS to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool. CPS' investments are reported at fair value.

Cash and Investments in Escrow

Certain proceeds of CPS' bond issuances, as well as certain assets set aside for their repayment, are classified as cash and investments in escrow on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Property Tax Receivable

CPS records its property tax receivable amounts equal to the current year tax levy net of an allowance for estimated uncollectible amounts. The allowance is recorded at 3.5% of the gross levy.

A calendar year's property tax levies are billed (extended) in two installments in the subsequent calendar year. Calendar year 2016 property taxes were levied for fiscal year 2017 in August 2016 and were billed in fiscal year 2017. In 2017, the installment due dates were March 1 and August 1. Property taxes unpaid after these dates accrue interest at the rate of 1.5% per month. The treasurers of Cook and DuPage counties, who distribute such receipts to CPS, receive collections of property tax installments. CPS' property tax becomes a lien on real property on January 1 of the year for which it is levied. CPS does not record a receivable nor related deferred inflows of resources until the Board passes the levy for the current fiscal year.

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

Capital Assets

Capital assets—which include land, construction in progress, buildings, building improvements, equipment and software—are reported in the governmental activities columns in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment and administrative software/systems is a unit cost of \$25,000 or more. CPS capitalizes internally developed software with a capitalization threshold of \$75,000 or more. Donated capital assets are recorded at acquisition value.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Beginning in fiscal year 2005, CPS implemented procedures related to impairment of assets. Generally, a capital asset is considered impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle.

Depreciation of buildings, building improvements, equipment and software is calculated using the straight-line method. CPS' capital assets have the following estimated useful lives:

Assets	Years
Buildings and building improvements	25-50
Administrative software/systems	20
Internally developed software	3
Equipment	5

Depreciation of buildings and building improvements placed in service prior to fiscal year 2002 was calculated using a composite rate that CPS estimated to be 32 years. For items placed in service subsequent to fiscal year 2001, CPS utilizes the estimated useful lives for specific components within the range noted above.

Vacation and Sick Pay

CPS provides vacation and sick pay benefits for substantially all of its employees. Accrued sick pay benefits were computed using the termination payment method. The liability for accrued vacation pay benefits was computed using the employees' actual daily wages. Please refer to Note 11 for accruals.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable as reported includes the unamortized balances of bond premiums and discounts. Prepaid insurance costs are reported as other assets.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions — In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago and additions to/ deductions from the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago fiduciary net position have been determined on the same basis as they are reported by the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fund Balances*

Within the governmental fund types, CPS' fund balances are reported in one of the following classifications:

*Nonspendable* — includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted* — includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

*Committed* — includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of CPS' highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless CPS removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. CPS' highest level of decision-making authority rests with CPS' Board of Education. CPS passes formal resolutions to commit their fund balances. There are no committed fund balances as of June 30, 2017.

*Assigned* — includes amounts that are constrained by CPS intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) CPS' Board of Education itself or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. As of fiscal year 2017, CPS' Board has not delegated the authority to assign amounts to be used for specific purposes to a body or official. CPS' Board of Education assigns amounts for a specific purpose within the General Operating Fund. Within the other governmental fund types (debt service and capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

*Unassigned* — includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

In the General Operating Fund and other governmental funds (capital projects and debt service fund types), it is CPS' policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Note: There is a negative fund balance in the General Operating Fund.

*Net Position*

The Statement of Net Position includes the following:

*Net investment in capital assets* — the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

*Restricted for debt service* — the component of net position with constraints placed on the use of debt service resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Restricted for capital projects* — the component of net position with constraints placed on the use of capital project resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

*Restricted for grants and donations* — the component of net position that reports the difference between assets and liabilities of the certain programs that consists of assets with constraints placed on the use of resources are either: a) externally imposed by grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

*Restricted for workers' compensation/tort immunity* — the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* — consists of net position that does not meet the criteria of the five preceding categories.

*Comparative Data*

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPS' financial statements for the year ending June 30, 2016, from which the summarized information was derived.

*Management's Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating, Capital Projects and Debt Service funds. Unencumbered appropriations, in General Operating and Debt Service funds, lapse at fiscal year-end.

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

The Capital Projects Fund is budgeted on a project-by-project basis. Budgeted amounts in the Capital Projects Fund represent the entire project budget for projects that were expected to commence in fiscal year 2017. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

**NOTE 3. PROPERTY TAXES AND STATE AID REVENUE**

*a. Property Taxes* — CPS levies property taxes using tax levy rates established by statute and an equalized assessed valuation (EAV) estimated by CPS. The maximum billing (extension) of property taxes for the rate-limited Educational Levy in any calendar year is limited to the lesser of the tax rate established by statute multiplied by the EAV known at the time the final calendar year tax bills are calculated by the Cook and DuPage County Clerks, or the tax rates established by statute multiplied by the prior year EAV. Property taxes for the levies that are not rate-limited are levied based on the estimated requirements for such funds.

As part of the annual budgetary process, CPS adopts a resolution each December in which it is determined to levy real estate taxes. In fiscal year 2017, CPS adopted a resolution for tax levy in August 2016 because that tied public discussion of the tax levy more closely with the budget that the levy was going to fund and CPS needed to do short term borrowing against the levy. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in prescribed form must be published and a public hearing must be held if the aggregate annual levy exceeds 105% of the levy of the preceding year.

Since the 1994 levy year, CPS has been subject to the Property Tax Extension Limitation Law (PTELL). The PTELL, commonly known as the property-tax cap, is designed to limit the increases in property taxes billed for non-home rule taxing districts. The growth in a taxing district's aggregate extension base is limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The CPI used is for all urban consumers for all items as published by the U.S. Department of Labor, Bureau of Labor Statistics. This limitation can be increased for a taxing body with voter approval. The PTELL allows a taxing district to receive a limited annual increase in tax extensions on existing property, plus an additional amount for new construction. This limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation.

Legal limitations on tax rates and the rates extended in calendar years 2017 and 2016 are shown below.

	Maximum 2017 Legal Limit	Tax Rates Extended Per \$100 of EAV	
		2017	2016
<b>General Operating Fund:</b>			
Educational	(A)	\$3.115	\$3.205
Teachers Pension	(B)	0.367	N/A
Workers' and Unemployment Compensation/Tort Immunity	(C)	0.107	0.111
<b>Debt Service Fund:</b>			
Public Building Commission Leases Program	(D)	0.072	0.075
<b>Capital Projects Fund:</b>			
Capital Improvement	(E)	0.065	0.064
		<u>\$3.726</u>	<u>\$3.455</u>



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**NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)**

- A. The maximum legal limit for educational purposes under PTELL cannot exceed \$4.00 per \$100 of EAV (105 ILCS 5/34-53), and the total amount billed (extended) under the General Operating Fund is subject to the PTELL as described above.
- B. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS for the Teacher Pension. The law creating the Teacher Pension levy became effective in 2016 (105 ILCS 5/34-53). For calendar year 2016 the Teacher Pension levy tax rate cannot exceed \$0.383 per \$100 of EAV and for calendar year 2017 and all later years the tax rate cannot exceed \$0.567 per \$100 of EAV. Property tax collections for the Teacher Pension levy are paid directly to the Chicago Teacher Pension Fund by the County Treasurer. The Board authorized the initial Teacher Pension levy for \$271.8 million in calendar year 2016 for collection in 2017.
- C. These tax rates are not limited by law, but are subject to the PTELL as described above.
- D. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS to make its lease payments related to the certificates of participation debt obligations.
- E. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS for the Capital Improvement Tax (CIT). Per (105 ILCS 5/34-53.5), the CIT act became effective in 2002 and requires the initial levy of the CIT made by the Board to be authorized by a one-time approval of the Chicago City Council, which approved the CIT in 2015. The Board authorized the initial levy of the CIT for \$45 million in calendar year 2015 for collection in 2016. The CIT Act establishes maximum authorized amounts of the CIT that can be levied each calendar year equal to the cumulative inflationary growth on a base of \$142.5 million starting in 2003.

Note: The City of Chicago established a Transit TIF levy to provide a portion of the matching funds required to leverage more than \$1 billion in federal funding for Chicago Transit Authority capital projects. The City received its first Transit TIF distribution on July 11, 2017. A portion of the levy was distributed to various taxing districts within the city including Chicago Public Schools. The incremental revenue generated by the Transit TIF attributable to CPS is projected to be \$9.3 million (gross). The tax cap limitation contained in the PTELL does not apply to the taxes received by CPS for the Transit TIF.

*b. State Aid* — The components of State Aid as reported in the financial statements are as follows \$(000's):

	Fund Financial Statements	Government Wide- Financial Statements
<b>Revenues:</b>		
General state aid unrestricted	\$ 813,716	\$ 813,735
Supplementary general state aid	261,000	261,000
Educational services block grant	448,721	137,408
Other restricted state revenue	185,428	212,339
Total state aid	<u>\$1,708,865</u>	<u>\$1,424,482</u>
<b>Program Revenues:</b>		
Operating grants and contributions		(212,339)
Non-program general state aid		<u>\$1,212,143</u>



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**NOTE 4. CASH DEPOSITS AND INVESTMENTS**

Cash and investments held in the name of CPS are controlled and managed by CPS' Treasury Department; however, custody is maintained by the Treasurer of the City of Chicago, who is the designated ex-officio Treasurer of CPS under the Illinois School Code. Custody is not maintained by the Treasurer of the City of Chicago for cash and investments in escrow and the schools' internal accounts. The cash and investments in escrow in the General Operating Fund represent deposits for the repayment of short term borrowing held by an escrow agent. The cash and investments in escrow in the Debt Service Fund represent the amount available for debt service payments on the Unlimited Tax GO Bonds and PBC Leases. The cash and investments in escrow in the Capital Projects Fund represent the unspent proceeds from the Unlimited Tax GO Bonds and other revenues.

**Cash and Deposits**

With the exception of school internal accounts, as designated by the Board, the Municipal Code of Chicago requires that cash be deposited only in chartered banks or savings and loan associations that are on the City of Chicago's approved depository listing. The ordinances allow only regularly organized State or national banks insured by the Federal Deposit Insurance Corporation, and Federal and State savings and loan associations insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation located within the City of Chicago, to be designated depositories.

*Custodial Credit Risk* — Custodial credit risk for deposits is the risk that in the event of a financial institution failure, CPS deposits may not be returned. The CPS Investment Policy requires collateral with an aggregate market value of not less than 110% of the original acquisition price, including principal and accrued interest, on depository account balances, banker's acceptances and certificates of deposit unless the bank meets certain rating and/or asset size requirements unless either: 1) the bank has assets exceeding \$500 million; or 2) the applicable instrument is insured at the time of purchase by an entity with long-term ratings in one of the highest 2 classifications without regard to gradation, in which case collateralization is not required. Collateral for CPS' bank accounts are held by a third-party custodian in the name of the City of Chicago Treasurer for the benefit of CPS. Collateral shall be only those securities authorized as allowable investments.

As of June 30, 2017, the book amount of CPS' deposit accounts was \$28.3 million. The bank balances totaled \$43.1 million as of June 30, 2017. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2017. The bank balance was covered by Federal depository insurance and by collateral held by third-party custodians.

Cash and Investments Held in School Internal Accounts, and the corresponding liability, Amount Held for Student Activities, represent the book balance for checking and investments for individual schools.

**Investments**

CPS' investments are authorized under the Illinois Compiled Statutes Finance Investment Act. The CPS Investment Policy is derived from this Act. The CPS Investment Policy authorizes CPS to invest in obligations guaranteed by the full faith and credit of the U.S. Government, certificates of deposit constituting direct obligations of banks, commercial paper, money market mutual funds, repurchase agreements, certain U.S. Government agency securities, and certain State and municipal securities that are rated at the time of purchase at A1/A+ or better by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision. All mutual funds purchased invest in eligible securities outlined in the parameters of the CPS Investment Policy and meet certain other regulatory requirements.

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**NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)**

The CPS Investment Policy contains the following stated objectives:

- Safety of Principal. Investments shall be undertaken in a manner that provides for the preservation of principal in the overall portfolio.
- Liquidity. The investment portfolio shall be sufficiently liquid to meet all reasonably anticipated operating and cash flow requirements.
- Rate of Return. The investment portfolio shall be constructed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.
- Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

*Custodial Credit Risk* — All CPS investment securities shall be held by a third party custodian in accordance with municipal ordinances to the extent required by state statute. The CPS treasurer shall periodically review the approved depositories to evaluate counterparty risk. In order to further reduce custodial risk, investments are registered and held in the name of CPS. The collateral requirements for investments with depository balances is the same as those for cash and deposits (disclosed above). Repurchase agreement investments are required to have collateral not less than 102% of the acquisition price.

At June 30, 2017, CPS had the following investments (\$('000's) and maturities:

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1-5 Years	Maturities 5-10 Years
Repurchase Agreements	A-/Baa2	\$ 11,457	\$ —	\$11,457	\$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	2,100	2,100	—	—
U.S. Treasury Notes	AA+/Aaa	91,660	—	6,590	85,070
U.S. Government State & Local Government Securities SLGS	AA+/Aaa	43,213	43,213	—	—
Money Market Mutual Funds	AAAm/Aaa-mf	1,439,312	1,439,312	—	—
Total Investments		\$1,587,742	\$1,484,625	\$18,047	\$85,070
Cash & CDs		28,304	—	—	—
Total Cash and Investments		\$1,616,046	\$1,484,625	\$18,047	\$85,070

*Interest Rate Risk* — The CPS Investment Policy requires maintenance of a two-tiered portfolio which limits the average maturity of the Liquidity Cash Management tier of the portfolio to six months, limits the average maturity of the Enhanced Cash Management tier of the portfolio to five years and limits the maturity of any single issue in the Enhanced Cash Management tier of the portfolio to 10 years.

*Credit Risk* — The CPS Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services. As of June 30, 2017, Moody's Investment Service rated CPS' investments in banker's acceptances and commercial paper A1+ or A1 by Standard and Poor's, and P-1 by Moody's. As of June 30, 2017, Standard and Poor's rated CPS' investments in money market mutual funds AAAm/Aaa-mf and municipal securities as A1/A+ or better as required by the CPS Investment Policy.

*Concentration of Credit Risk* — As of June 30, 2017, no issuer represented over 5% of total investments. Investments issued by the U.S. government and government agencies and investments in mutual funds are excluded from the concentration of credit risk.



**NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)**

CPS categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CPS has the following recurring fair value measurements \$(000's) as of June 30, 2017 using a matrix pricing model:

	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair market level:				
Debt securities				
U.S. Treasury Note	\$91,660	\$—	\$91,660	\$—
Total Investments measured at fair value	\$91,660	\$—	\$91,660	\$—

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools are measured at amortized cost and therefore excluded from the above fair value table. This exclusion includes money market funds, commercial paper, repurchase agreements and agency obligations held by CPS in the amount of \$1,496 million.

The following table provides a summary of CPS' total cash and investments by fund type as of June 30, 2017 \$(000's):

Fund	Amount
General Operating Fund	\$ 299,279
Capital Projects Fund	715,985
Debt Service Fund	600,782
Total Cash and Investments	\$1,616,046

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**NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES**

Receivables as of June 30, 2017 for CPS, net of the applicable allowance for uncollectible accounts, are as follows \$(000's):

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fund Financial Statements	Government-Wide Financial Statements
Property taxes	\$1,441,287	\$24,450	\$26,079	\$1,491,816	\$1,491,816
Replacement taxes	32,296	—	—	32,296	32,296
State aid	432,002	4,030	—	436,032	436,032
Federal aid	95,130	—	3,110	98,240	98,240
Other	20,093	12,398	41,218	73,709	73,709
Total receivables	\$2,020,808	\$40,878	\$70,407	\$2,132,093	\$2,132,093
Less: Allowance for uncollectibles —					
property tax	(92,980)	(1,676)	(1,861)	(96,517)	(96,517)
Less: Allowance for uncollectibles —					
state aid	(3,842)	(712)	—	(4,554)	(4,554)
Less: Allowance for uncollectibles —					
federal aid	(92)	—	—	(92)	(92)
Less: Allowance for uncollectibles —					
other	(4,703)	(6,117)	—	(10,820)	(10,820)
Total receivables, net	\$1,919,191	\$32,373	\$68,546	\$2,020,110	\$2,020,110

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2017, the components of unavailable revenue reported in the fund financial statements are as follows \$(000's):

Unavailable property tax revenue	\$ 41,125
Other unavailable revenue	299,512
Total deferred inflows of resources	\$340,637

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**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows \$(000's):

Government-wide activities:	Beginning Balance	Increases	Decreases and Transfers to In-Service	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 313,529	\$ 14,906	\$ (1,693)	\$ 326,742
Construction in progress	182,387	168,808	(202,899)	148,296
Total capital assets not being depreciated	\$ 495,916	\$ 183,714	\$(204,592)	\$ 475,038
Capital assets being depreciated:				
Buildings and improvements	\$ 9,241,738	\$ 178,766	\$ (28,054)	\$ 9,392,450
Equipment and administrative software	222,322	544	(2,051)	220,815
Internally developed software	6,889	176	(953)	6,112
Total capital assets being depreciated	\$ 9,470,949	\$ 179,486	\$ (31,058)	\$ 9,619,377
Total capital assets	\$ 9,966,865	\$ 363,200	\$(235,650)	\$10,094,415
Less accumulated depreciation for:				
Buildings and improvements	\$(3,699,816)	\$(280,266)	\$ 17,544	\$(3,962,538)
Equipment and administrative software	(110,849)	(22,687)	1,497	(132,039)
Internally developed software	(6,080)	(349)	953	(5,476)
Total accumulated depreciation	\$(3,816,745)	\$(303,302)	\$ 19,994	\$(4,100,053)
Capital assets, net of depreciation	\$ 6,150,120	\$ 59,898	\$(215,656)	\$ 5,994,362

Depreciation and impairment expenses were charged to functions/programs of CPS as follows \$(000's):

Governmental activities:	Depreciation Expenses	Impairment Expenses
Instruction	\$190,196	\$ 8,375
Pupil support services	29,358	1,293
Administrative support services	18,719	824
Facilities support services	25,038	1,103
Instructional support services	21,765	958
Food services	13,301	586
Total depreciation expense	\$298,377	\$13,139

**Asset Impairment**

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. In the absence of a property appraisal, the book values of these assets are adjusted to zero. Management reviews capital assets at year end for impairment.

At year end, CPS determined that most of the IMPACT system (for student attendance), originally implemented in fiscal year 2008 through 2009, with an estimated useful life of 20 years, has a



**NOTE 6. CAPITAL ASSETS (continued)**

remaining useful life of just 2 years. Accelerated depreciation of \$4.9 million was recorded to reflect this change in useful life. This accelerated depreciation is included in the impairment expense totals for fiscal year 2017.

During fiscal year 2017, as CPS reviewed pending real estate transactions related to school actions for closed schools, CPS recognized impairments totaling \$8.2 million related to various properties.

**NOTE 7. INTERFUND TRANSFERS AND BALANCES**

**Interfund Balances**

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying governmental fund financial statements.

General Operating Fund \$(000's):	
Due To Capital Improvement Program	\$(76,082)
Due From Capital Asset Program	2,967
Due From Bond Redemption and Interest Program	86,369
Total — Net due from (to) other funds	\$ 13,254
Capital Projects Fund \$(000's):	
Capital Asset Program — Due To General Operating Fund	\$ (2,967)
Capital Improvement Program — Due From General Operating Fund	76,082
Total — Net due from (to) other funds	\$ 73,115
Debt Service Fund \$(000's):	
Bond Redemption and Interest Program — Due to General Operating Fund	\$(86,369)

The purpose of interfund balances is to present transactions that are to be repaid between major programs at year end. The balances result from operating transactions between funds and are repaid during the fiscal year within the normal course of business.

The interfund balance due to the Capital Improvement Program from the General Operating Fund is expected to be repaid through a future bond issue.

**Interfund Transfers**

In fiscal year 2017, CPS transferred to the General Operating Fund \$58.3 million of debt restructuring savings from the Bond Redemption and Interest Program.

**NOTE 8. SHORT TERM DEBT**

**2016 Tax Anticipation Notes**

During fiscal year 2017, the Board closed on four series of 2016 Educational Purposes Tax Anticipation Notes (TANs) with a total capacity of \$1.55 billion for working capital purposes. Series 2016A1, A2, A3 TANs were issued as a direct placement with JP Morgan, and Series 2016A4 was issued as a direct placement with PNC Bank. Each series of TANs issued during fiscal year 2017 was structured as a single draws. The TANs provided liquidity support within the fiscal year.





**NOTE 8. SHORT TERM DEBT (continued)**

The 2016 TANs issued were first issued as follows \$(000's):

Description	Initial Advance Date	Amount
Series 2016A1	September 8, 2016	\$325,000
Series 2016A2	October 3, 2016	\$150,000
Series 2016A3	November 10, 2016	\$475,000
Series 2016A4	January 12, 2017	\$600,000

Each of the TANs are backed by the Board's 2016 Education Property Tax Levy collected in two installments in 2017. The tax levy collected by the counties are disbursed to a trustee and used to repay the TANs. When balances of the issues are fully repaid, all remaining levy monies are disbursed to the Board. The repayment date for the Series 2016A1, A2, A3 TANs is the earlier of 60 days after the second installment due date of tax year 2016 property taxes or December 15, 2017. The repayment date for the 2016A4 TANs was March 31, 2017.

**2017 Grant Anticipation Notes**

During fiscal year 2017, the Board closed on two series of 2017 Grant Anticipation Notes (GANs) with a total capacity of \$387 million for working capital purposes. Series 2017A, B GANs were issued as a direct placement with JP Morgan. The Series 2017A, B GANs were structured as single draws. The GANs provided liquidity support within the fiscal year.

The 2017 GANs issued were first issued as follows \$(000's):

Description	Initial Advance Date	Amount
Series 2017A	June 19, 2017	\$275,000
Series 2017B	June 26, 2017	\$112,000

Each of the GANs are backed by monies expected to be received by the Board and derived from certain grants from the State of Illinois. The grants were appropriated by the State for the fiscal year ended June 30, 2017, but they had not been received by the Board as of the time of the issuance of either series of GANs.

At such time as the pledged grants are paid by the State to the Board, the monies will be deposited with a trustee and used to repay the GANs. On December 28, 2017, any remaining outstanding Series 2017A, B GANs shall be subject to mandatory exchange for a tax anticipation note (TAN) in a principal amount not less than the sum of the outstanding GANs. The TAN will then be payable from the Board's levy of real property taxes for the 2017 tax levy year for educational purposes.

**Outstanding Short-Term Notes Balances**

As of June 30, 2017, a total of \$1.34 billion in short-term notes issued by the Board were outstanding. The outstanding short-term notes consisted of \$950 million in TANs and \$387 million in GANs. Any amount of short-term notes paid off subsequent to year end is discussed further in Note 16.

Short-term debt activity for the year ended June 30, 2017 was as follows \$(000's):

Short-Term Debt	Balance July 1, 2016	Draws	Repayments	Balance June 30, 2017
Tax Anticipation Notes	\$870,000	\$1,550,000	\$(1,470,000)	\$ 950,000
Grant Anticipation Notes	—	387,000	(6)	386,994
Total Short-term Debt	<u>\$870,000</u>	<u>\$1,937,000</u>	<u>\$(1,470,006)</u>	<u>\$1,336,994</u>

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**NOTE 9. LONG-TERM DEBT**

**Long-term Obligations**

Long-term Debt activity for the fiscal year ended June 30, 2017 was as follows \$(000's):

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
General Obligation Long-term Debt	\$ 6,578,983	\$ 150,000	\$(111,708)	\$ 6,617,275	\$114,752
Capital Improvement Tax Long-term Debt	—	729,580	—	729,580	—
Add unamortized premium (discount)	(26,250)	(36,097)	(3,145)	(65,492)	—
Add Arbitrage Liability	—	164	—	164	164
Add accretion of capital appreciation bonds	634,157	54,286	(41,656)	646,787	33,018
Subtotal of debt, net of premiums and discounts	\$ 7,186,890	\$ 897,933	\$(156,509)	\$ 7,928,314	\$147,934
Capitalized lease obligations	159,005	—	(41,105)	117,900	43,505
Total debt and capitalized lease obligations	\$ 7,345,895	\$ 897,933	\$(197,614)	\$ 8,046,214	\$191,439
Other liabilities:					
Other accrued liabilities	\$ 15,446	\$ 14,484	\$ (90)	\$ 29,840	\$ 12,589
Net pension liability	10,023,263	988,137	—	11,011,400	—
Net other postemployment benefits obligation	1,895,045	138,971	—	2,034,016	—
Other benefits and claims	508,737	48,147	(62,955)	493,929	69,557
Total other liabilities:	<u>\$12,442,491</u>	<u>\$1,189,739</u>	<u>\$(63,045)</u>	<u>\$13,569,185</u>	<u>\$ 82,146</u>
Total long-term obligations:	<u>\$19,788,386</u>	<u>\$2,087,672</u>	<u>\$(260,659)</u>	<u>\$21,615,399</u>	<u>\$273,585</u>

**General Obligation and Capital Improvement Tax Bonds**

CPS issued the following long-term debt in fiscal year 2017.

**Unlimited Tax GO Bonds (Dedicated Revenue) Series 2016B**

In July 2016, CPS issued \$150.0 million Unlimited Tax GO Bonds (Dedicated Revenue) as fixed-rate, Series 2016B. The proceeds of the Bonds were used to provide funds for the capital improvements, fund capitalized interest, and pay costs of issuance.

**Dedicated Capital Improvement Tax Bonds Series 2016**

In January 2017, CPS issued \$729.6 million Dedicated Capital Improvement Tax Bonds. The proceeds of the Bonds were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance.





NOTE 9. LONG-TERM DEBT (continued)

The current portion of long-term debt and long-term lease obligations is comprised of the following \$(000's):

Bonds .....	\$114,752
Arbitrage Liability .....	164
Accreted Interest .....	33,018
Subtotal .....	\$147,934
Lease Obligations .....	43,505
Total Current Portion .....	\$191,439

The Unlimited Tax GO Bonds are being repaid in the Debt Service Fund from Replacement Tax revenue, revenue from Intergovernmental Agreements with the City of Chicago, subsidies from the federal government, General State Aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

Interest rates on fixed rate bonds range from 1.75% to 7.00%, except that CPS does not pay or accrue interest on the Series 2006A and Series 2003C Bonds. These bond series were issued as "Qualified Zone Academy Bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended. "Eligible taxpayers," as defined in Section 1397E of the Internal Revenue Code, who own these bonds will be entitled to a credit against taxable income. As of June 30, 2017 there were no hedged variable rate bonds outstanding. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June 2017, and remain the same for the life of the bonds. Debt service requirements for the Unlimited Tax GO Bonds are scheduled as follows \$(000's):

Fiscal Year(s)	Fixed Rate Bonds		Variable Rate Bonds		Total**
	Principal	Interest	Principal	Estimated Interest*	
2018 .....	\$ 114,752	\$ 310,021	\$ —	\$ 49,884	\$ 474,657
2019 .....	149,030	305,678	28,555	49,388	532,651
2020 .....	159,381	314,315	30,870	47,358	551,924
2021 .....	182,995	323,722	32,505	45,158	584,380
2022 .....	167,753	318,192	34,105	42,839	562,889
2023-2027 .....	1,165,221	1,475,574	309,415	170,121	3,120,331
2028-2032 .....	1,009,238	1,506,362	483,945	76,329	3,075,874
2033-2037 .....	768,880	666,515	134,530	8,382	1,578,307
2038-2042 .....	1,197,520	384,264	—	—	1,581,784
2043-2047 .....	648,580	77,405	—	—	725,985
Total .....	\$5,563,350	\$5,682,048	\$1,053,925	\$489,459	\$12,788,782

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NOTE 9. LONG-TERM DEBT (continued)

\* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2017, calculated at:

Series 2008A — 1.80050% x outstanding principal	Series 2013A-2 — 7.50000% x outstanding principal
Series 2008B — 1.80050% x outstanding principal	Series 2013A-3 — 1.74000% x outstanding principal
Series 2011C-1 — 9.00000% x outstanding principal	Series 2015A — 9.00000% x outstanding principal
Series 2011C-2 — 9.00000% x outstanding principal	Series 2015G — 9.00000% x outstanding principal
Series 2013A-1 — 9.00000% x outstanding principal	

\*\* Does not include debt backed by leases with the Public Building Commission that are discussed in Note 10.

Floating Rate Note Securities

Unlimited Tax GO Refunding Bonds (Dedicated Revenues), Series 2011C-1 and 2011C-2

In December 2011, the Board issued \$51.0 million (Series 2011C-1) and \$44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D.

For the Series 2011C-1, an initial index floating rate period was set up to February 29, 2016. During this initial period, the rate was reset monthly and equal to the Securities Industry and Financial Markets (SIFMA) Index plus 95 basis points. The Series 2011C-1 bonds were callable beginning on September 1, 2015. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-1 bonds, after the end of the initial index floating rate period on March 1, 2016, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2016 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2011C-1 bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

For the Series 2011C-2, an initial index floating rate period was set up to February 28, 2017. During this initial period, the rate was reset monthly and equal to the SIFMA Index plus 110 basis points. The Series 2011C-2 bonds were callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-2 bonds, after the end of the initial index floating rate period on March 1, 2017, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2011C-2 bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

Unlimited Tax GO Refunding Bonds (Dedicated Revenues), Series 2013A-1, 2013A-2 and 2013A-3

In May 2013, the Board issued \$122.6 million (Series 2013A-1), \$124.3 million (Series 2013A-2), and \$157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B.

For the Series 2013A-1, an initial index floating rate period was set up to June 1, 2016. During this initial period, the rate was reset monthly and equal to 70% of one month London Interbank Offered Rate (LIBOR) plus 58 basis points. The Series 2013A-1 bonds are callable beginning on December 1,

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**NOTE 9. LONG-TERM DEBT (continued)**

2015. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-1 bonds, after the end of the initial index floating rate period on June 1, 2016, the rate will be equal to 7.50%. On the 91<sup>st</sup> day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning June 1, 2016 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2016 and the next 90 days thereafter the rate was equal to 7.50%. On the 91<sup>st</sup> day and thereafter, the rate was equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-2, an initial index floating rate period was set up to June 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 75 basis points. The Series 2013A-2 bonds are callable beginning on December 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-2 bonds, after the end of the initial index floating rate period on June 1, 2017, the rate will be equal to 7.50%. On the 91<sup>st</sup> day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning June 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2017 the rate was equal to 7.50%. On the 91<sup>st</sup> day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-3, an initial index floating rate period was set up to June 1, 2018. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 83 basis points. The Series 2013A-3 bonds are callable beginning on December 1, 2017. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-3 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91<sup>st</sup> day and thereafter the rate will be equal to 9.00% until such time that the issue is refinanced.

**Unlimited Tax GO Refunding Bonds (Dedicated Alternate Revenues), Series 2015A and 2015G**

In March 2015, the Board issued \$89.2 million (Series 2015A) and \$88.9 million (2015G) variable rate bonds. The bonds refunded the former Series 2000B and 2011D.

For Series 2015A and the Series 2015G, an initial index floating rate period was set up to March 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 400 basis points. Both the Series 2015A and the Series 2015G bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2015A or Series 2015G bonds, after the end of the initial index floating rate period on March 1, 2017, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2015A or Series 2015G bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

**Direct Placements**

**Unlimited Tax GO Refunding Bonds (Dedicated Alternate Revenues), Series 2008A and 2008B**

In May 2008, the Board issued \$262.8 million (Series 2008A) and \$241.0 million (Series 2008B) variable rate bonds in direct placements with Dexia Credit Local. The interest rate for each series is reset monthly, and is equal to the one month LIBOR rate plus 75 basis points with no expiration until maturity. The bonds are subject to optional redemption prior to their maturity date at the option of the Board, in whole or in part (and, if in part, in an authorized denomination (\$100,000 and any integral multiple thereof of \$5,000 in excess thereof)) on any LIBOR interest payment date (monthly), at a redemption price equal to 100 percent of the principal amount thereof and accrued interest, if any, to the redemption date.

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**NOTE 9. LONG-TERM DEBT (continued)**

**Accreted Interest**

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows (\$000's):

Series	Accreted Interest July 1, 2016	Increase	Payment	Accreted Interest June 30, 2017
1997A	\$ 9,513	\$ 343	\$(9,856)	\$ —
1998B-1	367,673	31,879	(12,197)	387,355
1999A	256,971	22,064	(19,603)	259,432
	<u>\$634,157</u>	<u>\$54,286</u>	<u>\$(41,656)</u>	<u>\$646,787</u>

**Dedicated Revenue Capital Improvement Tax Bonds**

Dedicated Revenue Capital Improvement Tax Bonds ("CIT Bonds") issued by the Board are limited obligations payable from and secured by a levy of Capital Improvement Taxes. The CIT Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of the principal of or interest on the CIT Bonds. In January 2017, CPS issued the first series of CIT Bonds in the amount of \$729.6 million. The bonds were issued at a fixed rate and designated as Dedicated Revenue Capital Improvement Tax Bonds (Dedicated Alternate Revenue), Series 2016. The proceeds of the Bonds were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance. Debt service requirements for the Series 2016 CIT Bonds are as follows (\$000's):

Fiscal Year(s)	Principal	Interest*	Total
2018	\$ —	\$ 43,539	\$ 43,539
2019	—	43,539	43,539
2020	—	43,539	43,539
2021	—	43,539	43,539
2022	—	43,539	43,539
2023-2027	—	217,695	217,695
2028-2032	—	217,695	217,695
2033-2037	195,980	196,286	392,266
2038-2042	261,760	130,497	392,257
2043-2047	271,840	41,963	313,803
Total	<u>\$729,580</u>	<u>\$1,021,831</u>	<u>\$1,751,411</u>

\* Fixed Rate.

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NOTE 9. LONG-TERM DEBT (continued)

The following is a summary of changes in Long-term Debt outstanding \$(000's):

Series	Original Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding July 1, 2016	Accreted Interest
CIT 2016	\$729,580	Capital Improvement	6.25%	4/1/2046	\$ —	\$ —
2016B	150,000	Capital Improvement	6.50%	12/1/2046	—	—
2016A	725,000	Capital Improvement/Refunding	7.00%	12/1/2044	725,000	—
2015G	88,900	Refunding	Variable	3/1/2032	88,900	—
2015E	20,000	Capital Improvement	5.13%	12/1/2032	20,000	—
2015C	280,000	Capital Improvement	5.25%	12/1/2039	280,000	—
2015A	89,200	Refunding	Variable	3/1/2032	89,200	—
2013A-3	157,055	Refunding	Variable	3/1/2036	157,055	—
2013A-2	124,320	Refunding	Variable	3/1/2035	124,320	—
2013A-1	122,605	Refunding	Variable	3/1/2026	89,990	—
2012B	109,825	Refunding	5.00%	12/1/2034	109,825	—
2012A	468,915	Capital Improvement	5.00%	12/1/2042	468,915	—
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—
2011C-1	51,000	Refunding	Variable	3/1/2032	43,600	—
2011A	402,410	Capital Improvement	5.00% to 5.50%	12/1/2041	402,410	—
2010G	72,915	Refunding	2.77% to 4.18%	12/1/2017	22,735	—
2010F	183,750	Refunding	5.00%	12/1/2031	169,155	—
2010D	125,000	Capital Improvement	6.52%	3/1/2036	125,000	—
2010C	257,125	Capital Improvement	6.32%	11/1/2029	257,125	—
2009G	254,240	Capital Improvement	1.75%	12/15/2025	254,240	—
2009E	518,210	Capital Improvement	4.682% to 6.14%	12/1/2039	518,210	—
2009D	75,720	Refunding	1.00% to 5.00%	12/1/2023	45,340	—
2008C	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	—
2008B	240,975	Refunding	Variable	3/1/2034	185,350	—
2008A	262,785	Refunding	Variable	12/1/2030	262,785	—
2007D	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	169,195	—
2007C	6,870	Refunding	4.00% to 4.375%	12/1/2021	4,150	—
2007B	197,765	Refunding	5.00%	12/1/2024	197,765	—
2006B	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	289,525	—
2006A	6,853	Capital Improvement	0.00%	6/1/2021	6,853	—
2005B	52,595	Refunding	5.00% to 5.50%	12/1/2021	22,735	—
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	174,365	—
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	74,480	—
2003C	4,585	Capital Improvement	0.00%	10/27/2017	4,585	—
2002A	48,970	Capital Improvement	3.00% to 5.25%	12/1/2022	28,360	—
1999A	532,553	Capital Improvement/Refunding	4.30% to 5.30%	12/1/2031	405,325	256,971
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	248,346	367,673
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	5,389	9,513
Total Bonds					\$6,578,983	\$634,157
Less Current Portion						
For Net Premium/ (Discount)						
Total Long-term Debt, net of Current Portion and Premium/Discount						

NOTE 9. LONG-TERM DEBT (continued)

Principal and Accreted Interest July 1, 2016	Issuances	Retirements	Principal Outstanding June 30, 2017	Accreted Interest	Principal and Accreted Interest June 30, 2017
\$ —	\$729,580	\$ —	\$ 729,580	\$ —	\$ 729,580
—	150,000	—	150,000	—	150,000
725,000	—	—	725,000	—	725,000
88,900	—	(5,400)	83,500	—	83,500
20,000	—	—	20,000	—	20,000
280,000	—	—	280,000	—	280,000
89,200	—	(5,200)	84,000	—	84,000
157,055	—	—	157,055	—	157,055
124,320	—	—	124,320	—	124,320
89,990	—	(8,975)	81,015	—	81,015
109,825	—	—	109,825	—	109,825
468,915	—	—	468,915	—	468,915
44,100	—	(2,600)	41,500	—	41,500
43,600	—	(1,400)	42,200	—	42,200
402,410	—	—	402,410	—	402,410
22,735	—	(17,500)	5,235	—	5,235
169,155	—	(7,855)	161,300	—	161,300
125,000	—	—	125,000	—	125,000
257,125	—	—	257,125	—	257,125
254,240	—	—	254,240	—	254,240
518,210	—	—	518,210	—	518,210
45,340	—	(4,400)	40,940	—	40,940
464,655	—	—	464,655	—	464,655
185,350	—	(7,800)	177,550	—	177,550
262,785	—	—	262,785	—	262,785
169,195	—	—	169,195	—	169,195
4,150	—	(410)	3,740	—	3,740
197,765	—	—	197,765	—	197,765
289,525	—	(8,795)	280,730	—	280,730
6,853	—	—	6,853	—	6,853
22,735	—	—	22,735	—	22,735
174,365	—	(7,085)	167,280	—	167,280
74,480	—	(3,790)	70,690	—	70,690
4,585	—	—	4,585	—	4,585
28,360	—	(3,475)	24,885	—	24,885
662,296	—	(13,432)	391,893	259,432	651,325
616,019	—	(8,202)	240,144	387,355	627,499
14,902	—	(5,389)	—	—	—
\$7,213,140	\$879,580	\$(111,708)	\$7,346,855	\$646,787	\$7,993,642
(115,805)					(147,770)
(26,250)					(65,491)
\$7,071,085					\$7,780,381

CPS has no defeased bonds to report as of June 30, 2017.



**NOTE 10. LEASE OBLIGATIONS**Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the PBC. The PBC constructs, rehabilitates and equips school buildings and facilities for use by CPS. The annual lease rentals are funded by a tax levy established when CPS approved such construction.

The leases are structured so that annual rentals will exceed the PBC's requirements for debt service and other estimated expenses. This ensures that the PBC will receive adequate revenue to cover these obligations. The PBC can authorize rent surpluses to be used either to reduce future rental payments or to finance construction of other CPS projects.

In 2006, CPS entered into a \$3.7 million lease with an option to purchase with the Teachers Academy of Math and Science. The assets acquired under this lease are land and building at a cost of \$0.7 million and \$3.0 million, respectively. The accumulated amortization as of June 30, 2017 amounted to \$0.65 million. The term of the lease commenced October 1, 2005, and shall end February 1, 2021. This end date represents the maturity date of bonds issued for the premises by the Illinois Development Finance Authority Bonds. Debt service includes principal and interest and all other costs associated with these bonds. Additionally, CPS will assume all operating costs and personnel costs of the premises.

The future PBC lease rentals and other capitalized leases due at June 30, 2017, are as follows \$(000's):

Fiscal Year(s)	PBC Lease Rentals	Other	Total
2018 .....	\$ 52,069	\$ 424	\$ 52,493
2019 .....	52,099	424	52,523
2020 .....	30,635	424	31,059
2021 .....	—	647	647
Total Rentals .....	\$134,803	\$1,919	\$136,722
Less — Interest and other costs .....	(17,953)	(869)	(18,822)
Principal amount of rental due .....	\$116,850	\$1,050	\$117,900

Following is a summary of changes in PBC Leases and Capitalized Lease outstanding \$(000's):

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
PBC Leases .....	\$157,780	\$ —	\$(40,930)	\$116,850
Other Capitalized Leases .....	1,225	—	(175)	1,050
Total Lease Obligations .....	\$159,005	\$ —	\$(41,105)	\$117,900
Less: Current Portion PBC Leases .....				(43,330)
Current Portion Other Capitalized Leases .....				(175)
Total Long-Term Leases Outstanding .....				\$ 74,395

Operating Leases

CPS is a lessee in numerous operating leases associated with the rental of trucks, automobiles, office equipment and real property. The lease arrangements are both cancelable and non-cancelable with some having structured rent increases. None of the operating leases are considered to be contingent leases.

**NOTE 10. LEASE OBLIGATIONS (continued)**

Total expenditures for operating leases for the fiscal year ending June 30, 2017 were \$18.4 million. The following is a summary of operating lease commitments as of June 30, 2017 (\$000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2018 .....	\$ 3,225	\$ 14,750	\$ 17,975
2019 .....	1,872	14,831	16,703
2020 .....	1,211	14,362	15,573
2021 .....	361	14,237	14,598
2022 .....	—	12,907	12,907
2023-2027 .....	—	51,255	51,255
2028-2030 .....	—	15,775	15,775
Total Operating Lease Commitments .....	\$ 6,669	\$138,117	\$144,786

**NOTE 11. OTHER BENEFITS AND CLAIMS**Sick Pay Benefits

CPS provides sick pay benefits for substantially all of its employees. Eligible employees were able to accumulate a maximum of 325 sick days granted before July 1, 2012. If an employee either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement, or dies, the employee is entitled to receive, as additional cash compensation, all or a portion of these accumulated sick leave days. CPS budgets an amount each year in the General Operating Fund for these estimated payments to employees terminated in the current fiscal year.

Effective July 1, 2012 any sick days granted that remain unused at the end of the fiscal year will not be carried over to the next fiscal year. The Board shall not pay out to any employee the value or any part of the value of any sick days granted on and after July 1, 2012 that are unused at the time the employee separates from the Board employment for any reason.

Vacation Pay Benefits

For eligible employees, the maximum number of accumulated unused vacation days permitted is 20 days for those employees with up to 10 years of service; 25 days for those with 11 to 20 years of service; and 30 days for those with more than 20 years of service. Eligible employees, an employee who either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement; or dies, are entitled to receive 100% of accumulated vacation days at their current salary rate. These amounts will be liquidated from the General Operating Fund.

Workers' Compensation, General and Automobile and Tort Liabilities and Other Claims

CPS is substantially self-insured and assumes risk of loss as follows:

CPS maintains commercial excess property insurance for "all risks" of physical loss or damage with limits of \$100.0 million and Boiler and Machinery Insurance with limits of \$100.0 million. CPS maintains commercial excess liability insurance with limits of \$55.0 million in excess of a \$10.0 million self-insured retention per loss for claims arising from general, automobile, school board legal, employment practices, and miscellaneous professional liability; additional liability coverage includes special events, fiduciary, foreign travel package, and catastrophic student accident insurance (under Public Act 98-0166, also known as "Rocky's Law"). During fiscal years 2017, 2016, and 2015 there were no casualty claims made in excess of the self-insured retention. For fiscal year 2017, CPS had the following deductibles/retentions:

Property .....	\$ 5,000,000
Boiler and HVAC .....	\$ 50,000
General Liability .....	\$10,000,000
Student Catastrophic Insurance (Rocky's Law) .....	\$ 25,000



**NOTE 11. OTHER BENEFITS AND CLAIMS (continued)**

As discussed in Note 14, there are pending workers' compensation and tort claims involving CPS which have arisen out of the ordinary conduct of business. CPS budgets an amount each year in the Workers' and Unemployment Compensation/Tort Immunity Fund for the estimated claims, of which the expenditures are met through an annual tax levy.

CPS' estimate of liabilities for workers' compensation claims, general and automobile claims are actuarially determined based on loss estimates established by the respective claim administrators. Tort liabilities are based on loss estimates established by the respective trial attorneys. CPS accrues for the estimated workers' compensation, general and automobile claims and tort claims in the General Operating Fund when there is likelihood that an unfavorable outcome is probable and those expenditures will be liquidated with expendable available financial resources. Total expenditures reported in the fund financial statements amounted to \$34.0 million for claims paid during the fiscal year. No liabilities have been recorded at the fund level for unpaid claims as unpaid claims are not expected to be paid with available financial resources.

The following is a summary of changes to other long-term liabilities (\$000's) at the government-wide level:

	Balance July 1, 2016	Increase/ (Decrease)	Payments	Balance June 30, 2017
Accrued sick pay benefits	\$311,378	\$11,537	\$(33,097)	\$289,818
Accrued vacation pay benefits	51,260	3,953	(5,693)	49,520
Accrued workers' compensation claims	114,891	18,547	(19,148)	114,290
Accrued general and automobile claims	13,508	10,410	(2,833)	21,085
Tort liabilities and other claims	17,700	1,516	—	19,216
<b>Total</b>	<b>\$508,737</b>	<b>\$45,963</b>	<b>\$(60,771)</b>	<b>\$493,929</b>
Less: Current portion of accrued sick pay benefits				(28,149)
Less: Current portion of accrued vacation pay benefits				(6,756)
Less: Current portion of accrued workers' compensation claims				(22,265)
Less: Current portion of accrued general and automobile claims				(12,387)
<b>Total long-term other benefits and claims</b>				<b>\$424,372</b>

The following is activity related to workers' compensation claims and general and automobile claims \$(000's):

Balance July 1, 2015	Additions	Payments	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
\$140,911	\$10,016	\$(22,528)	\$128,399	\$28,957	\$(21,981)	\$135,375

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of \$48.7 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes \$30.2 million for estimated medical claims incurred but not reported as of June 30, 2017. The following is the activity related to medical claims for which CPS is self-insured \$(000's):

Balance July 1, 2015	Additions	Payments	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
\$52,704	\$392,891	\$(385,333)	\$60,262	\$349,407	\$(360,931)	\$48,738

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CPS' contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

**Pension — Certified Teachers and Administrators**

Plan Description: Pension benefits for certified teachers and administrators are provided under a defined benefit cost-sharing multiple employer plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago (the "CTPF") in which CPS is the major contributor. Copies of the Pension Fund Annual Report are available on the website of the Public School Teachers' Pension & Retirement Fund of Chicago at <http://www.ctpf.org/>.

Article 17 of the Illinois Pension Code governs the retirement, survivor and disability benefits provided by the CTPF. Participation in the CTPF is mandatory for all certified members of the teaching force, including those employed by charter schools, and employees of the Pension Fund. As of the June 30, 2016, CTPF Annual report, there were 29,543 active participants in the Pension Fund, substantially all of whom were employees of CPS.

Benefits Provided: An employee hired before January 1, 2011 (Tier 1) may retire at age 55 with at least 20 years of service or at age 62 with 5 years of service. If retirement occurs before age 60, the service retirement pension is reduced 1/2 of 1% for each month that the age of the member is below 60. However, there is no reduction if the employee has at least 34 years of service.

For service earned before July 1, 1998, the amount of the monthly service retirement pension is 1.67% of highest average salary for the first 10 years, 1.90% for each of the next 10 years, 2.10% for each of the following 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the amount of the monthly service retirement pension is 2.2% of highest average salary for each year of service. Service earned before July 1, 1998 can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary within the last four years for each year of prior service, up to a maximum of 20%, which upgrades all service years. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service. The highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years. The maximum pension payable is 75% of the highest annual salary or \$1,500 per month, whichever is greater.



**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension legislation (Public Act 96-0889) created a second tier of benefits for teachers who first become participants under the fund on or after January 1, 2011. Under this act, such a member is entitled to a pension after attainment of age 67 with at least 10 years of service. However, such a member can elect to retire at age 62 with at least 10 years of service and receive a retirement annuity reduced by 0.5% for each month that his or her age is under 67. In addition, the annual final average salary may not exceed \$111,572 for 2016. The final average salary limit is calculated annually as the Social Security Wage Base at the time Public Act 96-0889 was created \$(106,800) increased by the lesser of 3% or one-half of the annual increase in the Consumer Price Index-U during the preceding calendar year.

Contributions: Participating members contribute 9% of salary, allocated as follows: 7.5% for retirement pension, 0.5% for automatic annual increases and 1% for survivor's pension. In fiscal year 2017, total employee contributions were \$153.3 million, as in previous fiscal years, CPS paid a portion (7% or \$119.2 million) of the required employees' contribution. For employees hired on or after January 1, 2017, CPS paid only 3.5% of the required 9.0% employee contributions in fiscal year 2017. A portion of grant funds from the Federal government and General Operating Fund revenues provide the funding for the 7% portion. The remaining portion (2%) is withheld from teachers' salaries.

State law requires statutorily determined employer contributions. Under the Illinois Pension Code, required employer contributions — with the exception of federal funds — are calculated by the Pension Fund's actuary; however, the formula set forth in the Pension Code is not the same as the Annual Required Contribution or the Actuarially Determined Contribution as those terms are defined by GASB. During the fiscal year ended June 30, 2017, total employer contributions to the plan were \$733.2 million. Of this amount, \$19.0 million were Charter School contributions. On June 30, 2016, PA 99-0521 was signed into law and reinstates the ability of the Board of Education to levy a property tax dedicated to paying teacher pensions. As of June 30, 2017, \$250.0 million of levy funds was owed to the CTPF for a fiscal year 2017 statutorily required contribution. This amount was recorded in the Statement of Net Position as an account payable and a deferred outflow of resources by CPS. These funds are included in CPS' contribution to increase the funded ratio to 90%. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows (amounts in thousands):

<b>Retirement Benefit Contributions:</b>	
A contribution to increase funded ratio to 90%	\$688,908
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded program	25,275
Charter school contributions	19,017
Total CPS Contributions	<u>\$733,200</u>
Contributions from the State of Illinois	1,015
CPS contributions on-behalf of employees	119,240
Total CTPF contributions	<u>\$853,455</u>

**Employer Proportionate Share of Net Pension Liability:** The amount of the proportionate share of the net pension liability recognized by CPS is \$11.011 billion or 100%. Further discussions with the State and Pension Fund related to the overall net pension liability will occur to determine a reasonable allocation of future plan costs between the entities that contribute to the plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Total pension expense for the 2017 fiscal year was \$962.5 million.

**Employer Deferral of Fiscal Year 2017 Pension Contributions:** CPS paid \$733.2 million in contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

liability measurement date as of June 30, 2016. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2017. As June 30, 2017, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources (amounts in thousands):

	Deferred inflow of resources	Deferred outflow of resources
Difference between expected and actual experience	\$176,460	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	513,718
Contributions after the measurement date	—	733,200
Totals	<u>\$176,460</u>	<u>\$1,246,918</u>

The \$733.2 million reported as deferred outflows of resources related to pensions resulting from CPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The annual difference between expected and actual experience is amortized into pension expense over the average expected remaining service lives of active and inactive members calculated at the beginning of the year in which the difference occurs. The difference between projected and actual investment earnings on pension plan investments is amortized over a five-year closed period beginning in the year in which the difference occurs. The amounts of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Years Ended June 30:	Amount
2018	\$ 2,344
2019	2,344
2020	193,623
2021	138,947
Thereafter	—
Total	<u>\$337,258</u>

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Assumptions and Other Inputs**

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 — June 30, 2012. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Methods and Assumptions**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	27 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.75%, net of investment expense
Projected salary increases	4.25% to 15.75%, varying by age
Inflation	2.75%
Cost-of-living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

For healthy participants, mortality rates were based on the RP-2000 Combined Healthy Mortality Table for males and females, as appropriate, set back 2 years and adjusted for mortality improvements generationaly from 2004 based on Scale AA. For disabled participants, mortality rates were based on the RP-2000 Disabled Mortality Table, set back three years with generational improvement from 2004 using Scale AA. The RP-2000 Disabled Mortality Table, set back 3 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	61.0%	5.3%
Fixed Income	23.0%	0.8%
Real Estate	9.0%	3.8%
Private Equity	5.0%	6.0%
Hedge Funds	0.0%	3.0%
Infrastructure	2.0%	N/A
Commodities	0.0%	0.5%
Cash Equivalents	0.0%	0.0%
Total	100%	

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made as specified by Public Act 96-0889. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents CPS' net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts in thousands):

1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
\$13,703,876	\$11,011,400	\$8,784,802

Implementation of GASB pronouncement: During fiscal year 2017, CPS implemented GASB pronouncement No. 82 — Pension Issues — An Amendment of GASB Statements No. 67, No. 68, and No. 73. The implementation of this GASB resulted in a change in the treatment of how CPS handled contributions made by CPS on behalf of plan members. Specifically, contributions of this nature are now expensed as an employee benefit and not treated as a pension contribution. As a result, CPS made a restatement to reduce the beginning Net Position and deferred outflow of resources balances by \$123.1 million.

Additional information regarding the CTPF basic financial statements including the Plan Net Position can be found in the CTPF comprehensive annual financial report by accessing the website at [www.ctpf.org](http://www.ctpf.org).

**Pension — Other Personnel**

Plan Description: All career service employees of CPS, except CPS employees who are members of the Public School Teachers' Pension and Retirement Fund, participate in the Municipal Employees' Annuity and Benefit Fund of Chicago (the "MEABF"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2016, CPS employed approximately 16,468 of the 30,296 active participants in the Annuity Fund.

Benefits Provided: If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions.

Tier 1 employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 60 or more with at least 10 years of service or age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per each year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a)(17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of \$850 per month.



**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted ½ percent for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

The highest salary for annuity purposes may not exceed the base of \$106,800 beginning in 2011 and shall be adjusted annually by the lesser of a) 3% of that amount, including all prior adjustments, or b) ½ of the annual unadjusted percentage increase in the Consumer Price Index-U for the 12 months ending with the September preceding November 1, including all prior adjustments. The annual salary rate limitations for fiscal year 2015 and fiscal year 2016 were \$111,600 and \$112,500, respectively.

Contributions: Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (8.5%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of \$106,800 adjusted by inflation. In fiscal year 2016, as in previous fiscal years, CPS agreed to pay a portion (7% for union and 5% for non-union members or \$34.0 million) of the required employees' contribution for most employees. CPS also receives a portion of the cost of providing pension benefits from grants by the federal government for career service pension employees paid from certain federally-funded programs. The amount reflected as career service pension expenditures in the accompanying governmental fund financial statements is \$65.5 million, \$61.4 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining \$4.1 million is funded under federally-funded programs. The portion funded by the City of Chicago and Federal Government is also reflected as revenue in the General Operating Fund.

**Employer Proportionate Share of Net Pension Liability:** At December 31, 2016, the MEABF reported a net pension liability (NPL) of \$18.855 billion. The amount of the proportionate share of the net pension liability recognized for CPS is \$0. The proportionate share of the City's net pension liability associated with CPS is \$7.529 billion or 39.9%. The net pension liability was measured as of December 31, 2016. The basis of allocation used in the proportionate share of net pension liability was CPS' proportionate share of covered payroll to the plan's total covered payroll for the 2016 calendar year, which approximates CPS' 2017 fiscal year.

**Employer Proportionate Share of Pension Expense:** The employer's proportionate share of collective pension expense is recognized as on-behalf payments as both revenue and expenditure/expense in CPS' financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported employee contributions made to MEABF during fiscal year 2017. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of \$61.4 million for fiscal year 2017.

**Employer Deferral of Fiscal Year 2017 Pension Contributions:** CPS paid \$4.1 million in federal, trust or grant contributions for the fiscal year ended June 30, 2017. Some contributions were made subsequent to the pension liability measurement date of December 31, 2016. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2017. Total pension expense for fiscal year 2017 was \$65.5 million.

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Assumptions and Other Inputs**

Actuarial assumptions: The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2005 — December 31, 2009. They are the same as the assumptions used in the December 31, 2015 actuarial valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Methods and Assumptions**

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry Age Normal
Actuarial Value of Assets	5 year smoothed market
Amortization Method	Level dollar amortization
Remaining Amortization Period	30 years, open
Actuarial assumptions:	
Investment rate of return	7.50%, net of investment expense
Projected salary increases	4.5% - 8.25%, varying by years of service
Inflation	3.00%
Cost of living adjustments	Tier 1: 3.0% compound. Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

Post-retirement rates were based on the RP-2000 Combined Healthy Mortality Tables with mortality improvements projected to 2010 using Scale AA. The mortality rates for pre-retirement were based on the post-retirement mortality assumption, multiplied by 85% for males and 70% for females. The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26%	4.8%
International Equity	22%	5.0%
Fixed Income	27%	0.5%
Real Estate	10%	5.2%
Private Equity	5%	8.6%
Hedge Funds	10%	2.8%
Total	100%	

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Discount Rate:** The discount rate used to measure the total pension liability was 3.91%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made as specified by Public Act 98-0641. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of MEABF's Net Pension Liability to Changes in the Discount Rate:** The amount of the proportionate share of the net pension liability recognized for CPS is \$0. Therefore, changes in the discount rate would not affect CPS. However, regarding the sensitivity of MEABF's net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.91%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts in thousands):

1% Decrease (2.91%)	Current Discount (3.91%)	1% Increase (4.91%)
\$22,351,267	\$18,855,044	\$15,983,851

Additional information regarding the MEABF basic financial statements including the Plan Net Position can be found in the MEABF comprehensive annual financial report by accessing the website at [www.meabf.org](http://www.meabf.org).

**Other Post Employment Benefits (OPEB)**

Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple employer plan administered by the Pension Fund. The actuarial analysis is contained in the Pension Fund Annual Report and is available via the website of the Public School Teachers' Pension & Retirement Fund at <http://www.ctpf.org/>.

The Pension Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in a health insurance program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers. Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 50% of the individual member's cost for calendar years 2016, 2015 and 2014. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed \$65.0 million plus any previous year amounts authorized but not yet expended. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB 45. The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although CPS does not contribute directly to retirees' health care premiums, the impact does require increased contributions by CPS to build assets to the 90% requirement. As of June 30, 2016, there were 18,063 retirees and beneficiaries currently receiving health benefits in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund.

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CPS' annual OPEB cost for fiscal year 2017 are as follows (amounts in thousands):

Annual required contribution	\$ 149,474
Interest on net OPEB obligation	66,327
Adjustment to annual required contribution	(76,830)
Annual OPEB cost	\$ 138,971
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	\$ 138,971
Net OPEB obligation, beginning of year	1,895,045
Net OPEB obligation, end of year	\$2,034,016

The three-year trend information for the fund is as follows (amounts in thousands):

	2017	2016	2015
Annual OPEB cost	\$ 138,971	\$ 105,604	\$ 109,194
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	\$2,034,016	\$1,895,045	\$1,789,441

**Actuarial Methods and Assumptions**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent, closed
Remaining amortization period	27 years
Asset valuation method	Market
Actuarial assumptions:	
Discount rate	3.50%
Medical trend rate	7.75% graded to 4.5% over 8 years
Inflation	2.75%

As of the June 30, 2016 actuarial valuation date, actuarial accrued liability (AAL) for benefits was \$2.223 billion, and the actuarial value of assets was \$20.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.202 billion, and a funded ratio of 0.91%. The covered payroll (annual payroll of active employees covered by the plan) was \$2.071 billion, and the ratio of the UAAL to the covered payroll was 106.34%.

**NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)****Other Personnel**

Actuarial studies on other personnel (personnel other than teachers and administrators) determined that no OPEB liability exists for those employees as of June 30, 2017.

**NOTE 13. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS***a. Fund Balance Classifications*

- 1) At the end of the fiscal year 2017, the General Operating Fund reported:
- \$429 thousand of nonspendable fund balance for donations in which the principal may not be spent.
  - Restricted fund balance consisted of \$51.8 million for grants and donations and \$27.3 million for tort liabilities.
  - There is a negative fund balance in the general operating fund. This is due to the operating deficit of expenditures exceeding revenues.
- 2) At the end of the fiscal year 2017, the Debt Service Fund reported \$2.4 million of nonspendable fund balance for prepaid items.

*b. Statement of Net Position*

The Statement of Net Position reports \$835.4 million of restricted fund balance, of which \$630.3 million is restricted for debt service, \$125.5 million is restricted for capital projects, \$52.3 million is restricted for programs funded by grants and donations, and \$27.3 million is restricted for worker's comp/tort liabilities.

**NOTE 14. LITIGATION AND CONTINGENCIES***a. State and Federal Aid Receipts*

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of CPS management any potential adjustments to the Federal or State aid recorded by CPS through June 30, 2017 resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements as of June 30, 2017.

*b. Pollution Remediation Obligation*

In fiscal year 2017, CPS recorded a pollution remediation obligation of \$12.6 million as current year expense in the Statement of Activities.

Several CPS facilities contain hazardous contaminants such as lead and asbestos, which is continually monitored by the school district. CPS' pollution remediation obligation is primarily related to the removal of lead and asbestos during the remodeling and/or expansion of CPS facilities. The pollution remediation obligation is derived from construction contracts and the amount assumes no unexpected change orders.

*c. Vacant Property*

In fiscal year 2013, CPS closed 47 schools of which some of the schools were identified to be demolished. In accordance with GASB 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," CPS recorded a liability for the estimated demolition cost of \$18.7 million at June 30, 2013. In fiscal year 2016, three (3) of the buildings identified to be demolished were sold, decreasing the estimated liability to \$13.3 million. In fiscal year 2017, an additional building was sold, decreasing the estimated liability by an additional \$1 million. As of June 30, 2017, the estimated liability is \$12.3 million.

**NOTE 14. LITIGATION AND CONTINGENCIES (continued)***d. Financial Guarantees*

As of June 30, 2017, CPS has entered into one nonexchange financial guarantee. The guarantee agreement is with Perspectives Charter Schools, effective July 1, 2003, which is a Charter School under the Chicago Board of Education. Perspectives Charter Schools has a Reimbursement Agreement with Harris Trust and Savings Bank and CPS has guaranteed to pay Harris Trust and Savings Bank all outstanding debt if Perspectives Charter Schools defaults in reimbursing the Bank according to the terms listed in the reimbursement agreement. This amount is not to exceed the lesser of \$4.5 million (Principal Amount) or the carrying debt amount less \$1 million. The guarantee agreement shall be of no further force or effect as of July 1, 2033, or after the gross available amount of the letter of credit has been reduced to \$1 million or less. The gross available amount is scheduled to be reduced to \$1 million as of July 1, 2031. Per the June 30, 2016 audited financial statements of Perspectives Charter Schools, the most recent audited financial information available, the outstanding balance of the revenue bonds is \$4.1 million. Once the July 1, 2016 annual payment of \$0.2 million is made the June 30, 2017 outstanding balance of the revenue bonds will be \$3.9 million. This guarantee is still in place as of June 30, 2017, and CPS is not aware of any qualitative factors that would trigger an event of default. Therefore, CPS is not required to record a liability for this guarantee under GASB 70.

*e. State Medicaid Reimbursement Overpayments*

State of Illinois Medicaid billing rates for CPS Fee-For-Service reimbursements, are adjusted in arrears by the Illinois Department of Healthcare and Family Services (IHFS) on future claims. According to the State's analysis, overpayments were made to CPS in prior fiscal years, including fiscal year 2014 and 2015. IHFS estimates that the total CPS prior year overpayments for fiscal year 2014 rate adjustments amount to \$2.1 million. CPS' contracted third party administrator for Medicaid determined that over payments for fiscal year 2015 rate adjustments are approximately \$5.0 million. CPS recorded liabilities for both amounts as of June 30, 2017. Retroactive rate adjustments for fiscal year 2016 and fiscal year 2017 have not yet been determined.

*f. Other Litigation and Claims*

There are approximately five lawsuits and one union grievance that represent issues in which the financial loss to CPS has been determined to be a potential liability by CPS' law department in fiscal year 2017.

There are numerous other claims and pending legal actions involving CPS, including actions concerned with civil rights of employees, workers' compensation, torts and other matters, arising out of CPS' ordinary conduct of its business. Certain actions involve alleged damages in substantial amounts. The amounts of liability, if any, on these claims as of June 30, 2017, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However in fiscal year 2016, CPS had recorded a general accrual not specific to any pending legal action for these amounts and it remains in fiscal year 2017. In the opinion of CPS management and legal counsel, the final resolution of these claims and legal actions will not be material to CPS' financial statements as of June 30, 2017.

The liability for other litigation and claims, not including workers' compensation and general liability, increased by \$1.5 million from \$17.7 million in fiscal year 2016 to \$19.2 million in fiscal year 2017.

**NOTE 15 — TAX ABATEMENT**

Tax abatements are a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.



**NOTE 15 — TAX ABATEMENT (continued)**

Various tax incentive programs exist between Cook County and local businesses and developers that effect tax revenues received by CPS. These programs are Class 6b, Class 7a, Class 7b and Class 9 and are subject to approval by Cook County's Assessor Office based on applicable criteria. Businesses and developers are granted these incentives based on property classification.

The purpose of the Class 6b program is to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings. Properties receiving a Class 6b incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, and 20% in the 12th year. In calendar year 2016, there were 392 parcels receiving this incentive in the City of Chicago.

The purpose of the Class 7a and Class 7b programs are to encourage commercial development throughout Cook County in need of commercial development, which would not be economically feasible without the incentive. Properties receiving a Class 7a or 7b incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, and 20% in the 12th year. In calendar year 2016, there were 112 parcels receiving this incentive in the City of Chicago.

The purpose of the Class 9 programs are to reduce the assessment rate on rental projects for low-income multi-family rental buildings that involve substantial rehab or new construction, and where at least 35% of the units have 'affordable rents.' Properties receiving a Class 9 incentive are assessed at 10% of market value for an initial 10 year period, renewable upon application for additional 10 year periods. In calendar year 2016, there were 1,327 parcels receiving this incentive in the City of Chicago.

The goal of these programs are to attract new industry, commercial and real estate entities, stimulate expansion and retention of existing businesses, and increase employment opportunities.

In the absence of these incentives, the property tax would be assessed at 25% of its market value. These incentives constitutes a substantial reduction in the level of assessment and results in significant tax savings for eligible applicants. For the fiscal year 2017, the total estimated impact of these incentives to CPS is a reduction in property taxes for those properties in the amount of \$37.5 million.

**NOTE 16 — SUBSEQUENT EVENTS**Repayment of 2016 Tax Anticipation Notes

To finance cash flow deficits in fiscal year 2017, the Board issued \$1.55 billion in aggregate principal amount of 2016 Tax Anticipation Notes in multiple series (the "2016 TANs") in anticipation of collection of its 2016 tax levy in 2017 in the amount of approximately \$2.34 billion.

At the end of fiscal year 2017, the Board had outstanding \$950 million of 2016 TANs. In August 2017, the Board repaid and ended all its Series 2016 TANs whereby no 2016 TANs remained outstanding.

Repayment of 2017 Grant Anticipation Notes

To finance cash flow deficits in fiscal year 2017, the Board issued \$387 million in aggregate principal amount of 2017 Grant Anticipation Notes in two series (the "2017 GANs") in anticipation of the receipt of certain grants from the State of Illinois.

At the end of fiscal year 2017, the Board had outstanding \$387 million of 2017 GANs. In September 2017, the Board repaid and ended all its Series 2017 GANs whereby no 2017 GANs remained outstanding.

**NOTE 16 — SUBSEQUENT EVENTS (continued)**Issuance of 2017 Tax Anticipation Notes

After the end of fiscal year 2017, for fiscal year 2018, the Board approved a levy of *ad valorem* property taxes of approximately \$2.423 billion for educational purposes (the "2017 Tax Levy") to be collected in calendar year 2018 and authorized the issuance of not to exceed \$1.550 billion principal amount of 2017 Tax Anticipation Notes (the "2017 TANs") in anticipation of the collection of the 2017 Tax Levy. As of December 15, 2017, the Board has currently issued and has outstanding 2017 TANs in the total aggregate amount of \$600 million. The Board expects to issue additional TANs throughout fiscal year 2018 to fund its cash flow needs in an amount up to the authorized amount of \$1.55 billion.

The Series 2017 TANs sub-series designations are as follows: (1) \$93.5 million Series 2017A1 tax anticipation notes closed on September 28, 2017; (2) \$56.5 million of Series 2017A2 tax anticipation notes closed on September 28, 2017; (3) \$200 million Series 2017B tax anticipation notes closed on October 6, 2017; and (4) \$200 million Series 2017C tax anticipation notes closed on October 27, 2017; (5) \$50 million Series 2017D tax anticipation notes closed on December 8, 2017. The Series 2017A1 and A2 TANs totaling \$150 million were privately placed with Morgan Stanley. The Series 2017BC TANs were privately placed with PNC Bank. The Series 2017D TANs were privately placed with Capital Research and Management Company. The 2017 Tax Levy will be intercepted by a trustee, and it will be used to repay each issue.

The interest rate on each of the series of the Series 2017 TANs is a variable and equal to the lesser of: (i) the sum of (A) the product of (I) 0.70 multiplied by (II) one month LIBOR Rate, plus (B) 2.75%.

Principal of and interest on the 2017 TANs is payable on the respective sub-series maturity date of each series of the 2017 TANs from the revenues from the 2017 Tax Levy. Property taxes are payable in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill. The maturity date of the 2017A1, A2, B, C and D TANs is April 2, 2018.

Issuance of Unlimited Tax GO Bonds (Dedicated Alternate Revenue) Series 2017AB

On July 13, 2017, the Board issued fixed-rate \$500.0 million Unlimited Tax GO Bonds (Dedicated Alternate Revenue), Series 2017AB (the "Series 2017AB Bonds") with an original issue discount of \$33.4 million.

The proceeds of the Series 2017AB Bonds were used to provide working capital funds to the Board, finance the continued implementation of the Board's Capital Improvement Program, and pay the costs of issuance on the Series 2017AB Bonds.

The Series 2017AB Bonds are general obligations of the Board. The full faith, credit and the taxing power of the Board are pledged to the punctual payment of the principal and interest on the Series 2017AB Bonds. The debt service on the Series 2017AB Bonds will be paid from General State Aid Revenues.

Issuance of Unlimited Tax GO Bonds (Dedicated Alternate Revenue) Series 2017CDEFGH

On November 30, 2017, the Board issued fixed-rate \$745 million Unlimited Tax GO Refunding Bonds (Dedicated Revenue), Series 2017CDEFG (the "Series 2017CDEFG Bonds"), and \$280 million Unlimited Tax GO Bonds (Dedicated Revenue), Series 2017H (the "Series 2017H Bonds"), with an original issue premium of \$30.3 million.

The proceeds of the Series 2017CDEFG Bonds were used to provide funds to refund or restructure certain outstanding bonds of the Board and fund capitalized interest on the Series 2017CDEFG Bonds, while the proceeds of the Series 2017H Bonds were used to finance the continued implementation of the Board's Capital Improvement Program.



**NOTE 16 — SUBSEQUENT EVENTS (continued)**

The Series 2017CDEFGH Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Series 2017CDEFGH Bonds. The debt service on the Series 2017CDEFGH Bonds will be paid from General State Aid Revenues, Personal Property Tax Revenues and Intergovernmental Agreement Revenues.

Issuance of Dedicated Capital Improvement Tax Bonds Series 2017

On November 30, 2017, the Board issued \$64.9 million fixed-rate Dedicated Capital Improvement Tax Bonds, Series 2017 (the "2017 CIT Bonds") with an original issue premium of \$5.6 million.

The proceeds of the 2017 CIT Bonds will be used to finance certain permitted capital improvement projects, make a deposit to a consolidated debt service reserve fund, fund capitalized interest on the 2017 CIT Bonds through April 1, 2018, and pay costs of issuance of the 2017 CIT Bonds.

The 2017 Bonds are limited obligations of the Board payable from and secured by revenues derived and to be derived by the Board from the levy of the CIT. The Board authorized the initial levy of the CIT in calendar year 2015 for collection in calendar year 2016. The CIT levy was created by the Illinois State Legislature in 2002, but not previously implemented. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the 2017 CIT Bonds.

State Funding of the Board Under Public Act 100-465

In August 2017, Public Act 100-465 ("PA 100-465") became effective. It provides a significant revision to the State's funding of the Board. One of the largest of these revisions related to PA 100-465, was that it established a new Evidence Based Funding Formula ("EBF Formula") for allocating state revenues to school districts beginning with the 2017-2018 school year. It replaced the State's previous method of allocating operating dollars to schools in Illinois. Under PA 100-465, the Board expects to receive significant additional revenues in fiscal year 2018 with final amounts still to be determined.

Teacher's Pension Fund Property Tax Levy and State Contributions

In August 2017, as a result of PA 100-465, the Board became authorized to increase its current 0.383% annual teacher's pension fund property tax levy on all real property within the boundaries of the school district to a maximum rate of 0.567%. The Board first authorized this increase of the levy to the maximum rate for the Tax Year 2017 in October 2017. The proceeds from this additional tax are expected to be approximately \$130 million in fiscal year 2018 and will be paid directly to the Pension Fund to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. The Board's fiscal year 2018 budget reflects that a total of \$405 million in revenue attributable to the overall 0.567% levy will be credited to its required Statutory Contribution to the Pension Fund due in June 2018; however, the Board and the Pension Fund have been in discussions since the summer of 2016 regarding the mechanisms by which the amounts of the tax levy attributable to the second installment may be credited to the Board's annual contribution due on June 30 of the year in which the tax is collected and an agreement on this credit has not been finalized with the Pension Fund.

**NOTE 16 — SUBSEQUENT EVENTS (continued)**

In addition, PA 100-465, provided for an increase in the required State Contribution to the Pension Fund in an amount of \$221 million for fiscal year 2018 to cover "normal pension costs" of the Board teachers and other covered employees, similar to State funding that is provided to other schools districts in the State for teacher's pensions. This increase in State Contribution will bring the total contribution for fiscal year 2018 to \$223 million by the State.

Teacher's Pension Fund Reduction of Actuarial Assumption Rate

As a result of board actions on September 21, 2017, the Teacher's Pension Fund Board approved a reduction of the actuarial assumption investment return rate from 7.75% to 7.50% to be effective as of June 30, 2017. At their December 14, 2017 meeting, the Teacher's Pension Fund Board approved an additional 0.25% reduction of the actuarial assumption investment return rate from 7.50% to 7.25%, a new consumer price index assumption of 2.5%, and a reduction in the wage inflation assumption from 3.50% to 3.25%, to be effective as of June 30, 2017. These changes will be effective for CPS in fiscal year 2018.

Revocation of Charter School which leases CPS facility

In December 2017, the Board approved the revocation of the charter of the Architecture, Construction and Engineering Technical Charter School (ACE Tech HS), effective as of July 1, 2018. ACE Tech HS currently leases a CPS property at 5410 S. State Street, which houses the charter school. The lease agreement states that it will be revoked upon revocation of the charter. At this time, CPS is determining future utilization of this property. Accordingly, CPS has determined that the assets associated with the property are not considered impaired.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
STATEMENT OF REVENUES, EXPENDITURES BY OBJECT  
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCE  
FINAL APPROPRIATIONS VS. ACTUAL — GENERAL OPERATING FUND  
For the Fiscal Year Ended June 30, 2017  
(Thousands of Dollars)

	Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Budget	Fiscal Year Actual	Over (Under) Budget
<b>Revenues:</b>					
Property taxes	\$2,607,809	\$ —	\$2,607,809	\$2,613,889	\$ 6,080
Replacement taxes	130,531	—	130,531	189,837	39,106
State aid	1,498,897	—	1,498,897	1,287,702	(211,195)
Federal aid	829,839	—	829,839	752,295	(77,544)
Interest and investment earnings	—	—	—	1,964	1,964
Other	263,148	—	263,148	265,099	1,951
<b>Total revenues</b>	<b>\$5,330,224</b>	<b>\$ —</b>	<b>\$5,330,224</b>	<b>\$5,090,586</b>	<b>\$(239,638)</b>
<b>Expenditures:</b>					
<b>Salaries —</b>					
Teachers' salaries	\$1,773,479	\$ 41,524	\$1,815,003	\$1,815,309	\$ 306
Career service salaries	576,398	26,372	602,770	581,665	(21,105)
<b>Commodities —</b>					
Energy	75,719	(595)	75,124	69,067	(6,057)
Food	97,095	(855)	96,440	94,911	(1,529)
Textbook	37,602	7,629	45,231	43,255	(1,976)
Supplies	38,056	16,315	54,371	44,040	(10,331)
Other	394	5	399	221	(178)
<b>Services —</b>					
Professional and special services	309,401	56,544	365,945	357,258	(8,687)
Charter Schools	677,988	22,947	700,935	688,412	(32,523)
Transportation	98,439	3,792	102,231	95,974	(6,257)
Tuition	59,630	1,437	61,067	53,668	(7,399)
Telephone and telecommunications	28,499	4,558	33,057	21,998	(11,059)
Other	20,430	3,034	23,464	13,814	(9,650)
Equipment — educational	24,451	9,607	34,058	30,967	(3,091)
<b>Building and Sites —</b>					
Repair and replacements	20,236	(725)	19,511	18,319	(1,192)
Capital outlay	301	1,785	2,086	1,017	(1,069)
Teachers' pension	843,643	4,384	848,027	853,474	5,447
Career service pension	92,607	9,612	102,219	99,428	(2,791)
Hospitalization and dental insurance	359,126	(43,316)	315,810	306,871	(8,939)
Medicare	36,449	(1,961)	34,488	33,658	(830)
Unemployment compensation	8,499	(1,165)	7,334	7,040	(294)
Workers' compensation	20,593	(487)	20,106	20,531	425
Rent	15,023	1,714	16,737	14,638	(2,099)
Debt service	34,000	—	34,000	38,735	4,735
Other	163,015	(162,355)	660	13,488	12,828
<b>Total expenditures</b>	<b>\$5,411,073</b>	<b>\$ —</b>	<b>\$5,411,073</b>	<b>\$5,297,758</b>	<b>\$(113,315)</b>
Revenues in excess of (less than) expenditures	\$ (80,849)	\$ —	\$ (80,849)	\$ (207,172)	\$(126,323)
<b>Other financing sources (uses):</b>					
Insurance proceeds	\$ —	\$ —	\$ —	\$ 224	\$ 224
Transfers in / (out)	—	—	—	58,350	58,350
<b>Total other financing sources (uses)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 58,574</b>	<b>\$ 58,574</b>
Net change in fund balances	\$ (80,849)	\$ —	\$ (80,849)	\$ (148,598)	\$ (67,749)
Fund balances, beginning of period	(126,632)	—	(126,632)	(126,632)	—
Fund balances, end of period	<u>\$(207,481)</u>	<u>\$ —</u>	<u>\$(207,481)</u>	<u>\$(275,230)</u>	<u>\$(67,749)</u>

See Independent Auditors' Report.



**CHICAGO PUBLIC SCHOOLS**  
 Chicago Board of Education

**SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 For the Three Fiscal Years Ended June 30, 2017  
 (Thousands of dollars)

## Public School Teachers' Pension and Retirement Fund of Chicago:

	2015	2016	2017
CPS Proportion of the Net Pension Liability	100.00%	100.00%	100.00%
CPS Proportionate Share of the Net Pension Liability	\$9,501,206	\$10,023,263	\$11,011,400
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	—	—	—
<b>Total</b>	<b>\$9,501,206</b>	<b>\$10,023,263</b>	<b>\$11,011,400</b>
CPS Covered Employee Payroll	\$2,233,281	\$ 2,273,551	\$ 2,281,269
CPS Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	425.44%	440.86%	482.69%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%	51.61%	47.78%

## Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015	2016	2017
CPS Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
CPS Proportionate Share of the Net Pension Liability	\$ —	\$ —	\$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with CPS	2,779,767	7,829,700	7,529,116
<b>Total</b>	<b>\$2,779,767</b>	<b>\$7,829,700</b>	<b>\$7,529,116</b>
Covered Employee Payroll	\$ 625,161	\$ 691,178	\$ 657,649
CPS Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%	20.30%	19.05%

**NOTES:**

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See Independent Auditors' Report.

**CHICAGO PUBLIC SCHOOLS**  
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**SCHEDULE OF CPS' CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS**  
 For the Three Fiscal Years Ended June 30, 2017  
 (Thousands of dollars)

## Public School Teachers' Pension and Retirement Fund of Chicago

Year Ended	Total Contractually Required Contributions	Contributions made on behalf of CPS by the State of Illinois	CPS Contributions related to the Contractually Required contributions	Total Contributions	Contribution Deficiency (Excess)	CPS' Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	\$745,386	\$ 1,016	\$733,200	\$734,216	\$11,170	\$2,030,175	36.17%
June 30, 2016	687,965	12,105	675,860	687,965	—	2,281,269	30.16%
June 30, 2015	696,522	62,145	634,377	696,522	—	2,273,551	30.64%

**NOTE:**

The contribution deficiency consists of amounts that are made on behalf of CPS by the State of Illinois, which the State will pay in fiscal year 2018. CPS is not required to make any additional contributions.

## Municipal Employees' Annuity and Benefit Fund of Chicago

Year Ended	Contractually Required Contributions	Contributions made on behalf of CPS by the City of Chicago	Total Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	\$387,381	\$61,382	\$61,382	\$325,999	\$657,649	9.33%
June 30, 2016	288,660	61,885	61,885	226,775	691,178	8.95%
June 30, 2015	327,225	58,200	58,200	269,025	625,161	9.31%

**NOTE:**

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available.

The Schedule is intended to show information for 10 years.

See Independent Auditors' Report.

CHICAGO PUBLIC SCHOOLS  
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## SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits  
(Thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2016	\$20,230	\$2,222,546	\$2,202,316	0.91%	\$2,071,041	106.34%
6/30/2015	21,713	1,910,992	1,889,279	1.14%	2,155,604	87.64%
6/30/2014	35,977	1,938,856	1,902,879	1.86%	2,233,281	85.21%
6/30/2013	35,797	2,386,106	2,350,309	1.50%	2,239,347	104.96%
6/30/2012	34,125	3,110,316	3,076,191	1.10%	2,224,903	138.26%
6/30/2011	31,325	3,071,517	3,040,192	1.02%	2,090,132	145.45%
6/30/2010	34,858	2,864,877	2,830,019	1.22%	2,107,934	134.26%
6/30/2009	49,692	2,670,283	2,620,591	1.86%	1,996,194	131.28%
6/30/2008	44,989	2,407,122	2,362,133	1.87%	1,914,559	123.38%
6/30/2007	47,402	2,022,008	1,974,606	2.34%	1,863,182	105.98%

See Independent Auditors' Report.



CHICAGO PUBLIC SCHOOLS  
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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

## General Operating Fund

The General Operating Fund is the primary operating fund of the Board. It was created in response to the provisions of P.A. 89-15 which consolidated all of the rate-limited tax levies into the Board's general education tax levy. All information in this fund is presented in accordance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. The General Operating Fund includes all the revenues and expenditures of the following programs: Educational Program; CTPF Pension Levy Program; Supplementary General State Aid Program; School Food Service Program; Elementary and Secondary Education Act Program; Individuals with Disabilities Education Act Program; Workers' and Unemployment Compensation/Tort Immunity Program; Public Building Commission Operations and Maintenance Program, and Other Government-funded Programs.





CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE

FINAL APPROPRIATIONS AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

	Final Budget	Fiscal Year 2017 Actual	Over (Under) Budget	Fiscal Year 2016 Actual	2017 Over (Under) 2016
<b>Revenues:</b>					
Property taxes	\$2,607,809	\$2,613,889	\$ 6,080	\$2,313,469	\$ 300,420
Replacement taxes	130,531	169,637	39,106	115,961	53,676
State aid	1,498,897	1,287,702	(211,195)	1,398,855	(111,153)
Interest and investment earnings	—	1,964	1,964	1,347	617
Federal aid	829,839	752,295	(77,544)	776,278	(23,983)
Other	263,148	265,099	1,951	271,857	(6,758)
<b>Total revenues</b>	<b>\$5,330,224</b>	<b>\$5,090,586</b>	<b>\$(239,638)</b>	<b>\$4,877,767</b>	<b>\$ 212,819</b>
<b>Expenditures:</b>					
Teachers' salaries	\$1,815,003	\$1,815,309	\$ 306	\$1,869,683	\$(54,374)
Career service salaries	602,770	581,665	(21,105)	605,817	(24,152)
Energy	75,124	69,067	(6,057)	70,227	(1,160)
Food	96,440	94,911	(1,529)	98,777	(3,866)
Textbook	45,231	43,255	(1,976)	54,856	(11,601)
Supplies	54,371	44,040	(10,331)	47,085	(3,045)
Other commodities	399	221	(178)	294	(73)
Professional fees	365,945	357,258	(8,687)	314,732	42,526
Charter Schools	700,935	668,412	(32,523)	704,981	(36,569)
Transportation	102,231	95,974	(6,257)	104,450	(8,476)
Tuition	61,067	53,668	(7,399)	61,028	(7,360)
Telephone and telecommunications	33,057	21,998	(11,059)	24,579	(2,581)
Other services	23,464	13,814	(9,650)	16,471	(2,657)
Equipment – educational	34,058	30,967	(3,091)	45,407	(14,440)
Repair and replacements	19,511	18,319	(1,192)	18,853	(534)
Capital outlay	2,086	1,017	(1,069)	1,135	(118)
Teachers' pension	848,027	853,474	5,447	811,051	42,423
Career service pension	102,219	99,428	(2,791)	102,762	(3,334)
Hospitalization and dental insurance	315,810	306,871	(8,939)	348,083	(41,212)
Medicare	34,488	33,658	(830)	34,824	(1,166)
Unemployment compensation	7,334	7,040	(294)	9,438	(2,398)
Workers compensation	20,106	20,531	425	20,338	193
Rent	16,737	14,638	(2,099)	16,011	(1,373)
Debt service	34,000	38,735	4,735	25,003	13,732
Other fixed charges	660	13,488	12,828	8,961	4,527
<b>Total expenditures</b>	<b>\$5,411,073</b>	<b>\$5,297,758</b>	<b>\$(113,315)</b>	<b>\$5,414,846</b>	<b>\$(117,088)</b>
Revenues in excess of (less than) expenditures	\$ (80,849)	\$ (207,172)	\$(126,323)	\$ (537,079)	\$ 329,907
<b>Other financing sources (uses):</b>					
Insurance proceeds	\$ —	\$ 224	\$ 224	\$ —	\$ 224
Transfers in / (out)	—	58,350	58,350	50,162	8,188
<b>Total other financing sources (uses)</b>	<b>\$ —</b>	<b>\$ 58,574</b>	<b>\$ 58,574</b>	<b>\$ 50,162</b>	<b>\$ 8,412</b>
Net change in fund balances	\$ (80,849)	\$ (148,598)	\$ (67,749)	\$ (486,917)	\$ 338,319
Fund balances, beginning of period	(126,632)	(126,632)	—	360,285	(486,917)
<b>Fund balances, end of period</b>	<b>\$ (207,481)</b>	<b>\$ (275,230)</b>	<b>\$ (67,749)</b>	<b>\$ (126,632)</b>	<b>\$(148,598)</b>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Capital Projects Fund

The Capital Projects Fund is for the receipts and expenditures of revenues for Board capital projects. This fund includes the Capital Asset Program and the Capital Improvement Program.

**Capital Asset Program:**

This program is for the receipts and expenditures of proceeds from the sale of certain Board real estate, and other miscellaneous capital project revenues from various sources as designated by the Board.

**Capital Improvement Program:**

This program is for the receipts and expenditures of proceeds from the sale of Unlimited Tax GO Bonds, Public Building Commission Building Revenue Bonds, State of Illinois construction grant receipts and federal E-rate capital subsidies for the purpose of building and improving schools at the designation of the Board.



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

CAPITAL PROJECTS FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2017  
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
Property taxes .....	\$ —	\$ 48,409	\$ 48,409
State aid .....	—	30,150	30,150
Federal aid .....	—	6,653	6,653
Interest and investment earnings .....	—	2,077	2,077
Other .....	—	21,090	21,090
Total revenues .....	\$ —	\$108,379	\$108,379
Expenditures:			
Capital outlay .....	\$ 105	\$204,730	\$204,835
Total expenditures .....	\$ 105	\$204,730	\$204,835
Revenues in excess of expenses .....	\$ (105)	\$ (96,351)	\$ (96,456)
Other financing sources:			
Gross amounts from debt issuances .....	\$ —	\$811,619	\$811,619
Discounts .....	—	(36,097)	(36,097)
Sales of general capital assets .....	6,272	—	6,272
Total other financing sources (uses) .....	\$ 6,272	\$775,522	\$781,794
Net change in fund balances .....	\$ 6,167	\$679,171	\$685,338
Fund balances, beginning of period .....	40,820	66,428	107,248
Fund balances, end of period .....	<u>\$46,987</u>	<u>\$745,599</u>	<u>\$792,586</u>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

CAPITAL ASSET PROGRAM  
SCHEDULE OF REVENUES AND EXPENDITURES AND NET CHANGE IN FUND BALANCE  
FINAL APPROPRIATIONS VS. ACTUAL  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Expenditures:					
Services .....	\$ 16	\$ 105	\$ 89	\$ 41	\$ 64
Educational equipment .....	8	—	(8)	—	—
Capital outlay .....	5,996	—	(5,996)	197	(197)
Total expenditures .....	\$ 6,020	\$ 105	\$ (5,915)	\$ 238	\$ (133)
Revenues less than expenditures .....	\$ (6,020)	\$ (105)	\$ 5,915	\$ (238)	\$ 133
Other financing sources:					
Sales of general capital assets .....	\$ —	\$ 6,272	\$ 6,272	\$15,012	\$ (8,740)
Total other financing sources (uses) .....	\$ —	\$ 6,272	\$ 6,272	\$15,012	\$ (8,740)
Net change in fund balance .....	\$ (6,020)	\$ 6,167	\$12,187	\$14,774	\$ (8,607)
Fund balance, beginning of period .....	40,820	40,820	—	26,046	14,774
Fund balance, end of period .....	\$34,800	\$46,987	\$12,187	\$40,820	\$ 6,167

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

CAPITAL IMPROVEMENT PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,  
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE  
FINAL APPROPRIATIONS VS. ACTUAL  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Property taxes .....	\$ —	\$ 48,409	\$ 48,409	\$ 42,588	\$ 5,821
State aid .....	14,772	30,150	15,378	39,430	(9,280)
Federal aid .....	6,000	6,653	653	7,707	(1,054)
Interest and investment earnings ..	—	2,077	2,077	84	1,993
Other .....	39,432	21,090	(18,342)	62,910	(41,820)
Total revenues .....	\$ 60,204	\$108,379	\$ 48,175	\$ 152,719	\$ (44,340)
Expenditures:					
Salaries .....	\$ 730	\$ 676	\$ (54)	\$ 824	\$ (148)
Services .....	10,111	13,415	3,304	16,828	(3,413)
Educational equipment .....	86	3	(83)	—	3
Capital outlay .....	1,197,777	184,446	(1,013,331)	269,049	(84,603)
Pension .....	106	106	—	146	(40)
Hospitalization and dental insurance .....	43	43	—	65	(22)
Medicare .....	9	9	—	11	(2)
Unemployment compensation .....	2	2	—	3	(1)
Workers compensation .....	6	6	—	7	(1)
Other .....	830	6,024	5,194	6,140	(116)
Total expenditures .....	\$ 1,209,700	\$204,730	\$ (1,004,970)	\$ 293,073	\$ (88,343)
Revenues in excess of expenditures .....	\$ (1,149,496)	\$ (96,351)	\$ 1,053,145	\$ (140,354)	\$ 44,003
Other financing sources:					
Gross amounts from debt issuances .....	\$ 330,975	\$811,619	\$ 480,644	\$ 428,892	\$382,727
Discounts .....	—	(36,097)	(36,097)	(64,953)	28,856
Total other financing sources .....	\$ 330,975	\$775,522	\$ 444,547	\$ 363,939	\$411,583
Net change in fund balance .....	\$ (818,521)	\$679,171	\$ 1,497,692	\$ 223,585	\$455,586
Fund balance, beginning of period .....	66,428	66,428	—	(157,157)	223,585
Fund balance, end of period .....	\$ (752,093)	\$745,599	\$ 1,497,692	\$ 66,428	\$679,171



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Debt Service Fund

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest and redemption for GO bonds by the Board and for lease payments to the Public Building Commission. The fund includes the Bond Redemption and Interest Program and the Public Building Commission Leases Program.

**Bond Redemption and Interest Program:**

This program is for the receipt and expenditure of replacement taxes, City of Chicago Intergovernmental Agreement Revenue, State of Illinois construction grant receipts and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

**Public Building Commission Leases Program:**

This program is for the receipt and expenditure of tax levies and for State of Illinois construction grant receipts for the rental of school buildings from the Public Building Commission.

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, OTHER  
FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2017  
(Thousands of Dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	\$ —	\$52,658	\$ 52,658
Replacement taxes	58,284	—	58,284
State aid	391,013	—	391,013
Federal aid	24,995	—	24,995
Interest and investment earnings	1,260	141	1,401
Other	100,856	—	100,856
Total revenues	<u>\$576,408</u>	<u>\$52,799</u>	<u>\$629,207</u>
Expenditures:			
Current:			
Debt service	\$478,939	\$52,020	\$530,959
Total expenditures	<u>\$478,939</u>	<u>\$52,020</u>	<u>\$530,959</u>
Revenues in excess of (less than) expenditures	<u>\$ 97,469</u>	<u>\$ 779</u>	<u>\$ 98,248</u>
Other financing sources (uses):			
Gross amounts from debt issuances	\$ 67,961	\$ —	\$ 67,961
Transfers in / (out)	(58,245)	(105)	(58,350)
Total other financing sources (uses)	<u>\$ 9,716</u>	<u>\$ (105)</u>	<u>\$ 9,611</u>
Net change in fund balances	\$107,185	\$ 674	\$107,859
Fund balances, beginning of period	410,989	58,318	469,307
Fund balances, end of period	<u>\$518,174</u>	<u>\$58,992</u>	<u>\$577,166</u>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

BOND REDEMPTION AND INTEREST PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,  
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE  
FINAL APPROPRIATIONS VS. ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Replacement taxes	\$ 58,284	\$ 58,284	\$ —	\$ 45,574	\$ 12,710
State aid	373,413	391,013	17,600	114,041	276,972
Federal aid	24,827	24,995	168	25,015	(20)
Interest and investment earnings	—	1,260	1,260	(97,225)	98,485
Other	95,500	100,856	5,356	102,274	(1,418)
Total revenues	\$552,024	\$576,408	\$24,384	\$189,679	\$386,729
Expenditures:					
Debt Service	\$511,715	\$478,939	\$(32,776)	\$403,288	\$75,651
Total expenditures	\$511,715	\$478,939	\$(32,776)	\$403,288	\$75,651
Revenues less than expenditures	\$40,309	\$97,469	\$57,160	\$(213,609)	\$311,078
Other financing sources:					
Gross amounts from debt issuances	\$ —	\$ 67,961	\$ 67,961	\$ 296,107	\$(228,146)
Discounts	—	—	—	(45,118)	45,118
Payment to refunded bond escrow agent	—	—	—	(120,856)	120,856
Transfers in / (out)	4,585	(58,245)	(62,830)	(50,066)	(8,179)
Total other financing sources	\$ 4,585	\$ 9,716	\$ 5,131	\$ 80,067	\$(70,351)
Net change in fund balance	\$ 44,894	\$107,185	\$ 62,291	\$(133,542)	\$ 240,727
Fund balance, beginning of period	410,989	410,989	—	544,531	(133,542)
Fund balance, end of period	\$455,883	\$518,174	\$ 62,291	\$ 410,989	\$ 107,185

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

PUBLIC BUILDING COMMISSION LEASES PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,  
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE  
FINAL APPROPRIATIONS VS. ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Property taxes	\$52,020	\$52,658	\$ 638	\$52,358	\$300
Interest and investment earnings	—	141	141	144	(3)
Total revenues	\$52,020	\$52,799	\$ 779	\$52,502	\$297
Expenditures:					
Debt Service	\$52,020	\$52,020	\$ —	\$51,997	\$ 23
Total expenditures	\$52,020	\$52,020	\$ —	\$51,997	\$ 23
Revenues less than expenditures	\$ —	\$ 779	\$ 779	\$ 505	\$274
Other financing sources:					
Transfers in / (out)	\$ —	\$ (105)	\$(105)	\$ (96)	\$ (9)
Total other financing sources	\$ —	\$ (105)	\$(105)	\$ (96)	\$ (9)
Net change in fund balance	\$ —	\$ 674	\$ 674	\$ 409	\$265
Fund balance, beginning of period	58,318	58,318	—	57,909	409
Fund balance, end of period	\$58,318	\$58,992	\$ 674	\$58,318	\$674





**CHICAGO PUBLIC SCHOOLS**  
**Chicago Board of Education**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**STATISTICAL SECTION**

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This part of CPS' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about CPS' overall financial position.

**Contents:**

***Financial Trends***

These schedules contain trend information to help the reader understand how CPS' financial performance has changed over time.

***Revenue Capacity***

These schedules contain information to help the reader assess CPS' major revenue sources.

***Debt Capacity***

These schedules present information to help the reader assess the affordability of CPS' current levels of outstanding debt and CPS' ability to issue additional debt in the future.

***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which CPS' financial activities take place.

***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in CPS' financial report relates to the services CPS provides and the activities it performs.

***Sources:***

Unless otherwise noted, the information contained herein is derived from the comprehensive annual financial reports for the relevant year.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**COMPONENTS OF NET POSITION**  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009 (1) (as restated)	2010 (2)	2011 (3)
Net investment in capital assets .....	\$ 133,440	\$ 30,202	\$ 440,099	\$ 370,159
Restricted for:				
Capital projects .....	—	—	—	—
Debt service .....	445,782	391,392	442,851	276,097
Donations .....	1,826	3,695	5,825	—
Enabling legislation .....	102,695	101,072	109,163	—
Grants and donations .....	—	—	—	70,045
Workers' comp/tort immunity .....	—	—	—	91,036
Unrestricted .....	(784,702)	(1,017,248)	(1,916,207)	(2,009,152)
Total net position .....	<u>\$(100,959)</u>	<u>\$(490,887)</u>	<u>\$(918,269)</u>	<u>\$(1,201,815)</u>

- 1) For fiscal year 2009, the amounts for net position restricted for debt service and unrestricted net position were restated to reflect the effects of GASB 54 adopted in fiscal year 2010.
- 2) Certain items in the fiscal year 2010 financial statements were reclassified to conform with the fiscal year 2011 presentation. These reclassifications had no impact in the total net position as previously reported.
- 3) Certain items in the fiscal year 2011 financial statements were reclassified to conform with the fiscal year 2012 presentation. These reclassifications had no impact in the total net position as previously reported.
- 4) Certain items in the fiscal year 2012 financial statements were restated to reflect the effects of GASB 63 and GASB 65 adopted in fiscal year 2013.
- 5) Certain items in the fiscal year 2016 financial statements were restated to reflect the effects of GASB 82 adopted in fiscal year 2017.

	2012 (4) (as restated)	2013	2014	2015	2016 (5) (as restated)	2017
	\$ 310,028	\$ 80,009	\$ (37,194)	\$ (159,007)	\$ (342,529)	\$ (644,224)
	—	—	—	—	—	125,516
	282,253	345,399	368,794	445,663	510,743	630,308
	—	—	—	—	—	—
	—	—	—	—	—	—
	70,302	63,862	61,451	64,584	65,282	52,287
	92,680	64,985	19,838	41,373	35,116	27,344
	(2,552,441)	(3,358,734)	(4,372,335)	(11,604,516)	(12,362,437)	(13,201,900)
	<u>\$(1,797,178)</u>	<u>\$(2,804,479)</u>	<u>\$(3,959,446)</u>	<u>\$(11,211,903)</u>	<u>\$(12,093,825)</u>	<u>\$(13,010,669)</u>



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**CHANGES IN NET POSITION**  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Expenses:										
Instruction .....	\$ 3,138,036	\$ 3,324,936	\$ 3,507,221	\$ 3,712,681	\$ 3,742,788	\$ 4,040,352	\$ 4,139,906	\$ 4,217,996	\$ 3,870,330	\$ 4,024,653
Pupil support services .....	384,765	408,705	438,164	545,428	483,167	494,076	487,139	484,745	470,316	472,176
Administrative support services .....	205,693	233,361	201,908	187,559	192,605	211,294	241,913	249,662	318,736	301,053
Facilities support services .....	519,982	582,539	481,245	499,093	455,342	490,381	654,971	477,892	454,652	465,170
Instructional support services .....	496,708	512,427	523,851	541,714	473,202	491,137	474,926	492,232	468,999	460,568
Food services .....	193,614	203,880	207,127	215,609	219,382	234,659	205,989	207,834	211,288	213,920
Community services .....	46,779	56,392	50,879	47,021	38,941	39,946	37,507	37,997	36,967	39,625
Interest expense .....	274,356	259,850	258,360	285,577	310,452	337,053	335,237	332,023	365,136	448,126
Other .....	10,652	8,504	12,919	8,845	8,115	7,043	6,134	6,319	7,388	12,691
Total governmental activities .....	\$ 5,270,585	\$ 5,590,594	\$ 5,681,674	\$ 6,043,527	\$ 5,923,994	\$ 6,345,941	\$ 6,583,722	\$ 6,506,700	\$ 6,203,812	\$ 6,437,982
Program revenues:										
Charges for services										
Instruction .....	\$ 3,940	\$ 5,189	\$ 4,308	\$ 692	\$ 727	\$ 700	\$ 657	\$ 571	\$ 612	\$ 647
Food services .....	8,537	8,298	6,881	6,404	6,083	5,554	3,485	1,303	1,336	1,522
Operating grants and contributions .....	945,723	1,250,526	1,376,744	1,368,118	1,196,073	963,325	1,086,885	1,051,655	1,147,750	1,156,382
Capital grants and contributions .....	128,570	151,405	99,054	184,837	112,914	186,394	162,403	356,189	109,766	57,658
Total program revenues .....	\$ 1,086,770	\$ 1,415,418	\$ 1,486,987	\$ 1,560,051	\$ 1,315,797	\$ 1,155,973	\$ 1,253,430	\$ 1,409,718	\$ 1,259,464	\$ 1,216,209
Revenues (less than) expenditures .....	\$(4,183,815)	\$(4,175,176)	\$(4,194,687)	\$(4,483,476)	\$(4,608,197)	\$(5,189,968)	\$(5,330,292)	\$(5,096,982)	\$(4,944,348)	\$(5,221,773)
<b>General revenues and other changes in net position:</b>										
Taxes:										
Property taxes .....	\$ 1,861,781	\$ 1,936,656	\$ 1,896,265	\$ 2,053,119	\$ 2,089,016	\$ 2,156,943	\$ 2,218,033	\$ 2,302,881	\$ 2,399,287	\$ 2,696,046
Replacement taxes .....	215,489	188,503	152,497	197,762	181,927	185,884	188,040	202,148	161,535	227,921
Non-program state aid .....	1,756,386	1,603,926	1,532,679	1,792,747	1,611,726	1,688,611	1,572,564	1,492,019	1,442,822	1,212,143
Interest and investment earnings .....	85,896	43,692	12,734	17,101	20,683	7,879	15,563	(47,720)	(18,706)	5,442
Gain recognized from swaptions earnings .....	—	—	—	—	—	—	—	—	—	—
Gain on sale of capital assets .....	45,386	91	—	—	—	—	—	—	10,058	7,008
Other .....	4,369	56,132	173,130	139,201	147,550	143,350	181,125	125,638	190,480	156,369
Extraordinary item — gain on impairment of capital assets .....	—	708	—	—	—	—	—	—	—	—
Total general revenues and extraordinary item .....	\$ 3,969,307	\$ 3,829,708	\$ 3,767,305	\$ 4,199,930	\$ 4,050,902	\$ 4,182,667	\$ 4,175,325	\$ 4,074,966	\$ 4,185,476	\$ 4,304,929
Change in net position .....	\$ (214,508)	\$ (345,468)	\$ (427,382)	\$ (283,546)	\$ (557,295)	\$ (1,007,301)	\$ (1,154,967)	\$ (1,022,016)	\$ (758,872)	\$ (916,844)

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STATISTICAL SECTION

STATISTICAL SECTION





**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**COMPONENTS OF FUND BALANCE**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
<b>General operating fund</b>										
Reserved .....	\$ 237,205	\$215,452	\$226,154	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved .....	432,391	311,422	198,461	—	—	—	—	—	—	—
Nonspendable .....	—	—	—	1,972	3,329	1,720	429	429	429	429
Restricted for grants and donations .....	—	—	—	69,616	69,873	63,434	61,022	64,155	64,854	51,858
Restricted for workers' comp/tort immunity .....	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	27,344
Assigned for educational services .....	—	—	—	289,000	—	—	—	—	—	—
Assigned for appropriated fund balance .....	—	—	—	181,300	348,900	562,682	267,652	79,225	—	—
Assigned for commitments and contracts .....	—	—	—	102,163	110,397	105,664	87,067	73,101	—	—
Unassigned .....	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)	(354,861)
<b>Total general operating fund .....</b>	<b>\$ 669,596</b>	<b>\$526,874</b>	<b>\$424,615</b>	<b>\$740,380</b>	<b>\$1,068,754</b>	<b>\$949,143</b>	<b>\$436,008</b>	<b>\$ 360,285</b>	<b>\$(126,632)</b>	<b>\$( 275,230)</b>
<b>All other governmental funds</b>										
Reserved .....	\$ 541,068	\$373,010	\$604,733	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:										
Capital projects fund .....	337,506	—	33,846	—	—	—	—	—	—	—
Debt service fund .....	178,489	154,616	124,556	—	—	—	—	—	—	—
Nonspendable .....	—	—	—	—	5,674	4,388	—	—	—	2,356
Restricted for capital improvement program .....	—	—	—	182,884	88,762	169,368	—	—	107,248	792,586
Restricted for debt service .....	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116	660,501
Assigned for debt service .....	—	—	—	231,413	254,967	269,167	193,877	57,057	—	—
Unassigned (deficit) .....	—	—	—	—	—	—	(91,953)	(131,111)	(65,809)	(85,691)
<b>Total all other governmental funds .....</b>	<b>\$1,057,063</b>	<b>\$527,626</b>	<b>\$763,135</b>	<b>\$685,940</b>	<b>\$ 681,920</b>	<b>\$909,889</b>	<b>\$593,476</b>	<b>\$ 471,329</b>	<b>\$ 576,555</b>	<b>\$1,369,752</b>

**NOTE:**

1) Since fiscal year 2011 fund balances are classified to conform with GASB 54 adopted in July 2010.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014 (2)	2015	2016	2017
<b>Revenues:</b>										
Property taxes	\$ 1,813,917	\$1,896,540	\$2,047,163	\$1,936,655	\$2,352,136	\$2,211,568	\$2,204,252	\$ 2,304,656	\$2,408,416	\$2,714,956
Replacement taxes	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	227,921
State aid	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,708,865
Federal aid	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999	783,943
Interest and investment earnings	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	5,442
Other	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	387,045
<b>Total revenues</b>	<b>\$ 5,018,404</b>	<b>\$5,019,578</b>	<b>\$5,304,028</b>	<b>\$5,659,997</b>	<b>\$5,760,419</b>	<b>\$5,388,477</b>	<b>\$5,442,407</b>	<b>\$ 5,437,265</b>	<b>\$5,272,667</b>	<b>\$5,828,172</b>
<b>Expenditures:</b>										
<b>Current:</b>										
Instruction	\$ 2,575,124	\$2,773,440	\$2,898,855	\$2,955,772	\$2,992,481	\$3,034,509	\$3,126,689	\$ 3,253,484	\$2,970,553	\$2,859,105
Pupil support services	362,325	390,399	416,502	508,803	469,366	454,240	457,939	459,672	448,254	441,324
General support services	986,905	1,057,672	1,010,637	1,023,004	967,692	941,270	987,048	972,526	1,044,740	948,943
Food services	181,778	194,603	196,828	201,325	213,115	215,739	193,642	197,084	201,377	199,944
Community services	45,708	56,003	50,331	45,848	39,794	39,656	37,460	38,003	37,497	39,607
Teachers' pension and retirement benefits	206,651	237,011	294,424	149,377	183,499	227,766	593,225	676,078	664,123	708,941
Other	10,652	8,504	11,928	8,845	8,115	7,043	6,134	6,319	7,388	12,691
Capital outlay	466,895	672,412	705,691	580,363	591,148	519,604	534,980	391,953	308,091	217,303
<b>Debt service:</b>										
Principal	60,568	81,351	141,977	70,848	88,466	73,423	148,272	214,707	139,096	152,638
Interest	206,028	212,934	236,261	249,975	275,707	304,788	315,927	310,923	310,778	375,679
Other charges	15,546	7,921	8,359	11,274	10,321	12,198	3,705	7,863	31,545	77,377
<b>Total expenditures</b>	<b>\$ 5,118,180</b>	<b>\$5,692,250</b>	<b>\$5,971,793</b>	<b>\$5,805,434</b>	<b>\$5,839,704</b>	<b>\$5,830,236</b>	<b>\$6,405,021</b>	<b>\$ 6,528,612</b>	<b>\$6,163,442</b>	<b>\$6,033,552</b>
<b>Revenues (less than) expenditures</b>	<b>\$ (99,776)</b>	<b>\$ (672,672)</b>	<b>\$ (667,765)</b>	<b>\$ (145,437)</b>	<b>\$ (79,285)</b>	<b>\$ (441,759)</b>	<b>\$ (962,614)</b>	<b>\$ (1,091,347)</b>	<b>\$ (890,775)</b>	<b>\$ (205,380)</b>
<b>Other financing sources (uses):</b>										
Gross amounts from debt issuances	\$ 1,674,555	\$ 225,675	\$1,083,260	\$ 638,790	\$ 592,510	\$ 982,720	\$ 131,600	\$ 561,880	\$ 724,999	\$ 879,580
Premiums on bonds issued	41,226	—	6,459	14,700	1,229	47,271	—	—	—	—
Insurance proceeds	—	1,155	—	—	—	—	—	—	—	224
Sales of general capital assets	6,404	91	—	—	—	723	7,301	37,504	15,012	6,272
Payment to refunded bond escrow agent	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)	—
Transfers in	3,813	20,389	—	—	—	—	—	—	—	—
Transfers out	(3,813)	(20,389)	—	—	—	—	—	—	—	—
Proceeds from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	(12,502)	(110,071)	(36,097)
Capital leases	—	—	—	—	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>\$ 248,104</b>	<b>\$ 513</b>	<b>\$ 801,015</b>	<b>\$ 384,007</b>	<b>\$ 403,639</b>	<b>\$ 550,117</b>	<b>\$ 138,901</b>	<b>\$ 200,172</b>	<b>\$ 509,084</b>	<b>\$ 849,979</b>
<b>Net changes in fund balances</b>	<b>\$ 148,328</b>	<b>\$ (672,159)</b>	<b>\$ 133,250</b>	<b>\$ 238,570</b>	<b>\$ 324,354</b>	<b>\$ 108,358</b>	<b>\$ (823,713)</b>	<b>\$ (891,175)</b>	<b>\$ (381,691)</b>	<b>\$ 644,599</b>
Debt service as a percentage of noncapital expenditures	5.61%	5.71%	7.07%	6.09%	6.89%	7.02%	7.64%	8.47%	7.68%	9.09%

**NOTES:**

1) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**REVENUES BY SOURCE — ALL PROGRAMS**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008		2009		2010	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	\$1,813,917	36.1%	\$1,896,540	37.8%	\$2,047,163	38.6%
Replacement taxes	215,489	4.3%	188,503	3.8%	152,497	2.9%
State aid	1,846,034	36.8%	1,511,886	30.1%	1,552,076	29.3%
Federal aid	876,041	17.5%	1,125,580	22.4%	1,180,148	22.3%
Interest and investment earnings	85,895	1.7%	43,693	0.9%	12,483	0.2%
Other	181,028	3.6%	253,376	5.0%	359,661	6.7%
<b>Total revenues</b>	<b>\$5,018,404</b>	<b>100.0%</b>	<b>\$5,019,578</b>	<b>100.0%</b>	<b>\$5,304,028</b>	<b>100.0%</b>

	2015		2016		2017	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	\$2,304,656	42.4%	\$2,408,416	45.7%	\$2,714,956	46.6%
Replacement taxes	202,148	3.7%	161,535	3.1%	227,921	3.9%
State aid	1,847,069	34.0%	1,552,325	29.4%	1,708,865	29.3%
Federal aid	798,931	14.7%	808,999	15.3%	783,943	13.5%
Interest and investment earnings	(92,825)	-1.7%	(95,650)	-1.8%	5,442	0.1%
Other	377,286	6.9%	437,042	8.3%	387,045	6.6%
<b>Total revenues</b>	<b>\$5,437,265</b>	<b>100.0%</b>	<b>\$5,272,667</b>	<b>100.0%</b>	<b>\$5,828,172</b>	<b>100.0%</b>

	2011		2012		2013		2014 (as restated)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
\$1,936,655	34.2%	\$2,352,136	40.8%	\$2,211,568	41.1%	\$2,204,252	40.5%	
197,762	3.5%	181,927	3.2%	185,884	3.4%	188,041	3.5%	
1,949,781	34.5%	1,965,901	34.1%	1,815,798	33.7%	1,840,805	33.9%	
1,144,884	20.2%	935,951	16.2%	845,796	15.7%	907,241	16.7%	
13,399	0.2%	20,760	0.4%	7,303	0.1%	15,596	0.3%	
417,516	7.4%	303,744	5.3%	322,128	6.0%	286,472	5.3%	
<b>\$5,659,997</b>	<b>100.0%</b>	<b>\$5,760,419</b>	<b>100.0%</b>	<b>\$5,388,477</b>	<b>100.0%</b>	<b>\$5,442,407</b>	<b>100.0%</b>	



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**EXPENDITURES BY FUNCTION — ALL PROGRAMS**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008		2009		2010	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction .....	\$2,575,124	50.3%	\$2,773,440	48.7%	\$2,898,855	48.5%
Pupil support services .....	362,325	7.1%	390,399	6.9%	416,502	7.0%
General support services .....	986,905	19.3%	1,057,672	18.6%	1,010,637	17.0%
Food services .....	181,778	3.6%	194,603	3.4%	196,828	3.3%
Community services .....	45,708	0.9%	56,003	1.0%	50,331	0.8%
Teachers' pension and retirement benefits .....	206,651	4.0%	237,011	4.2%	294,424	4.9%
Other .....	10,652	0.2%	8,504	0.1%	11,928	0.2%
Capital outlay .....	466,895	9.1%	672,412	11.8%	705,691	11.8%
Debt service .....	282,142	5.5%	302,206	5.3%	386,597	6.5%
Total expenditures .....	<u>\$5,118,180</u>	<u>100.0%</u>	<u>\$5,692,250</u>	<u>100.0%</u>	<u>\$5,971,793</u>	<u>100.0%</u>
	2015		2016		2017	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction .....	\$3,253,484	49.9%	\$2,970,553	48.1%	\$2,859,105	47.5%
Pupil support services .....	459,672	7.1%	448,254	7.3%	441,324	7.3%
General support services .....	972,526	14.9%	1,044,740	17.0%	984,943	16.3%
Food services .....	197,084	3.0%	201,377	3.3%	199,944	3.3%
Community services .....	38,003	0.6%	37,497	0.6%	39,607	0.7%
Teachers' pension and retirement benefits .....	676,078	10.4%	664,123	10.8%	708,941	11.7%
Other .....	6,319	0.1%	7,388	0.1%	12,691	0.2%
Capital outlay .....	391,953	6.0%	308,091	5.0%	217,303	3.6%
Debt service .....	533,493	8.0%	481,419	7.8%	569,694	9.4%
Total expenditures .....	<u>\$6,528,612</u>	<u>100.0%</u>	<u>\$6,163,442</u>	<u>100.0%</u>	<u>\$6,033,552</u>	<u>100.0%</u>

	2011		2012		2013		2014	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Instruction .....	\$2,955,772	50.9%	\$2,992,481	51.3%	\$3,034,509	52.0%	\$3,126,689	48.8%
Pupil support services .....	508,803	8.8%	469,366	8.0%	454,240	7.9%	457,939	7.1%
General support services .....	1,023,004	17.6%	967,692	16.6%	941,270	16.1%	987,048	15.4%
Food services .....	201,325	3.5%	213,115	3.7%	215,739	3.7%	193,642	3.0%
Community services .....	45,848	0.8%	39,794	0.7%	39,656	0.7%	37,460	0.6%
Teachers' pension and retirement benefits .....	149,377	2.6%	183,499	3.1%	227,766	3.9%	593,225	9.3%
Other .....	8,845	0.1%	8,115	0.1%	7,043	0.1%	6,134	0.1%
Capital outlay .....	580,363	10.0%	591,148	10.1%	519,604	8.9%	534,980	8.4%
Debt service .....	332,097	5.7%	374,494	6.4%	390,409	6.7%	467,904	7.3%
Total expenditures .....	<u>\$5,805,434</u>	<u>100.0%</u>	<u>\$5,839,704</u>	<u>100.0%</u>	<u>\$5,830,236</u>	<u>100.0%</u>	<u>\$6,405,021</u>	<u>100.0%</u>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:			
Local taxes:			
Property taxes	\$2,613,889	\$2,313,470	\$ 300,419
Replacement taxes	169,637	115,961	53,676
Total revenue from local taxes	\$2,783,526	\$2,429,431	\$ 354,095
Local nontax revenue:			
Interest and investment earnings	\$ 1,964	\$ 1,347	\$ 617
Lunchroom operations	1,309	—	1,309
Other	263,790	271,858	(8,068)
Total revenue from nontax revenue	\$ 267,063	\$ 273,205	\$ (6,142)
Total local revenue	\$3,050,589	\$2,702,636	\$ 347,953
State grants and subsidies:			
General state aid	\$ 666,713	\$ 857,601	\$(190,888)
Block grants	449,417	511,192	(61,775)
Other	170,556	30,061	140,495
Total state grants & subsidies	\$1,287,702	\$1,398,854	\$(111,152)
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	\$ 277,045	\$ 293,302	\$ (16,257)
American Recovery and Reinvestment Act (ARRA) (1)	25,228	14,304	10,924
School lunch program	184,767	202,943	(18,176)
Individuals with Disabilities Education Act (IDEA)	93,096	93,483	(387)
Other	172,159	172,245	(86)
Total federal grants and subsidies	\$ 752,295	\$ 776,277	\$ (23,982)
Total revenues	\$5,090,586	\$4,877,767	\$ 211,803

NOTE:

- 1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over (Under) 2016
Expenditures:			
Instruction:			
Salaries	\$1,723,648	\$1,775,630	\$ (51,982)
Commodities	55,560	68,814	(13,254)
Services	649,122	653,379	(4,257)
Equipment — educational	21,194	33,310	(12,116)
Building and sites	2,015	2,449	(434)
Fixed charges	407,566	436,971	(29,405)
Total instruction	\$2,859,105	\$2,970,553	\$(111,448)
Pupil support services:			
Salaries	\$ 230,784	\$ 230,887	\$ (103)
Commodities	4,917	4,277	640
Services	136,212	140,994	(4,782)
Equipment — educational	528	446	82
Building and sites	199	402	(203)
Fixed charges	68,684	71,248	(2,564)
Total pupil support services	\$ 441,324	\$ 448,254	\$ (6,930)
Administrative support services:			
Salaries	\$ 62,711	\$ 67,187	\$ (4,476)
Commodities	10,388	11,569	(1,181)
Services	182,295	196,280	(13,985)
Equipment — educational	656	375	281
Building and sites	827	536	291
Fixed charges	24,506	27,838	(3,332)
Total administrative support services	\$ 281,383	\$ 303,785	\$ (22,402)



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Facilities support services:			
Salaries .....	\$ 71,830	\$ 77,424	\$ (5,594)
Commodities .....	73,574	74,855	(1,281)
Services .....	178,871	170,328	8,543
Equipment — educational .....	660	1,135	(475)
Building and sites .....	12,948	13,390	(442)
Fixed charges .....	38,493	43,857	(5,363)
Total facilities support services .....	\$376,376	\$380,989	\$ (4,612)
Instructional support services:			
Salaries .....	\$232,001	\$246,951	\$(14,950)
Commodities .....	8,121	9,456	(1,335)
Services .....	28,281	37,868	(9,587)
Equipment — educational .....	3,645	4,257	(612)
Building and sites .....	2,247	1,815	432
Fixed charges .....	52,889	59,619	(6,730)
Total instructional support services .....	\$327,184	\$359,966	\$(32,782)
Food services:			
Salaries .....	\$ 62,408	\$ 61,527	\$ 881
Commodities .....	94,415	97,247	(2,832)
Services .....	4,798	4,356	442
Equipment — educational .....	4,036	1,762	2,274
Fixed charges .....	34,287	36,485	(2,198)
Total food services .....	\$199,944	\$201,377	\$ (1,433)

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Community services:			
Salaries .....	\$ 10,819	\$ 12,901	\$(2,082)
Commodities .....	1,537	1,384	153
Services .....	23,385	18,501	4,884
Equipment — educational .....	113	377	(264)
Building and sites .....	509	117	392
Fixed charges .....	3,244	4,217	(973)
Total community services .....	\$ 39,607	\$ 37,497	\$ 2,110
Teacher's Pension:			
Fixed charges .....	\$708,941	\$664,123	\$44,818
Total teachers' pension .....	\$708,941	\$664,123	\$44,818
Capital outlay:			
Salaries .....	\$ 2,570	\$ 2,822	\$ (252)
Commodities .....	2,972	3,626	(654)
Services .....	5,525	2,495	3,030
Equipment — educational .....	136	3,717	(3,581)
Building and sites .....	592	1,279	(687)
Fixed charges .....	673	841	(168)
Total capital outlay .....	\$ 12,468	\$ 14,780	\$(2,312)
Debt service:			
Services .....	\$ —	\$ 1,131	\$(1,131)
Fixed charges .....	38,735	25,003	13,732
Total debt service .....	\$ 38,735	\$ 26,134	\$12,601



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)  
For the Fiscal Year Ended June 30, 2017  
With Comparative Amounts for the Fiscal Year Ended June 30, 2016  
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Other:			
Salaries .....	\$ 205	\$ 172	\$ 33
Commodities .....	7	9	(2)
Services .....	2,633	909	1,724
Equipment — educational .....	—	29	(29)
Building and sites .....	—	—	—
Fixed charges .....	9,846	6,269	3,577
Total other .....	\$ 12,691	\$ 7,388	\$ 5,303
Total expenditures .....	\$5,297,758	\$5,414,846	\$(117,088)

NOTE:

This schedule was prepared using the modified accrual basis of accounting.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**OTHER FINANCING SOURCES AND (USES)**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010
<b>General operating fund:</b>			
Capital leases	\$ —	\$ —	\$ —
Insurance proceeds	—	—	—
Transfers in/(out)	3,813	20,389	17,851
<b>Total general operating fund</b>	<b>\$ 3,813</b>	<b>\$ 20,389</b>	<b>\$ 17,851</b>
<b>All other governmental funds:</b>			
Gross amounts from debt issuances	\$ 1,674,555	\$ 225,675	\$ 1,083,260
Premiums on bonds issued	41,226	—	6,459
Insurance proceeds	—	1,155	—
Sales of general capital assets	6,404	91	—
Payment to refunded bond escrow agent	(1,474,081)	(226,408)	(288,704)
Transfers in/(out)	(3,813)	(20,389)	(17,851)
Amount from notes	—	—	—
Discounts on bonds issued	—	—	—
Proceeds from swaps	—	—	—
<b>Total all other governmental funds</b>	<b>\$ 244,291</b>	<b>\$ (19,876)</b>	<b>\$ 783,164</b>

	2011	2012	2013	2014	2015	2016	2017
Capital leases	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Insurance proceeds	—	—	—	—	—	—	224
Transfers in/(out)	109,830	62	439	161	(12,915)	50,162	58,350
<b>Total general operating fund</b>	<b>\$ 109,830</b>	<b>\$ 62</b>	<b>\$ 439</b>	<b>\$ 161</b>	<b>\$ (12,915)</b>	<b>\$ 50,162</b>	<b>\$ 58,574</b>
Gross amounts from debt issuances	\$ 638,790	\$ 592,510	\$ 982,720	\$ 131,600	\$ 561,880	\$ 724,999	\$ 879,580
Premiums on bonds issued	14,700	1,229	47,271	—	—	—	—
Insurance proceeds	—	—	—	—	—	—	—
Sales of general capital assets	—	—	723	7,301	37,504	15,012	6,272
Payment to refunded bond escrow agent	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)	—
Transfers in/(out)	(109,830)	(62)	(439)	(161)	12,915	(50,162)	(58,350)
Amount from notes	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	(12,502)	(110,071)	(36,097)
Proceeds from swaps	—	—	—	—	—	—	—
<b>Total all other governmental funds</b>	<b>\$ 274,177</b>	<b>\$ 403,577</b>	<b>\$ 549,678</b>	<b>\$ 138,740</b>	<b>\$ 213,087</b>	<b>\$ 458,922</b>	<b>\$ 791,405</b>





**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**RATIO OF DEBT SERVICE TO NON-CAPITAL EXPENDITURES**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Non-Capital</u>	<u>Ratio</u>
2008	\$260,438	\$4,651,285	0.06 : 1
2009	301,169	5,019,838	0.06 : 1
2010	383,887	5,266,102	0.07 : 1
2011	332,097	5,225,071	0.06 : 1
2012	374,494	5,248,556	0.07 : 1
2013	390,409	5,310,632	0.07 : 1
2014	467,904	5,870,041	0.08 : 1
2015	533,493	6,136,659	0.09 : 1
2016	481,419	5,855,351	0.08 : 1
2017	569,694	5,816,249	0.10 : 1



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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

Last Ten Fiscal Years

(Rate per \$100 of equalized assessed valuation)

School Direct Rates	2008 (A)	2009 (B)
Education .....	\$2.376	\$2.426
Worker's and Unemployment Compensation/Tort Immunity .....	0.191	0.031
Public Building Commission .....	0.016	0.015
Capital Improvement .....	—	—
Teacher Pension .....	—	—
Total direct rate .....	\$2.583	\$2.472
Chicago Finance Authority .....	\$0.091	\$ —
City of Chicago .....	1.044	1.147
Chicago City Colleges .....	0.159	0.156
Chicago Park District .....	0.355	0.323
Metropolitan Water		
Reclamation District .....	0.263	0.252
Cook County .....	0.446	0.415
Cook County Forest Preserve .....	0.053	0.051
Total for all governments .....	<u>\$4.994</u>	<u>\$4.816</u>

Source: Cook County Clerk's Office

**NOTES:**

A) Beginning in fiscal year 2009, the tax levy for Chicago Finance Authority has been consolidated with the Education tax rate.

2010	2011	2012	2013	2014	2015	2016	2017
\$2.204	\$2.449	\$2.671	\$3.309	\$3.519	\$3.409	\$3.205	\$3.115
0.148	0.067	0.133	0.031	0.067	0.169	0.111	0.107
0.014	0.065	0.071	0.082	0.085	0.082	0.075	0.072
—	—	—	—	—	—	0.064	0.065
—	—	—	—	—	—	—	0.367
\$2.366	\$2.581	\$2.875	\$3.422	\$3.671	\$3.660	\$3.455	\$3.726
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.098	1.132	1.229	1.425	1.496	1.473	1.806	1.880
0.150	0.151	0.165	0.190	0.199	0.193	0.177	0.169
0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.368
0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406
0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533
0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063
<u>\$4.627</u>	<u>\$4.931</u>	<u>\$5.455</u>	<u>\$6.396</u>	<u>\$6.832</u>	<u>\$6.808</u>	<u>\$6.867</u>	<u>\$7.145</u>



Statistical Section

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Fiscal Years  
(Thousands of dollars)

Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Collected within the Fiscal Year of Extension (A)		Collections in Subsequent Years	Total Collections to Date (B)	
			Amount	Percentage of Extension		Amount	Percentage of Extension
2007	2008	\$1,901,887	\$ 865,576	45.51%	\$ 976,272	\$1,841,848	96.84%
2008	2009	2,001,751	916,129	45.77%	1,024,224	1,940,353	96.93%
2009	2010	2,001,252	1,024,263	51.18%	896,008	1,920,271	95.95%
2010	2011	2,118,541	1,021,564	48.22%	1,024,043	2,045,607	96.56%
2011	2012	2,159,586	1,083,667	50.18%	1,032,349	2,116,016	97.98%
2012	2013	2,232,684	1,090,274	48.83%	1,059,921	2,150,195	96.31%
2013	2014	2,289,250	1,134,859	49.57%	1,110,217	2,245,076	98.07%
2014	2015	2,375,822	1,177,370	49.56%	1,165,126	2,342,496	98.60%
2015	2016	2,451,566	1,230,423	50.19%	1,156,686	2,387,109	97.37%
2016	2017	2,757,651	1,159,655	42.05%	—	—	—

**NOTES:**

- A) The amount does not represent a full year's tax collection.
- B) The total amount collected to date is net of refunds.
- C) Tax Year 2015 contains Capital Improvement Tax amounts that were not levied in prior years.
- D) Tax Year 2016 contains CTPF Pension amounts that were not levied in prior years.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY**  
Last Ten Fiscal Years  
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A)				Total
		Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	
2007	2008	18,937,256	1,768,927	12,239,086	678,196	33,623,465
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570
2015	2016	17,319,503	1,589,995	11,240,864	541,183	30,691,545
2016	2017	17,219,809	1,863,312	11,316,868	562,402	30,962,391

State Equalization Factor (F)	Total Equalized Assessed Value (G)	Total Direct Tax Rate (H)	Total Estimated Fair Cash Value (I)	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value (%)
2.8439	73,645,316	2.583	320,503,503	22.98%
2.9786	80,977,543	2.472	310,888,609	26.05%
3.3701	84,586,808	2.366	280,288,730	30.18%
3.3000	82,087,170	2.581	231,986,396	35.38%
2.9706	75,122,914	2.875	222,856,064	33.71%
2.8056	65,250,387	3.422	206,915,723	31.53%
2.6621	62,363,876	3.671	236,695,475	26.35%
2.7253	64,908,057	3.660	255,639,792	25.39%
2.6685	70,963,289	3.455	278,076,449	25.52%
2.8032	74,016,506	3.726	N/A	N/A

**NOTES:**

- A. Source: Cook County Assessor's Office
  - B. Residential, six units and under
  - C. Residential, seven units and over and mixed-use
  - D. Industrial/Commercial
  - E. Vacant, not-for-profit and industrial/commercial incentive classes
  - F. Source: Cook County Clerk's Office
  - G. Source: Cook County Clerk's Office — Total equalized assessed value is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.
  - H. Source: Cook County Clerk's Office — Property in the City of Chicago is reassessed once every three years. Tax rates are per \$100 of the equalized assessed value.
  - I. Source: The Civic Federation — Excludes railroad property.
- N/A: Not available at publishing.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION**  
Last Ten Fiscal Years  
(Thousands of dollars)

Property	2016			2015		
	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	\$ 406,464	1	0.55%	\$ 386,932	1	0.55%
ACON Building	252,408	2	0.34%	239,092	2	0.34%
HCSC Blue Cross	250,676	3	0.34%	238,631	3	0.34%
Water Tower Place	226,358	4	0.31%	215,481	4	0.30%
Prudential Plaza	212,135	5	0.29%	186,795	9	0.26%
300 Lasalle LLC	205,994	6	0.28%	196,095	5	0.28%
Franklin Center	204,322	7	0.28%	194,504	6	0.27%
Chase Tower	203,126	8	0.27%	193,365	7	0.27%
Citadel Center	196,745	9	0.27%	187,291	8	0.26%
Three First National Plaza	191,736	10	0.26%	182,523	10	0.26%
Northwestern Memorial Hospital	—	—	—	—	—	—
131 S. Dearborn	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—
	<u>\$2,349,964</u>		<u>3.19%</u>	<u>\$2,220,709</u>		<u>3.13%</u>

Property	2011			2010		
	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	\$ 445,590	1	0.59%	\$ 495,000	1	0.60%
ACON Building	302,124	2	0.40%	335,454	2	0.41%
HCSC Blue Cross	206,343	6	0.27%	—	—	—
Water Tower Place	207,942	5	0.28%	231,000	4	0.28%
Prudential Plaza	272,345	3	0.36%	305,026	3	0.37%
300 Lasalle LLC	190,005	10	0.25%	—	—	—
Franklin Center	197,944	8	0.26%	209,723	8	0.26%
Chase Tower	204,229	7	0.27%	226,875	5	0.28%
Citadel Center	—	—	—	—	—	—
Three First National Plaza	197,183	9	0.26%	226,222	6	0.28%
Northwestern Memorial Hospital	243,609	4	0.32%	—	—	—
131 S. Dearborn	—	—	—	210,502	7	0.26%
One North Wacker	—	—	—	207,127	9	0.25%
Citigroup Center	—	—	—	191,070	10	0.23%
Leo Burnett Building	—	—	—	—	—	—
	<u>\$2,467,314</u>		<u>3.26%</u>	<u>\$2,637,999</u>		<u>3.22%</u>

Property	2014			2013			2012		
	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	\$ 364,455	1	0.56%	\$ 370,197	1	0.59%	\$ 386,266	1	0.59%
ACON Building	241,081	2	0.37%	248,906	2	0.40%	255,347	2	0.39%
HCSC Blue Cross	206,782	3	0.32%	201,987	3	0.32%	205,275	4	0.31%
Water Tower Place	195,486	4	0.30%	190,953	5	0.31%	201,246	5	0.31%
Prudential Plaza	184,101	7	0.28%	193,495	4	0.31%	234,964	3	0.36%
300 Lasalle LLC	183,764	8	0.28%	159,537	10	0.26%	179,804	10	0.28%
Franklin Center	187,461	6	0.29%	183,114	7	0.29%	192,985	7	0.30%
Chase Tower	194,963	5	0.30%	190,442	6	0.31%	200,708	6	0.31%
Citadel Center	181,210	10	0.28%	177,008	9	0.28%	184,596	9	0.28%
Three First National Plaza	182,084	9	0.28%	177,862	8	0.29%	187,449	8	0.29%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—
131 S. Dearborn	—	—	—	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—	—	—	—
	<u>\$2,121,387</u>		<u>3.26%</u>	<u>\$2,093,501</u>		<u>3.36%</u>	<u>\$2,228,640</u>		<u>3.42%</u>

Property	2009			2008			2007		
	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	\$ 505,515	1	0.60%	\$ 540,074	1	0.67%	\$ 514,662	1	0.70%
ACON Building	375,441	2	0.44%	392,192	2	0.48%	374,456	2	0.51%
HCSC Blue Cross	—	—	—	—	—	—	—	—	—
Water Tower Place	235,907	5	0.28%	242,014	6	0.30%	231,069	6	0.31%
Prudential Plaza	—	—	—	—	—	—	—	—	—
300 Lasalle LLC	256,590	4	0.30%	294,569	4	0.36%	297,653	3	0.40%
Franklin Center	231,694	6	0.27%	262,114	5	0.32%	250,261	5	0.34%
Chase Tower	—	—	—	—	—	—	—	—	—
Citadel Center	318,635	3	0.38%	307,510	3	0.38%	293,604	4	0.40%
Three First National Plaza	231,028	7	0.27%	215,666	10	0.27%	205,913	10	0.28%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—
131 S. Dearborn	212,725	8	0.25%	218,722	9	0.27%	208,906	9	0.28%
One North Wacker	211,526	9	0.25%	—	—	—	—	—	—
Citigroup Center	—	—	—	226,458	7	0.28%	216,217	7	0.29%
Leo Burnett Building	208,973	10	0.25%	221,846	8	0.27%	211,813	8	0.29%
	<u>\$2,788,034</u>		<u>3.29%</u>	<u>\$2,921,165</u>		<u>3.60%</u>	<u>\$2,804,554</u>		<u>3.80%</u>

Source: Cook County Treasurer's Office and Cook County Assessor's Office



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SCHEDULE OF REPLACEMENT TAX DATA**

Last Ten Fiscal Years

**Statewide Replacement Tax Data (A)**

Calendar Year	Invested Capital Tax Collections	Business Income Tax Collections (Net of Refunds)	Net Adjustments (C)	Total Replacement Tax Allocations to Local Govts.	Board Percent (E)
2008	\$ 212,367,886	\$ 1,196,441,849	\$ 87,136,806	\$ 1,495,946,541	14.00%
2009	205,330,651	987,176,180	69,521,623	1,262,028,454	14.00%
2010	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (F)	200,808,953	1,319,550,246	(117,189,755)	1,403,169,444	14.00%
2016 (H)	201,320,237	1,273,378,669	(179,819,398)	1,294,879,508	14.00%
2017 (H)(I)	167,994,422	1,129,654,992	28,259,110	1,325,908,524	14.00%

**Board Replacement Tax Data (B)**

Board	Revenues (D)	Revenues
\$209,492,428	\$209,492,428	\$215,488,652
176,734,528	176,734,528	188,503,101
190,560,089	190,560,089	152,497,491
167,923,445	167,923,445	197,761,584
168,231,989	168,231,989	181,926,998
186,499,892	186,499,892	185,883,929
191,978,921	191,978,921	188,040,647
206,242,430	206,242,430	202,147,157
181,335,026	181,335,026	161,535,119
185,680,220	185,680,220	227,920,163

**NOTES:**

- A) Source: Illinois Department of Revenue
- B) Source: Board of Education of the City of Chicago
- C) Consists of adjustments for administrative fees, interest earned on deposits, interfund transfers, timing of collections and payments and related items.
- D) Reflects reductions to pay applicable Statutory Claims. All Statutory Claims with respect to debt service have been paid and, under the Statute Revenue Sharing Act, no future Statutory Claims with respect to debt service will arise or need to be paid.
- E) Percentage rounded.
- F) Replacement tax collection for January 1, 2015 — October 31, 2015 only.
- G) Estimated.
- H) The Statewide Replacement Tax Data for calendar year 2016 and 2017 was not made available from the Illinois Department of Revenue (IDOR) at time of publishing. The data is gathered from the Illinois Office of the Comptroller online Ledger. The data for total distributions to local governments is retrieved from IDOR monthly tax distributions online database.
- I) Replacement tax collection for January 1, 2017 — October 31, 2017 only.

**Monthly Summary of the Total Allocations to the Board of Education**

Calendar Year	January	March	April	May	July	August	October	December	Total
2008	\$28,898,261	\$13,371,613	\$37,943,940	\$40,606,164	\$32,510,546	\$17,770,472	\$29,019,609	\$ 9,371,823	\$209,492,428
2009	21,095,325	7,777,403	37,489,531	36,561,422	29,417,516	3,022,112	33,592,731	7,778,488	176,734,528
2010	22,103,156	8,619,712	32,076,622	22,475,680	22,828,990	2,997,879	43,980,968	35,477,082	190,560,089
2011	18,190,918	10,057,508	36,489,761	26,235,905	24,341,562	6,092,825	40,652,479	5,872,487	167,923,445
2012	25,024,841	6,995,224	38,430,380	25,676,518	33,182,244	4,009,471	25,251,856	9,661,455	168,231,989
2013	25,661,184	8,031,048	40,687,665	36,710,938	35,870,312	3,762,361	26,213,949	9,562,435	186,499,892
2014	32,365,778	9,605,194	42,927,880	31,682,731	31,920,320	3,433,503	31,625,454	8,418,061	191,978,921
2015	28,059,669	8,010,311	49,024,542	40,392,319	33,183,298	4,472,067	33,357,743	9,742,481(G)	206,242,430
2016	26,524,204	10,652,765	37,937,134	30,650,698	33,320,166	3,878,948	30,306,843	8,064,267	181,335,026
2017	29,970,202	19,251,991	49,042,057	31,582,995	32,296,122	1,489,085	22,047,768	8,764,161(G)	194,444,380



**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS**

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV \$	2016 EAV \$	% Change in EAV (for 2016)
Addison South	5/9/2007	2031	\$ 70,940,232	\$124,048,445	74.9%
Archer Courts	5/12/1999	2023	85,326	6,102,483	7,052.0%
Archer/Central	5/17/2000	2024	37,646,911	40,571,480	7.8%
Archer/Western	2/11/2009	2033	117,506,250	106,967,520	-9.0%
Armitage/Pulaski	6/13/2007	2031	17,643,508	19,425,679	10.1%
Austin/Commercial	9/27/2007	2031	72,287,864	81,398,363	12.6%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	27,676,433	24.8%
Avondale	7/29/2009	2033	40,426,760	35,563,073	-12.0%
Belmont/Central	1/12/2000	2024	137,304,682	174,873,581	27.4%
Belmont/Cicero	1/12/2000	2024	33,673,880	46,499,843	38.1%
Bronzeville	11/4/1998	2022	46,166,304	97,987,454	112.2%
Bryn Mawr/Broadway	12/11/1996	2019	17,745,437	46,027,367	159.4%
California/Foster	4/2/2014	2038	15,399,717	15,721,179	2.1%
Calumet/Cermak	7/29/1998	2021	3,219,685	172,899,540	5,270.1%
Canal/Congress	11/12/1998	2022	36,872,487	433,181,007	1,074.8%
Central West	2/16/2000	2024	85,481,254	389,861,566	356.1%
Chicago/Central Park	2/27/2002	2026	84,789,947	173,603,636	104.7%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	398,577,477	934.7%
Cicero/Archer	5/17/2000	2024	19,629,324	29,201,117	48.8%
Clark/Montrose	7/7/1999	2022	23,433,096	69,756,014	197.7%
Clark/Ridge	9/29/1999	2022	39,619,368	68,421,356	72.7%
Commercial Ave.	11/13/2002	2026	40,748,652	55,307,525	35.7%
Devon/Sheridan	3/31/2004	2028	45,541,834	41,664,271	-8.5%
Devon/Western	11/3/1999	2023	71,430,503	99,454,783	39.2%
Diversey/Narragansett	2/5/2003	2027	34,746,231	64,488,697	85.6%
Division/Homan	6/27/2001	2025	24,683,716	42,020,229	70.2%
Drexel Blvd.	7/10/2002	2026	127,408	5,501,564	4,218.1%
Edgewater/Ashland	10/1/2003	2027	1,875,282	49,532,736	2,541.3%
Elston/Armstrong	7/19/2007	2031	45,742,226	51,386,332	12.3%
Englewood Mall	11/29/1989	2025	3,868,736	10,935,025	182.7%
Englewood Neighborhood	6/27/2001	2025	56,079,946	139,715,192	149.1%
Ewing Avenue	3/10/2010	2034	52,994,264	46,025,740	-13.1%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	194,069,768	127.9%
Galewood/Armitage Industrial	7/7/1999	2023	48,056,697	131,970,833	174.6%
Goose Island	7/10/1996	2019	13,676,187	86,718,979	534.1%
Greater Southwest (West)	4/12/2000	2024	115,603,413	85,885,905	-25.7%
Harlem Industrial Park	3/14/2007	2031	45,981,764	37,681,661	-18.1%

**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)**

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV \$	2016 EAV \$	% Change in EAV (for 2016)
Harrison/Central	7/26/2006	2030	\$ 43,430,700	\$ 48,032,746	10.6%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	135,669,276	-14.5%
Homan/Arthington	2/5/1998	2021	2,658,362	11,704,272	340.3%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	82,500,123	156.5%
Irving Park/Cicero	6/10/1996	2020	8,150,631	18,381,041	125.5%
Irving Park/Elston	5/13/2009	2033	44,853,282	37,838,228	-15.6%
Jefferson Park	9/9/1998	2021	23,970,085	38,172,391	59.3%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	148,370,992	183.7%
Kennedy/Kimball	3/12/2008	2032	72,841,679	70,269,214	-3.5%
Kinzie Conservation	6/10/1998	2022	144,961,719	609,044,900	320.1%
Lake Calumet	12/13/2000	2024	176,186,639	190,901,333	8.4%
Lakefront	3/27/2002	2026	—	5,356,269	—
Lakeside Dev Phase 1	5/12/2010	2034	3,489,242	310,471	-91.1%
LaSalle/Central	11/15/2006	2030	4,192,597,468	4,316,452,776	3.0%
Lawrence/Broadway	6/27/2001	2025	38,603,611	92,522,086	139.7%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	201,897,126	82.9%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	62,307,350	42.6%
Lincoln Avenue	11/3/1999	2023	63,741,191	98,339,864	54.3%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	20,983,369	753.9%
Little Village East	4/22/2009	2033	44,751,945	36,037,154	-19.5%
Little Village Ind	6/13/2007	2031	88,054,895	74,542,228	-15.3%
Madden/Wells	11/6/2002	2026	1,333,582	19,070,267	1,330.0%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	71,165,109	46.0%
Michigan Ave/Cermak	9/13/1989	2025	5,858,634	29,117,750	397.0%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	107,518,625	121.0%
Midwest	5/17/2000	2036	216,733,898	460,377,996	112.4%
Montclare	8/30/2000	2024	792,770	5,021,978	533.5%
Montrose/Clarendon	6/30/2010	2034	—	2,866,148	—
Near North	7/30/1997	2020	41,373,938	485,583,813	1,073.6%
North Ave./Cicero	7/30/1997	2020	5,658,542	26,668,838	371.3%
North Branch/North	7/2/1997	2021	29,574,537	106,853,083	261.3%
North Branch/South	2/5/1998	2021	44,361,677	169,893,527	283.0%
North Pullman	6/30/2009	2033	44,582,869	58,926,827	32.2%
NW Industrial Corridor	12/2/1998	2022	146,115,991	238,802,705	63.4%
Ogden/Pulaski	4/9/2008	2032	221,709,034	206,793,256	-6.7%
Ohio/Wabash	6/7/2000	2024	1,278,143	27,097,483	2,020.1%
Pershing/King	9/5/2007	2031	12,948,117	11,756,228	-9.2%
Peterson/Cicero	2/16/2000	2024	1,116,653	7,758,760	594.8%

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STATISTICAL SECTION

STATISTICAL SECTION



CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV \$	2016 EAV \$	% Change in EAV (for 2016)
Peterson/Pulaski	2/16/2000	2024	\$ 40,112,395	\$ 55,376,539	38.1%
Pilsen Area	6/10/1998	2022	111,394,217	300,115,987	169.4%
Portage Park	9/9/1998	2021	65,084,552	90,877,103	39.6%
Pratt/Ridge	6/23/2004	2028	16,414,897	21,262,780	29.5%
Pulaski Corridor	6/9/1999	2023	82,778,075	134,160,861	62.1%
Randolph/Wells	6/9/2010	2034	72,140,805	66,979,425	-7.2%
Ravenswood Corridor	3/9/2005	2029	44,169,275	58,080,633	31.5%
Read/Dunning	1/11/1991	2027	6,382,072	46,474,032	628.2%
River South	7/30/1997	2020	65,930,580	451,254,165	584.4%
River West	1/10/2001	2025	50,463,240	309,798,685	513.9%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	87,627,694	94.0%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	33,656,369	381.3%
Roosevelt/Union	5/12/1999	2022	4,369,258	87,467,906	1,901.9%
Roseland/Michigan	1/16/2002	2026	29,627,768	35,744,390	20.6%
Sanitary Draig & Ship	7/24/1991	2027	10,722,329	18,211,899	69.9%
South Chicago	4/12/2000	2024	14,775,992	34,459,855	133.2%
South Works	11/3/1999	2023	3,823,633	4,175,718	9.2%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	207,987,968	-3.9%
Stockyards Annex	12/11/1996	2020	38,650,631	57,368,252	48.4%
Stockyards-Southeast Quad	2/26/1992	2016	21,527,824	41,403,445	92.3%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	86,851,699	88.6%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	30,072,900	70.3%
Touhy/Western	9/13/2006	2030	55,187,828	52,440,064	-5.0%
Washington Park	10/8/2014	2038	72,073,855	77,987,840	8.2%
Weed/Fremont	1/8/2008	2032	6,430,360	17,215,132	167.7%
West Irving Park	1/12/2000	2024	36,446,831	49,603,790	36.1%
West Woodlawn	5/12/2010	2034	127,750,505	96,279,729	-24.6%
Western Ave. South	1/12/2000	2024	69,504,372	178,659,765	157.0%
Western Ave. North	1/12/2000	2024	71,260,546	173,882,916	144.0%
Western/Ogden	2/5/1998	2021	41,536,306	173,222,150	317.0%
Western/Rock Island	2/8/2006	2030	102,358,411	112,251,671	9.7%
Wilson Yard	6/27/2001	2025	56,194,225	162,434,193	189.1%
Woodlawn	1/20/1999	2022	28,865,833	74,011,465	156.4%
105th/Vincennes	10/3/2001	2025	108,828,811	125,085,436	14.9%
107th/Halsted	4/2/2014	2038	122,435,316	133,536,483	9.1%
111th/Kedzie	9/29/1999	2022	14,456,141	23,458,474	62.3%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV \$	2016 EAV \$	% Change in EAV (for 2016)
119th/Halsted	2/6/2002	2026	\$ 63,231,728	\$ 80,992,366	28.1%
119th/I-57	11/6/2002	2026	100,669,561	158,375,812	57.3%
126th/Torrence	12/21/1994	2017	1,224,731	18,219,204	1,387.6%
24th/Michigan	7/21/1999	2022	15,874,286	41,007,963	158.3%
26th/King Drive	1/11/2006	2030	—	11,358,656	—
35th/Halsted	1/14/1997	2021	81,212,182	180,214,519	121.9%
35th/State	1/14/2004	2028	3,978,955	39,060,497	881.7%
35th/Wallace	12/15/1999	2023	9,047,402	23,299,602	157.5%
41st/King Drive	7/13/1994	2018	129,892	2,848,631	2,093.1%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	54,667,371	298.2%
47th/Ashland	3/27/2002	2026	53,606,185	84,033,035	56.8%
47th/Halsted	5/29/2002	2026	39,164,012	90,337,462	130.7%
47th/King Drive	3/27/2002	2026	61,269,066	166,738,526	172.1%
47th/State	7/21/2004	2028	19,279,360	40,863,453	112.0%
49th/St. Lawrence	1/10/1996	2020	683,377	7,122,664	942.3%
51st/Archer	5/17/2000	2024	29,522,751	49,751,303	68.5%
51st/Lake Park	11/15/2012	2036	2,320,971	5,038,253	117.1%
53rd St.	1/10/2001	2025	20,916,553	73,709,492	252.4%
60th/Western	5/9/1996	2019	2,464,026	4,168,253	69.2%
63rd/Ashland	3/29/2006	2030	47,496,362	65,526,966	38.0%
63rd/Pulaski	5/17/2000	2024	56,171,856	76,560,059	36.3%
67th/Cicero	10/2/2002	2026	—	3,703,940	—
67th/Wentworth	5/4/2011	2035	210,005,927	155,891,419	-25.8%
71st/Stony Island	10/7/1998	2021	53,336,063	88,966,758	66.8%
73rd/University	9/13/2006	2030	16,998,947	22,730,371	33.7%
79th Street Corridor	7/8/1998	2021	21,576,305	34,209,308	58.6%
79th/Cicero	6/8/2005	2029	8,018,405	15,295,069	90.7%
79th/SW Highway	10/3/2001	2025	36,347,823	54,706,997	50.5%
79th/Vincennes	9/27/2007	2031	32,132,472	30,680,655	-4.5%
83rd/Stewart	3/31/2004	2028	10,618,689	28,224,334	165.8%
87th/Cottage Grove	11/13/2002	2026	53,959,824	76,486,129	41.7%
95th/Western	7/13/1995	2019	16,035,773	27,430,565	71.1%
			<u>\$10,870,671,047</u>	<u>\$17,557,326,500</u>	

NOTE

State law empowers cities to create Tax Increment Financing Districts (TIFs) to finance redevelopment of blighted areas or areas at risk of blight. Taxes subsequently generated by new development and





**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)**

For the Fiscal Year Ended June 30, 2017

increases in property values in TIF districts are reinvested for further development. Increased tax revenues pay for general improvements such as roadways, viaducts, sewers, and sidewalk replacements or for financial assistance for developers.

State law requires the City to call a meeting of the Joint Review Board in order for the City to legally create any TIF.

The Chicago Public Schools serves on this committee.

Source: Office of The County Clerk Tax Increment Agency

Total 2016 EAV for the City of Chicago is \$74,016,506,351 — Source of The Cook County Report



**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV**

Last Ten Fiscal Years

(Thousands of dollars)

Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	Components of New Property by Tax Levy Year (B)					Total New Property (A)	New property percentage of overall EAV
			New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives		
2007	2008	\$73,651,158	\$ 838,279	\$—	\$—	\$ 45,875	\$24,179	\$ 908,333	1.23%
2008	2009	80,983,239	1,073,096	—	—	2,318,769	—	3,391,865	4.19%
2009	2010	84,592,286	1,052,426	—	—	162	—	1,052,588	1.24%
2010	2011	82,092,476	727,019	—	—	104,289	18,790	850,098	1.04%
2011	2012	75,127,913	344,503	—	—	—	2,420	346,923	0.46%
2012	2013	65,257,093	213,120	—	—	41,499	19,845	274,464	0.42%
2013	2014	62,370,205	279,426	—	—	244,388	10,066	533,880	0.86%
2014	2015	64,913,774	414,558	—	—	1,040,246	9,912	1,464,716	2.26%
2015	2016	70,968,533	339,649	—	—	21,038	16,432	377,119	0.53%
2016	2017	74,020,998	397,527	—	—	39,040	10,667	447,234	0.60%

**NOTES:**

- A) Source: Cook County Clerk's Office — Agency Tax Rate Report, includes DuPage County Valuation.
- B) Source: Cook County Clerk's Office — PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.



Statistical Section

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
<b>Modern Schools Across Chicago (MSAC) Program Phase I</b>				
Collins Renovation	\$ 30,300,000	\$ 31,788,774	\$ —	Midwest
Mather Renovation	32,401,366	32,401,366	—	Lincoln Avenue
Austin Renovation	32,203,759	32,203,759	—	Madison/ Austin
Southwest Elementary (Hernandez Middle School)	32,818,102	32,818,102	—	51st/ Archer
South Shore Replacement HS	72,164,382	72,164,382	—	71st/ Stony Island
Additional Westinghouse HS Funding and Refunding	17,752,030	17,752,030	—	Chicago/ Central Park
Skinner Replacement Elementary	36,418,205	34,340,000	—	Central West
Avondale Irving Park Elementary	10,766,724	10,766,724	—	Fullerton/ Milwaukee
Boone Clinton Elementary	8,142,740	8,142,740	—	Touhy/ Western
Belmont Cragin Elementary	8,097,471	8,097,471	—	Galewood/ Armitage
Peterson Addition	15,150,000	15,150,000	—	Lawrence/ Kedzie
<b>Modern Schools Across Chicago Program Phase II</b>				
Avondale Irving Park Elementary	25,000,000	25,452,297	—	Fullerton/ Milwaukee
Belmont Cragin Elementary	31,300,000	28,712,447	—	Galewood/ Armitage
Hernandez Middle School	9,540,000	6,382,816	—	51st/ Archer
Boone Clinton Elementary	18,655,000	18,767,428	—	Touhy/ Western
Chicago Ag West High School (Al Raby Horticultural)	22,000,000	14,523,717	—	Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	368,859	Chicago/ Central Park
Back of the Yards HS	19,800,000	19,800,000	—	47th/ Ashland
<b>Modern Schools Across Chicago Program Additional Agreements</b>				
Austin Renovation	5,570,000	Rescinded	—	Madison/ Austin
Skinner Replacement Elementary	6,120,000	3,506,630	—	Central/ West
Peterson Addition	2,900,000	2,900,000	—	Lawrence/ Kedzie
Brighton Park II Elementary	25,420,000	5,549,463	19,870,537	Stevenson/ Brighton
<b>Modern Schools Across Chicago Program Re-Programmed Bond Funds</b>				
Ericson Play Lot	225,000	200,881	—	Midwest MSAC Bonds
Faraday STEM	650,000	633,267	—	Midwest MSAC Bonds
Jensen Play Lot	400,000	378,365	—	Midwest MSAC Bonds
Prieto ES Modular	1,900,000	1,849,239	—	Belmont Central
Prosser High School Renovation	978,602	978,602	—	Galewood/Armitage
Back of the Yard HS Renovation	225,000	225,000	—	47th/ Ashland
<b>MSAC Subtotal</b>	<b>\$499,818,381</b>	<b>\$457,045,829</b>	<b>\$20,239,396</b>	

Revenue Capacity

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
<b>American Disabilities Act (ADA) ADA Accessibility -Year 1</b>				
Beidler Elementary	\$ 750,000	\$ 594,531	\$ —	Kinzie Industrial
Brown Elementary	750,000	750,000	—	Central West
Creiger Campus	1,500,250	1,207,911	—	Central West
Dodge Elementary	750,000	476,025	—	Midwest
Fiske Elementary	1,500,000	—	—	Woodlawn
Holmes Elementary	750,000	606,820	—	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—	—	Englewood Neighborhood
McAuliffe Elementary	750,000	441,771	—	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	750,000	—	Kinzie Industrial
Nicholson Elementary	750,000	600,125	—	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/ Central Park
Schiller Elementary	1,500,000	565,181	—	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
<b>ADA Accessibility -Years 2-5</b>				
Amundsen	1,083,069	—	1,083,069	Western Ave. North
Burke Elementary	1,000,000	Pending	—	47th / State
Banneker Elementary	2,000,000	Pending	—	Englewood Neighborhood
Armour Elementary	2,673,750	Pending	—	35th / Halsted
Hearst Elementary	2,219,500	Pending	—	Cicero/Archer
Lawndale Elementary	2,500,000	Pending	—	Midwest
Plamondon Elementary	1,748,000	Pending	—	Western /Ogden Industrial Corridor
Schurz High School	2,852,792	—	2,285,792	Portage Park
Hayt Elementary	670,000	Pending	—	Clark/Ridge
Peterson Elementary	500,000	Pending	—	Lawrence/Kedzie
Chappell Elementary	760,137	—	760,137	Western Ave. North
<b>ADA Subtotal</b>	<b>\$32,257,498</b>	<b>\$9,742,365</b>	<b>\$4,128,998</b>	

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STATISTICAL SECTION

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Statistical Section

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
<b>Other Capital Intergovernmental Agreements</b>				
Walter Payton HS and Jenner School	\$ 11,125,000	\$ 11,125,000	\$ —	Near North
Walter Payton HS Addition	20,000,000	17,935,474	144,662	Near North
Jones Academic High School Renovation/ Addition (Original)	42,315,243	42,315,243	—	Near South
Jones Academic High School Renovation/ Addition (Amended)	114,641,656	114,641,656	—	Near South
Jones Academic High School New Construction	8,700,000	8,145,386	—	Near South
National Teachers Academy New Construction	47,000,000	44,529,387	—	24th/ Michigan
Simeon High School Renovation	22,184,825	18,381,140	—	Chatham Ridge
Albany Park Middle School New Construction	25,000,000	28,662,826	—	*Lawrence/ Kedzie
Juarez High School Addition	18,500,000	18,017,456	—	Pilsen
DePriest Elementary New Construction	18,500,000	21,457,220	—	*Madison/ Austin
Additional Westinghouse HS- Refunding Debt Service	53,750,000	58,618,967	—	*Chicago/ Central Park
Center Elementary School	150,000	150,000	—	53rd Street
Orozco Elementary Health Center School	250,000	250,000	—	Western/ Ogden
Lane Tech High School Stadium	1,882,100	1,882,100	—	Western Avenue South
Clark Park Lane Tech High School	3,500,000	3,500,000	—	Western Avenue South
Coonley Middle School Renovation	2,201,500	2,201,500	—	Western Avenue South
Coonley Middle School Addition	16,500,000	14,729,000	270,772	Western Avenue South
Arai/ Uplift Elementary School Renovation	1,447,244	1,447,244	—	Wilson Yard
Lloyd Elementary Turf Field	750,000	750,000	—	Midwest
Lloyd Elementary Turf Field Scope Increase	550,000	113,947	—	Midwest
Chase ADA Renovation	3,600,000	2,759,563	—	Fullerton/Milwaukee
Holmes Elementary Lunchroom	3,270,000	3,270,000	—	Englewood Neighborhood
Senn High School Auditorium Upgrade	1,000,000	1,000,000	—	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	—	Rescinded	—	Wilson Yard
Beidler Campus Park	1,000,000	1,000,000	—	Kinzie Industrial
Donoghue Parking Lot	200,000	200,000	—	Madden-Weils
Juarez High School Athletic Field	701,308	701,308	—	Pilsen Industrial Corridor
Kenwood Academy	60,000	60,000	—	53rd Street
Lane Tech Renovation #2	2,000,000	2,000,000	—	Western Avenue South
Melody STEM	1,500,000	713,385	—	*Madison/ Austin
Spencer Play Lot	700,000	545,958	—	*Madison/ Austin
Tilton Play Lot	500,000	456,448	—	*Madison/ Austin
Whittier Renovation	2,887,000	2,887,000	—	Pilsen Industrial Corridor
McPherson Elementary School	400,000	400,000	—	Western Avenue North
Amundsen High School	500,000	500,000	—	Western Avenue North
Penn Elementary School	1,150,000	1,150,000	—	Midwest
Crane High School	2,250,000	2,250,000	—	Central West
Addams Renovation	1,700,000	1,043,273	—	Ewing Avenue
Ames renovation	4,500,000	4,476,461	—	Pulaski Industrial Corridor
Amundsen Gym	2,600,000	2,600,000	—	Western Ave. North
Amundsen CTE	760,000	454,331	—	Western Ave. North
Belmont Cragin Playground	287,000	121,737	14,164	Belmont Central
Budlong ES Bathroom Improvements	2,200,000	2,141,830	3,000	Foster / California
Cather ES Space to Grow	500,000	384,528	115,472	Kinzie Industrial
Earle ES Playground	287,000	172,352	8,675	63rd Ashland
Franklin ES Lockers	410,000	275,785	—	Near North
Gallistel Renovation	2,700,000	2,031,117	—	Ewing Avenue
Hope HS/ KIPP Playground	287,000	228,685	23,408	47th Ashland
New Selective Enrollment High School	520,000	—	—	Near North
Wadsworth Space to Grow	500,000	500,000	—	Woodlawn
New South Loop School	10,667,000	5,446,871	1,334,823	River South
<b>Other Capital IGA Subtotal</b>	<b>\$458,593,976</b>	<b>\$448,635,188</b>	<b>\$ 1,914,976</b>	
<b>Grand Total</b>	<b>\$990,669,855</b>	<b>\$915,423,382</b>	<b>\$26,283,370</b>	

NOTES:  
Based on IGAAS approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2017.  
\* City of Chicago refunded bonds to cover future principal and interest payments, no additional amounts to be paid to CPS.



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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS**  
For the Fiscal Year Ended June 30, 2017  
(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued	Final Maturity	Interest Rate	Outstanding at June 30, 2016	Issue or (Redeemed)	Outstanding at June 30, 2017 (A) (B)
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992	11/1/2020	6.00%-6.5%	\$ 101,850	\$ (23,325)	\$ 78,525
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/1/1999	12/1/2018	5.00%-5.25%	55,930	(17,605)	38,325
1997A	Unlimited Tax GO Bonds	PPRT/IGA	12/3/1997	12/1/2030	5.30%-5.55%	5,389	(5,389)	—
1998 B-1	Unlimited Tax GO Bonds	IGA	10/23/1998	12/1/2031	4.5%-5.22%	248,346	(8,202)	240,144
1999A	Unlimited Tax GO Bonds	PPRT/IGA	2/25/1999	12/1/2031	4.30%-5.3%	405,325	(13,432)	391,893
2002A	Unlimited Tax GO Bonds	City Note/IGA	9/24/2002	12/1/2022	3.00%-5.25%	28,360	(3,475)	24,885
2003C	Qualified Zone Academy GO Bonds	State Aid	10/28/2003	10/27/2017	0.00%	4,585	—	4,585
2004A	Unlimited Tax GO Bonds	PPRT/State Aid	4/6/2004	12/1/2020	4.00%-5.00%	74,480	(3,790)	70,690
2005A	Unlimited Tax GO Bonds	State Aid	6/27/2005	12/1/2031	5.00%-5.50%	174,365	(7,085)	167,280
2005B	Unlimited Tax GO Bonds	PPRT	6/27/2005	12/1/2021	5.00%	22,735	—	22,735
2006A	Qualified Zone Academy GO Bonds	State Aid	6/7/2006	6/1/2021	0.00%	6,853	—	6,853
2006B	Unlimited Tax GO Bonds	State Aid	9/27/2006	12/1/2036	4.25%-5.00%	289,525	(8,795)	280,730
2007B	Unlimited Tax GO Bonds	IGA	9/5/2007	12/1/2024	5.00%	197,765	—	197,765
2007C	Unlimited Tax GO Bonds	IGA	9/5/2007	12/1/2021	4.00%-4.375%	4,150	(410)	3,740
2007D	Unlimited Tax GO Bonds	State Aid	12/13/2007	12/1/2029	4.00%-5.00%	169,195	—	169,195
2008A	Unlimited Tax GO Bonds	PPRT/IGA	5/13/2008	12/1/2030	Variable	262,785	—	262,785
2008B	Unlimited Tax GO Bonds	State Aid	5/13/2008	12/1/2041	Variable	185,350	(7,800)	177,550
2008C	Unlimited Tax GO Bonds	State Aid	5/12/2008	3/1/2032	4.25%-5.00%	464,655	—	464,655
2009D	Unlimited Tax GO Bonds	State Aid	7/30/2009	12/1/2023	1.00%-5.00%	45,340	(4,400)	40,940
2009E	Unlimited Tax GO Build America Bonds	State Aid and Federal Subsidy	9/24/2009	12/1/2039	4.682%-6.14%	518,210	—	518,210
2009G	Qualified School Construction GO Bonds	State Aid	12/17/2009	12/15/2025	1.75%	254,240	—	254,240
2010C	Qualified School Construction GO Bonds	State Aid and Federal Subsidy	11/2/2010	11/1/2029	6.32%	257,125	—	257,125
2010D	Unlimited Tax GO Build America Bonds	State Aid and Federal Subsidy	11/2/2010	3/1/2036	6.52%	125,000	—	125,000
2010F	Unlimited Tax GO Bonds	State Aid	11/2/2010	12/1/2031	5.00%	169,155	(7,855)	161,300
2010G	Unlimited Tax GO Bonds	State Aid	11/2/2010	3/1/2017	2.77%-4.18%	22,735	(17,500)	5,235
2011A	Unlimited Tax GO Bonds	State Aid	11/1/2011	12/1/2041	5.00%-5.50%	402,410	—	402,410
2011C-1	Unlimited Tax GO Bonds	State Aid	12/20/2011	3/1/2032	Variable	43,600	(1,400)	42,200
2011C-2	Unlimited Tax GO Bonds	State Aid	12/20/2011	3/1/2032	Variable	44,100	(2,600)	41,500
2012A	Unlimited Tax GO Bonds	State Aid	8/21/2012	12/1/2042	5.00%	468,915	—	468,915
2012B	Unlimited Tax GO Bonds	State Aid	12/21/2012	12/1/2034	5.00%	109,825	—	109,825
2013A-1	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2026	Variable	89,990	(8,975)	81,015
2013A-2	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2035	Variable	124,320	—	124,320
2013A-3	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2036	Variable	157,055	—	157,055
2015A	Unlimited Tax GO Bonds	State Aid	3/26/2015	3/1/2032	Variable	89,200	(5,200)	84,000
2015C	Unlimited Tax GO Bonds	State Aid	4/29/2015	12/1/2039	5.25%-6.00%	280,000	—	280,000
2015E	Unlimited Tax GO Bonds	State Aid	4/29/2015	12/1/2039	5.13%	20,000	—	20,000
2015G	Unlimited Tax GO Bonds	State Aid	3/26/2015	3/1/2032	Variable	88,900	(5,400)	83,500
2016A	Unlimited Tax GO Bonds	State Aid	2/8/2016	12/1/2044	7.00%	725,000	—	725,000
2016B	Unlimited Tax GO Bonds	State Aid	7/29/2016	12/1/2046	6.50%	—	150,000	150,000
2016CIT	Capital Improvement Tax	CIT Levy	1/4/2017	4/1/2046	5.75%-6.10%	—	729,580	729,580
<b>Grand Total Direct Debt</b>						<b>\$6,736,763</b>	<b>\$ 726,942</b>	<b>\$7,463,705</b>

NOTES: A. Net of amounts set aside/ escrowed to maturity for 12/1/17 payments deposited by 6/30/17.  
B. Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	\$ —
1998B-1	387,355
1999A	259,432
<b>Total</b>	<b>\$646,787</b>



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**TOTAL AUTHORIZED BOND ISSUANCES**  
As of June 30, 2017  
(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2017 (1)	Remaining Authorization
1995 COP Board Authorization	\$ 45,000	\$ 45,000	\$ —	\$ 45,000	\$ —	\$ —
1996 Alternate Bond Authorization	1,150,000	850,000 (A)	300,000	850,000	— (A)	—
1997 Alternate Bond Authorization	1,500,000	1,497,703 (B)	—	865,666	632,037 (B)	2,297
1998 Alternate Bond Authorization	900,000	870,195 (C)	—	865,610	4,585 (C)	29,805
2001 Alternate Bond Authorization	500,000	500,000 (D)	—	500,000	— (D)	—
2002 Alternate Bond Authorization	500,000	500,000 (E)	—	475,115	24,885 (E)	—
2004 Alternate Bond Authorization	965,000	965,000 (F)	—	958,147	6,853 (F)	—
2006 Alternate Bond Authorization	750,000	634,258 (G)	—	420,383	213,875 (G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (H)	—	222,550	1,677,440 (H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (I)	—	402,495	1,503,685 (I)	393,820
2012 Alternate Bond Authorization	750,000	709,825 (J)	—	300,000	409,825 (J)	40,175
2015 Alternate Bond Authorization	1,160,000	875,000 (K)	—	—	875,000	285,000
2016 Alternate Bond Authorization	945,000	— (L)	—	—	—	945,000
<b>TOTAL</b>	<b>\$13,365,000</b>	<b>\$11,253,151</b>	<b>\$300,000</b>	<b>\$5,904,966</b>	<b>\$5,348,185</b>	<b>\$1,811,849</b>

**NOTES:**

A. The total issued and outstanding debt for the 1996 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1996	4/17/1996	\$350,000	\$ —
Unlimited Tax GO Bonds Series 1997	5/7/1997	500,000	—
		<u>\$850,000</u>	<u>\$ —</u>

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**TOTAL AUTHORIZED BOND ISSUANCES**  
As of June 30, 2017  
(Thousands of dollars)

B. The total issued and outstanding debt for the 1997 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1997A	12/3/1997	\$ 499,995	\$ —
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	240,144
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	391,893
Unlimited Tax GO Bonds, IDFA Series 1999A	12/22/1999	12,000	—
Unlimited Tax GO Bonds, Series 2000D	9/7/2000	101,000	—
Unlimited Tax GO Bonds, Series 2001B	10/24/2001	9,440	—
		<u>\$1,497,703</u>	<u>\$632,037</u>

C. The total issued and outstanding debt for the 1998 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, PBC Series C of 1999	9/30/1999	\$316,255	\$ —
Unlimited Tax GO Bonds, Series 2000A	7/20/2000	106,960	—
Unlimited Tax GO Bonds, Series 2000B,C	9/7/2000	202,000	—
Unlimited Tax GO Bonds, Series 2000E	12/19/2000	13,390	—
Unlimited Tax GO Bonds, Series 2001A	3/1/2001	45,110	—
Unlimited Tax GO Bonds, Series 2003C	10/28/2003	4,585	4,585
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	81,895	—
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	100,000	—
		<u>\$870,195</u>	<u>\$4,585</u>



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**TOTAL AUTHORIZED BOND ISSUANCES (continued)**

As of June 30, 2017

(Thousands of dollars)

D. The total issued and outstanding debt for the 2001 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Bonds, Series 2001C .....	12/11/2001	\$217,260	\$ —
Unlimited Tax GO Bonds, Series 2003A .....	2/13/2003	75,890	—
Unlimited Tax GO Bonds, Series 2003B .....	2/13/2003	183,775	—
Unlimited Tax GO Refunding Bonds, Series 2004B .....	4/6/2004	23,075	—
		<u>\$500,000</u>	<u>\$ —</u>

E. The total issued and outstanding debt for the 2002 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Bonds, Series 2002A .....	9/24/2002	\$ 48,970	\$24,885
Unlimited Tax GO Bonds, Series 2003D .....	12/12/2003	257,925	—
Unlimited Tax GO Refunding Bonds, Series 2004B .....	4/6/2004	193,105	—
		<u>\$500,000</u>	<u>\$24,885</u>

F. The total issued and outstanding debt for the 2004 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Bonds, Series 2004CDE .....	11/10/2004	\$222,080	\$ —
Unlimited Tax GO Bonds, Series 2004FGH .....	12/9/2004	56,000	—
Unlimited Tax GO Bonds, Series 2005C .....	11/15/2005	53,750	—
Unlimited Tax GO Bonds, Series 2005DE .....	12/8/2005	325,000	—
Unlimited Tax GO Bonds, Series 2006A .....	6/7/2006	6,853	6,853
Unlimited Tax GO Bonds, Series 2006B .....	9/27/2006	301,317	—
		<u>\$965,000</u>	<u>\$6,853</u>

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**TOTAL AUTHORIZED BOND ISSUANCES (continued)**

As of June 30, 2017

(Thousands of dollars)

G. The total issued and outstanding debt for the 2006 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Bonds, Series 2006B .....	9/27/2006	\$ 54,488	\$ —
Unlimited Tax GO Refunding Bonds, Series 2007A .....	9/5/2007	162,785	—
Unlimited Tax GO Refunding Bonds, Series 2007C .....	9/5/2007	6,870	3,740
Unlimited Tax GO Bonds, Series 2007D .....	12/13/2007	238,720	169,195
Unlimited Tax GO Refunding Bonds, Series 2009B .....	6/25/2009	75,410	—
Unlimited Tax GO Refunding Bonds, Series 2009C .....	6/25/2009	20,265	—
Unlimited Tax GO Refunding Bonds, Series 2009D .....	7/30/2009	75,720	40,940
		<u>\$634,258</u>	<u>\$213,875</u>

H. The total issued and outstanding debt for the 2008 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Refunding Bonds, Series 2008A .....	5/13/2008	\$ 262,785	\$ 262,785
Unlimited Tax GO Refunding Bonds, Series 2008B .....	5/13/2008	240,975	177,550
Unlimited Tax GO Refunding Bonds, Series 2008C .....	5/1/2008	464,655	464,655
Unlimited Tax GO Refunding Bonds, Series 2009A .....	3/18/2009	130,000	—
Unlimited Taxable GO Bonds, Series 2009E .....	9/24/2009	518,210	518,210
Unlimited Tax GO Bonds, Series 2009F .....	9/24/2009	29,125	—
Unlimited Tax GO Bonds, Series 2009G .....	12/17/2009	254,240	254,240
		<u>\$1,899,990</u>	<u>\$1,677,440</u>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

- I. The total issued and outstanding debt for the 2009 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Refunding Bonds, Series 2010A .....	2/17/2010	\$ 48,910	\$ —
Unlimited Tax GO Refunding Bonds, Series 2010B .....	2/17/2010	157,055	—
Unlimited Tax GO Bonds, Series 2010C .....	11/2/2010	257,125	257,125
Unlimited Tax GO Bonds, Series 2010D .....	11/2/2010	125,000	125,000
Unlimited Tax GO Refunding Bonds, Series 2010F .....	11/2/2010	183,750	161,300
Unlimited Tax GO Refunding Bonds, Series 2010G .....	11/2/2010	72,915	5,235
Unlimited Tax GO Bonds, Series 2011A .....	11/1/2011	402,410	402,410
Unlimited Tax GO Refunding Bonds, Series 2011C .....	12/20/2012	95,100	83,700
Unlimited Tax GO Refunding Bonds, Series 2011D .....	12/16/2011	95,000	—
Unlimited Tax GO Bonds, Series 2012A .....	8/21/2012	468,915	468,915
		<u>\$1,906,180</u>	<u>\$1,503,685</u>

- J. The total issued and outstanding debt for the 2012 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Refunding Bonds, Series 2012B .....	12/21/2012	\$109,825	\$109,825
Unlimited Tax GO Short-term Line of Credit, Series 2013B .....	12/20/2013	150,000	—
Unlimited Tax GO Short-term Line of Credit, Series 2013C .....	12/20/2013	150,000	—
Unlimited Tax GO Bonds, Series 2015C .....	4/29/2015	280,000	280,000
Unlimited Tax GO Bonds, Series 2015E .....	4/29/2015	20,000	20,000
		<u>\$709,825</u>	<u>\$409,825</u>

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

- K. The total issued and outstanding debt for the 2015 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
Unlimited Tax GO Bonds, Series 2016A .....	2/8/2016	\$725,000	\$725,000
Unlimited Tax GO Bonds, Series 2016B .....	7/29/2016	150,000	150,000
		<u>\$875,000</u>	<u>\$875,000</u>

- L. The total issued and outstanding debt for the 2016 Authorization is the issuance as outlined below:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
		\$ —	\$ —
		<u>\$ —</u>	<u>\$ —</u>



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**OUTSTANDING DEBT PER CAPITA**

Last Ten Fiscal Years

As of June 30, 2017

(Thousands of dollars, except per capita)

Fiscal Year	General Obligation Bonds	Capital Improvement Tax Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government	Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt	Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net General Bonded Debt Per Capita	Total General Obligation Debt Per Capita
2008	\$4,276,507	\$ —	\$411,690	\$3,747	\$2,625	\$2,516	\$4,697,085	N/A	\$4,338,713	3.57%	13.00%	2,896,016	\$1,498.17	\$1,335.27
2009	4,221,497	—	386,385	2,710	2,450	1,317	4,614,359	N/A	4,538,682	3.46%	13.50%	2,896,016	1,567.22	1,412.93
2010	4,904,510	—	359,215	—	2,275	—	5,266,000	N/A	4,697,085	3.49%	13.82%	2,896,016	1,621.91	1,476.69
2011	5,249,147	—	330,375	—	2,100	—	5,581,622	N/A	4,614,359	3.45%	14.68%	2,896,016	1,593.35	1,457.69
2012	5,593,686	—	299,780	—	1,925	—	5,895,391	N/A	5,266,000	4.31%	17.23%	2,695,598	1,953.56	1,819.45
2013	6,058,398	—	267,330	—	1,750	—	6,327,478	144,852	5,581,622	4.41%	18.55%	2,695,598	2,070.64	1,947.30
2014	5,944,516	—	232,940	—	1,575	—	6,179,031	167,270	5,895,391	4.47%	21.46%	2,695,598	2,187.04	2,075.12
2015	6,073,049	—	196,470	—	1,400	—	6,270,919	167,270	6,182,626	4.62%	22.64%	2,695,598	2,293.60	2,247.52
2016	6,578,983	—	157,780	—	1,225	—	6,737,988	97,695	6,011,761	4.35%	21.98%	2,695,598	2,230.21	2,205.27
2017	7,198,734	729,580	116,850	—	1,050	—	8,046,214	124,217	6,103,649	4.14%	19.89%	2,695,598	2,264.30	2,252.95
									6,640,293	N/A	21.45%	2,695,598	2,463.38	2,440.64
									7,921,997	N/A	N/A	2,695,599	2,938.86	2,670.55

**Notes:**

- (A) Starting in fiscal year 2013, CPS will include information about accumulated resources that are restricted to repaying the principal of outstanding general bonded debt. These accumulated resources will be subtracted from the total primary government amount in order to calculate a net total primary amount.
- (B) For all years prior to fiscal year 2013, the total net outstanding debt per capita ratio is the total primary government amount divided by population.





**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years

As of June 30, 2017

(Thousands of dollars)

	Fiscal Year			
	2008	2009	2010	2011
Debt limit .....	\$10,163,860	\$11,175,687	\$11,673,736	\$11,328,763
General obligation .....	606,009	553,134	498,593	446,719
Less: amount set aside for repayment of bonds .....	(36,238)	(34,719)	(16,042)	(36,440)
Total net debt applicable to limit (A) ...	\$ 569,771	\$ 518,415	\$ 482,551	\$ 410,279
Legal debt margin .....	\$ 9,594,089	\$10,657,272	\$11,191,185	\$10,918,484
Total net debt applicable to the limit as a percentage of debt limit .....	5.61%	4.64%	4.13%	3.62%

(A) Pursuant to Section 15 of the Debt Reform Act, this table does not reflect the following alternate bonds because these bond series do not count against the debt limit until the tax levy supporting them is extended for collection:

\$499.9 million Series 1997A	\$547.3 million Series 2009EF
\$328.7 million Series 1998B-1	\$254.2 million Series 2009G
\$532.5 million Series 1999A	\$257.1 million Series 2010C
\$9.44 million Series 2001B	\$125.0 million Series 2010D
\$49.0 million Series 2002A	\$183.7 million Series 2010F
\$4.6 million Series 2003C	\$72.9 million Series 2010G
\$205.4 million Series 2004A	\$402.4 million Series 2011A
\$193.5 million Series 2005A	\$95.1 million Series 2011C
\$52.5 million Series 2005B	\$468.9 million Series 2012A
\$6.9 million Series 2006A	\$109.8 million Series 2012B
\$355.8 million Series 2006B	\$403.9 million Series 2013A
\$197.7 million Series 2007B	\$89.2 million Series 2015A
\$6.8 million Series 2007C	\$280.0 million Series 2015C
\$238.7 million Series 2007D	\$20.0 million Series 2015E
\$262.8 million Series 2008A	\$88.9 million Series 2015G
\$240.9 million Series 2008B	\$725.0 million Series 2016A
\$464.7 million Series 2008C	\$150.0 million Series 2016B
\$75.7 million Series 2009D	



	Fiscal Year					
	2012	2013	2014	2015	2016	2017
	\$10,367,652	\$9,005,479	\$8,607,088	\$8,958,101	\$9,793,658 (G)	\$10,214,898
	394,793	342,830	290,849	238,820	186,823 (B)	134,803
	(29,917)	(34,790)	(35,201)	(34,684)	(34,866) (C)	(32,761)
	\$ 364,876	\$ 308,040	\$ 255,648	\$ 204,136	\$ 151,957	\$ 102,042
	\$10,002,776	\$8,697,439	\$8,351,440	\$8,753,965	\$9,641,701	\$10,112,856
	3.52%	3.42%	2.97%	2.28%	1.55%	1.00%



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

As of June 30, 2017

(Thousands of Dollars)

Governmental Unit	Debt Outstanding (A)	Estimated Percentage Applicable (B)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
City of Chicago .....	\$9,805,104	100.00%	\$ 9,805,104
City Colleges of Chicago .....	241,830	100.00%	241,830
Chicago Park District .....	822,045	100.00%	822,045
Cook County .....	3,213,142	51.59%	1,657,660
Forest Preserve District .....	159,440	51.59%	82,255
Water Reclamation District .....	2,740,113	52.59%	1,441,025
Subtotal, overlapping debt .....			\$14,049,919
Chicago Public School Direct Debt .....			8,046,214
Total Direct and Overlapping Debt .....			<u>\$22,096,133</u>

- (A) Debt outstanding data provided by each governmental unit.  
 (B) Assessed value data used to estimate applicable percentage is provided by the Office of the Cook County Clerk. Percentages are calculated by dividing each taxing district's 2015 City of Chicago tax extension within the City of Chicago by the total 2016 Cook County extension for the district.

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STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**CPS' DEBT RATING HISTORY**

Fiscal Year Ending June 30, 2017

**General Obligation Bonds**

The following table presents the changes in general obligation credit rating for Chicago Board of Education for the last five years:

	July 2013	Sep. 2013	Mar. 2014	Mar. 2015	May 2015	July 2015	Aug. 2015	Jan. 2016*	Sept. 2016*	Nov. 2016*	Dec. 2016*	June 2017*
<b>S&amp;P</b> .....	A+	A+	A+	A-	A-	BBB	BB	B+	B+	B	B	B
<b>Moody's</b> .....	A3	A3	Baa1	Baa3	Ba3	Ba3	Ba3	B2	B3	B3	B3	B3
<b>Fitch</b> .....	A	A-	A-	BBB-	BBB-	BB+	B+	B+	B+	B+	B+	B+
<b>Kroll</b> .....				BBB+	BBB+	BBB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

**Security Structure:** All of CPS' general obligation debt that has been issued as alternate revenue bonds are secured by at least one other revenue stream in addition to the Board's unlimited tax general obligation pledge. CPS has pledged revenues from PPRT, revenues from an IGA with the City of Chicago, revenues from City Notes and Intergovernmental Agreements with the City of Chicago, federal subsidies, and both State Aid and State Grant revenues as alternate revenue sources.

NOTES: \*The rating provided by Kroll for the CPS Series 2016A and Series 2016B bonds has been BBB since January 2016 and September 2016 respectively. All other issues were BBB-

**Capital Improvement Tax Bonds**

The following table presents the changes in the dedicated revenue capital improvement tax credit rating for Chicago Board of Education since inception beginning in December 2016:

	Dec. 2016	June 2017
<b>S&amp;P</b> .....	None	None
<b>Moody's</b> .....	None	None
<b>Fitch</b> .....	A	A
<b>Kroll</b> .....	BBB	BBB

**Security Structure:** In Fiscal Year 2017, CPS structured an entirely new CIT long term bond credit that is separate from the existing CPS general obligation credit. The CIT Bonds are limited obligations of the Board payable from and secured by a revenues derived and to be derived by the Board from the levy of a capital improvement tax. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the CIT Bonds issued in fiscal year 2017.



STATISTICAL SECTION

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Calendar Years

Year	City of Chicago Population (A)	Personal Income \$(000's)	Per Capita Income (B)	Median Age (C)	Number of Households (C)
2007	2,896,016	\$130,986,804	\$45,230	33.75	1,033,328
2008	2,896,016	134,592,344	46,475	34.13	1,032,746
2009	2,896,016	133,682,995	46,161	34.50	1,037,069
2010	2,695,598	122,140,241	45,311	34.80	1,045,666
2011	2,695,598	126,523,283	46,937	33.20	1,045,666
2012	2,695,598	131,930,653	48,943	33.10	1,030,076
2013	2,695,598	133,866,092	49,661	33.30	1,028,746
2014	2,695,598	138,230,265	51,280	33.40	1,028,829
2015	2,695,598	147,486,949	54,714	33.70	1,035,436
2016	2,695,598	N/A	N/A	33.90	1,042,579

**NOTES:**

- A) Source: U.S. Census Bureau. The census is conducted decennially at the start of each decade.
  - B) Source: Bureau of Economic Analysis. These rates are for Cook County.
  - C) Source: World Business Chicago Website.
  - D) Source: Illinois Workforce Info Center Website
- N/A: Not available at publishing.

Civilian Labor Force (D)		Employment (D)		
Number	Percent of Population	Number	Percent of Population	Unemployment Rate
1,321,924	45.65%	1,245,876	43.02%	5.80%
1,328,413	45.87%	1,235,459	42.66%	7.00%
1,318,491	45.53%	1,174,785	40.57%	10.90%
1,320,502	48.99%	1,175,029	43.59%	11.00%
1,259,055	46.71%	1,116,216	41.41%	11.30%
1,273,805	47.26%	1,144,896	42.47%	10.10%
1,277,649	47.40%	1,143,944	42.44%	10.50%
1,369,656	50.81%	1,264,234	46.90%	7.70%
1,361,418	50.51%	1,273,727	47.25%	6.40%
1,371,326	50.87%	1,282,117	47.56%	6.50%



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)**  
Last Ten Years

Employer	2016 (1)		2015		2014		2013		2012	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Advocate Health Care	18,300	1.48%	18,308	1.44%	18,556	1.47%	—	—	—	—
University of Chicago	16,374	2.12%	16,197	2.12%	16,025	2.12%	—	—	—	—
Northwestern Memorial Healthcare	15,747	3.12%	15,317	3.12%	14,550	4.15%	—	—	—	—
J.P. Morgan Chase & Co (2)	15,229	4.11%	14,158	4.11%	15,015	3.19%	8,499	1.07%	8,168	1.07%
United Continental Holdings Inc. (3)	15,157	5.18%	14,000	5.10%	14,000	5.11%	8,199	2.07%	7,521	2.07%
Walgreens Boots Alliance Inc.	12,685	6.99%	13,006	7.10%	13,797	6.10%	2,869	0.26%	2,789	0.26%
Northwestern University	10,241	7.80%	9,708	10.07%	—	—	—	—	—	—
Presence Health	10,183	8.07%	10,500	8.82%	11,279	8.89%	—	—	—	—
Abbott Laboratories	9,800	9.07%	10,000	9.07%	10,000	10.00%	—	—	—	—
Jewel Food Stores, Inc.	9,660	10.07%	—	—	—	—	4,441	6.04%	4,572	5.04%
Health Care Service Corporation	—	—	13,006	10.07%	—	—	—	—	—	—
SBC/AT&T (4)	—	—	—	—	13,000	7.10%	—	—	—	—
University of Illinois at Chicago	—	—	—	—	10,100	9.08%	—	—	—	—
Accenture LLP	—	—	—	—	—	—	5,821	3.05%	5,590	3.05%
Northern Trust	—	—	—	—	—	—	5,353	4.04%	5,448	4.05%
Ford Motor Company	—	—	—	—	—	—	5,103	5.04%	4,187	6.03%
ABM Janitorial Midwest, Inc.	—	—	—	—	—	—	3,399	7.03%	3,398	8.03%
Bank of America NT & SA	—	—	—	—	—	—	3,302	8.03%	3,811	7.03%
American Airlines	—	—	—	—	—	—	2,749	10.02%	3,076	9.02%
SBC Ameritech	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	—	—	—	—
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—

**NOTES:**  
Beginning with fiscal year 2007, the Chicago Board of Education will accumulate 10 years of data.  
1) Source: Reprinted with permission, Crain's Chicago Business [January 16, 2017], Crain Communications, Inc.  
2) J.P. Morgan Chase formerly known as Bank One.  
3) United Continental Holdings Inc. formally known as United Airlines.  
4) AT&T Inc. formerly known as SBC Ameritech.  
5) Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.  
Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue- Tax Division report, which is no longer available.

Employer	2011		2010		2009		2008		2007 (5)	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
7,993	1.07%	8,094	1.08%	8,431	1.11%	8,865	1.18%	9,114	1.24%	
6,366	2.07%	5,585	2.07%	6,019	2.07%	6,403	2.07%	6,102	2.07%	
4,429	7.03%	4,552	6.03%	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	—	
4,799	5.04%	5,307	4.05%	5,833	3.05%	5,977	3.05%	5,424	3.05%	
—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	—	
5,014	4.04%	4,224	7.03%	3,341	7.03%	4,532	5.04%	4,283	5.04%	
5,485	3.05%	5,833	3.05%	5,394	4.05%	5,084	4.05%	4,767	4.05%	
3,410	10.03%	—	—	2,764	10.02%	3,325	8.03%	3,367	8.02%	
3,629	9.03%	3,840	9.03%	—	—	—	—	—	—	
4,557	6.04%	4,668	5.04%	4,631	5.04%	—	—	—	—	
—	—	3,153	10.02%	3,394	6.03%	3,582	6.03%	3,645	7.02%	
—	—	—	—	3,136	8.03%	3,459	7.02%	4,002	6.02%	
4,159	8.04%	4,067	8.03%	3,120	9.03%	3,161	9.02%	3,120	9.02%	
—	—	—	—	—	—	—	—	2,955	10.02%	
—	—	—	—	—	—	—	—	—	2,988	10.02%

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2016 NET REVENUES**  
(Millions of dollars)

Company Name	2016 Net Revenues	Number of Employees (1)
Walgreens Boots Alliance Inc. (2)	\$117,351.0	360,000
Boeing Co.	94,571.0	150,500
Archer Daniels Midland Co.	62,346.0	31,800
Caterpillar Inc.	38,537.0	95,400
United Continental Holdings Inc.	36,556.0	88,000
Allstate Corp.	36,534.0	43,500
Exelon Corp.	31,360.0	34,396
Deere & Co. (3)	26,644.0	56,767
Kraft Heinz Co.	26,487.0	41,000
Mondelez International Inc.	25,923.0	90,000
Abbie Inc.	25,638.0	30,000
McDonald's Corp.	24,621.9	375,000
US Foods Holdings Corp.	22,918.8	25,000
Sears Holdings Corp. (4)	22,138.0	140,000
Abbott Laboratories	20,853.0	75,000
CDW Corp.	13,981.9	8,516
Illinois Tool Works Inc.	13,599.0	50,000
Conagra Brands Inc. (5)	11,642.9	20,900
Discover Financial Services Inc.	10,497.0	15,549
Baxter International Inc.	10,163.0	48,000

Source: **Crain's Chicago Business**, "Chicago's Largest Public Companies", from May 22, 2017 issue. Copyright 2017 Crain Communications Inc.

**NOTES:**

- 1) Most recent employee count available
- 2) Fiscal year ends in August.
- 3) Fiscal year ends in October.
- 4) Fiscal year ends in January.
- 5) Fiscal year ends in May.

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**GENERAL OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE**  
**FINAL APPROPRIATIONS AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2017**

**With Comparative Amounts for the Fiscal Year Ended June 30, 2016**  
(Thousands of Dollars)

	Approved Budget	Transfers In/(Out)	Final Appropriations	Fiscal Year 2017 Actual	Variance	Fiscal Year 2016 Actual	2017 Over (under) 2016
<b>Revenues:</b>							
Property taxes	\$2,607,809	\$ —	\$2,607,809	\$2,613,889	\$ 6,080	\$2,313,469	\$ 300,420
Replacement taxes	130,531	—	130,531	169,637	39,106	115,961	53,676
State aid	1,498,897	—	1,498,897	1,287,702	(211,195)	1,398,855	(111,153)
Federal aid	829,839	—	829,839	752,295	(77,544)	776,279	(23,983)
Interest and investment earnings	—	—	—	1,964	1,964	—	617
Other	263,148	—	263,148	265,099	1,951	271,857	(6,758)
Total revenues	\$5,330,224	\$ —	\$5,330,224	\$5,090,586	\$(239,638)	\$4,877,767	\$ 212,819
<b>Expenditures:</b>							
Teachers' salaries	\$1,773,479	\$ 41,524	\$1,815,003	\$1,815,309	\$ 306	\$1,869,683	\$(54,374)
Career service salaries	576,398	26,372	602,770	581,665	(21,105)	605,817	(24,152)
Energy	75,719	(595)	75,124	69,067	(6,057)	70,227	(1,160)
Food	97,095	(655)	96,440	94,911	(1,529)	98,777	(3,866)
Textbook	37,602	7,629	45,231	43,255	(1,976)	54,856	(11,601)
Supplies	38,056	16,314	54,371	44,400	(10,331)	47,085	(3,045)
Other commodities	394	5	399	221	(178)	294	(73)
Professional fees	309,401	56,544	365,945	357,258	(8,687)	314,732	42,526
Charter Schools	677,988	22,947	700,935	668,412	(32,523)	704,981	(36,569)
Transportation	98,439	3,792	102,231	95,974	(6,257)	104,450	(8,476)
Tuition	59,630	1,437	61,067	53,668	(7,399)	61,028	(7,360)
Telephone and telecommunications	28,499	4,558	33,057	21,998	(11,059)	24,579	(2,581)
Other services	20,430	3,034	23,464	13,814	(9,650)	16,471	(2,657)
Equipment - educational	24,451	9,608	34,058	30,967	(3,091)	45,407	(14,440)
Repair and replacements	20,236	(725)	19,511	18,319	(1,192)	18,853	(534)
Capital outlay	301	1,785	2,086	1,017	(1,069)	1,135	(118)
Teachers' pension	843,643	4,363	848,027	853,474	5,447	811,051	42,423
Career service pension	92,607	9,612	102,219	93,428	(2,791)	102,762	(3,334)
Hospitalization and dental insurance	359,126	(43,316)	315,810	306,871	(8,939)	348,083	(41,212)
Medicare	36,449	(1,961)	34,488	33,658	(830)	34,824	(1,166)
Unemployment compensation	8,499	(1,165)	7,334	7,040	(294)	9,438	(2,398)
Workers compensation	20,593	(487)	20,106	20,531	425	20,338	193
Rent	15,023	1,714	16,737	14,638	(2,099)	16,011	(1,373)
Debt service	34,000	—	34,000	38,735	4,735	25,003	13,732
Other fixed charges	163,013	(162,353)	660	13,488	12,828	8,961	4,527
Total expenditures	\$5,411,073	\$ —	\$5,411,073	\$5,297,758	\$(113,315)	\$5,414,846	\$(117,088)
Revenues in excess of (less than) expenditures	\$ (80,849)	\$ —	\$ (80,849)	\$ (207,172)	\$(126,323)	\$( 537,079)	\$ 329,907
<b>Other financing sources (uses):</b>							
Other revenue sources (uses)	\$ —	\$ —	\$ —	\$ 224	\$ —	\$ —	\$ 224
Transfers in / (out)	—	—	—	58,350	58,350	50,162	8,188
Total other financing sources (uses)	\$ —	\$ —	\$ —	\$ 58,574	\$ 58,350	\$ 50,162	\$ 8,412
Net change in fund balances	\$ (80,849)	\$ —	\$ (80,849)	\$ (148,598)	\$( 67,973)	\$( 486,917)	\$ 338,319
Fund balances, beginning of period	(126,632)	—	(126,632)	(126,632)	—	360,285	(486,917)
Fund balances, end of period	\$( 207,481)	—	\$( 207,481)	\$( 275,230)	\$( 67,973)	\$( 126,632)	\$(148,598)

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
SCHEDULE OF REVENUE — BY PROGRAM  
For the Fiscal Year Ended June 30, 2017  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program
Revenues:				
Property taxes	\$2,275,347	\$260,148	\$ —	\$ —
Replacement taxes	169,637	—	—	—
State aid	575,327	—	—	143,929
Federal aid	54,367	—	93,096	114,390
Interest and investment income	1,961	—	—	—
Other	214,018	891	—	15,262
Total revenues	<u>\$3,290,657</u>	<u>\$261,039</u>	<u>\$93,096</u>	<u>\$273,581</u>

Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Act Program	Total
\$ —	\$ —	\$ —	\$78,394	\$ —	\$ —	\$2,613,889
—	—	—	—	—	—	169,637
261,000	—	4,563	—	302,883	—	1,287,702
—	278,136	198,440	—	—	13,866	752,295
—	—	—	3	—	—	1,964
4,584	—	8,704	5,253	16,387	—	265,099
<u>\$265,584</u>	<u>\$278,136</u>	<u>\$211,707</u>	<u>\$83,650</u>	<u>\$319,270</u>	<u>\$13,866</u>	<u>\$5,090,586</u>



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

GENERAL OPERATING FUND  
SCHEDULE OF EXPENDITURES — BY PROGRAM  
For the Fiscal Year Ended June 30, 2017  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Program	Total
Teachers' salaries .....	\$1,397,394	\$ —	\$63,510	\$114,600	\$116,944	\$116,902	\$ 1	\$ 80	\$ —	\$ 5,878	\$1,815,309
Career service salaries .....	297,977	—	2,692	37,687	43,499	18,111	62,551	45,722	71,515	1,911	581,665
Energy .....	164	—	—	—	—	—	—	—	68,903	—	69,067
Food .....	427	—	1	1,794	2	179	92,500	8	—	—	94,911
Textbooks .....	30,707	—	34	3,614	3,970	4,702	31	—	25	172	43,255
Supplies .....	26,169	—	137	3,888	4,088	5,004	120	38	4,352	244	44,040
Other commodities .....	152	—	—	8	26	7	1	—	25	2	221
Professional fees .....	98,330	—	2,841	66,212	5,408	35,323	4,909	17,179	124,270	2,786	357,258
Charter schools .....	571,163	—	—	6,366	47,695	43,188	—	—	—	—	668,412
Transportation .....	86,725	—	15	1,692	1,585	5,666	26	19	197	49	95,974
Tuition .....	49,128	—	2,436	2,100	—	4	—	—	—	—	53,668
Telephone and telecommunications .....	21,944	—	—	12	—	15	13	—	14	—	21,998
Other services .....	7,192	—	39	1,723	661	594	59	3,457	11	78	13,814
Equipment — educational .....	15,708	—	4	4,298	3,051	3,504	4,036	161	56	149	30,967
Repairs and replacements .....	4,329	—	—	132	996	111	—	173	12,578	—	18,319
Capital outlay .....	1,014	—	—	3	—	—	—	—	—	—	1,017
Teachers' pension .....	531,696	250,000	11,301	19,673	20,368	19,588	—	13	—	835	853,474
Career service pension .....	49,452	—	497	6,343	6,986	3,054	11,359	8,035	13,479	223	99,428
Hospitalization and dental insurance .....	202,132	—	7,262	19,050	20,144	15,601	21,351	10,089	10,616	626	306,871
Medicare .....	23,654	—	904	2,098	2,343	1,939	862	787	934	137	33,658
Unemployment compensation .....	4,996	—	205	438	459	391	182	131	219	19	7,040
Workers' compensation .....	14,574	—	599	1,277	1,338	1,139	530	382	638	54	20,531
Rent .....	1,975	—	14	1,247	—	—	17	9	11,376	—	14,638
Debt Service .....	38,735	—	—	—	—	—	—	—	—	—	38,735
Other fixed charges .....	(11,221)	—	2,543	255	—	7,505	9,205	5,138	62	1	13,488
Total expenditures .....	<u>\$3,464,516</u>	<u>\$250,000</u>	<u>\$95,034</u>	<u>\$294,510</u>	<u>\$279,563</u>	<u>\$282,527</u>	<u>\$207,753</u>	<u>\$91,421</u>	<u>\$319,270</u>	<u>\$13,164</u>	<u>\$5,297,758</u>

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS**  
**Last Ten Fiscal Years and 2018 Budget**  
**(Modified Accrual Basis of Accounting)**  
**(Thousands of dollars)**

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
<b>Local revenue:</b>													
Property taxes	\$1,813,917	\$1,896,540	\$2,047,163	\$1,936,655	\$2,352,136	\$2,211,568	\$2,204,252	\$2,304,656	\$2,408,416	\$2,714,956	\$2,779,400	4.4%	4.7%
Replacement taxes	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	227,921	148,700	-3.6%	-4.4%
Investment income	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	5,442	—	-100.0%	-100.0%
Other	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	387,045	628,600	13.3%	14.3%
<b>Total local</b>	<b>\$2,296,329</b>	<b>\$2,382,112</b>	<b>\$2,571,804</b>	<b>\$2,565,332</b>	<b>\$2,858,567</b>	<b>\$2,726,883</b>	<b>\$2,694,361</b>	<b>\$2,791,265</b>	<b>\$2,911,343</b>	<b>\$3,335,364</b>	<b>\$3,556,700</b>	<b>4.5%</b>	<b>5.5%</b>
<b>State revenue:</b>													
General state aid	\$1,107,408	\$ 879,658	\$1,001,777	\$1,163,412	\$1,136,472	\$1,094,732	\$1,089,673	\$1,014,395	\$ 971,642	\$1,074,021	\$1,746,800	4.7%	9.8%
Teachers' pension	75,218	74,845	37,551	42,971	10,449	10,931	11,903	62,145	12,105	1,016	—	-100.0%	-100.0%
Capital	—	—	—	2,793	—	—	—	—	—	—	14,000	—	—
Other	663,408	557,383	512,748	740,605	818,980	710,135	739,229	770,529	568,578	633,828	315,300	-7.2%	-15.0%
<b>Total state</b>	<b>\$1,846,034</b>	<b>\$1,511,886</b>	<b>\$1,552,076</b>	<b>\$1,949,781</b>	<b>\$1,965,901</b>	<b>\$1,815,798</b>	<b>\$1,840,805</b>	<b>\$1,847,069</b>	<b>\$1,552,325</b>	<b>\$1,708,865</b>	<b>\$2,076,100</b>	<b>1.2%</b>	<b>2.7%</b>
<b>Federal revenue:</b>													
Elementary and Secondary Education Act (ESEA)	\$ 350,515	\$ 369,352	\$ 307,331	\$ 271,859	\$ 283,681	\$ 264,600	\$ 342,915	\$ 253,514	\$ 150,477	\$ 278,136	\$ 286,766	-2.0%	1.6%
Individuals with Disabilities Education Act (IDEA)	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	93,096	96,549	-0.9%	-2.0%
School lunchroom	150,394	139,096	178,764	175,753	182,836	190,093	181,902	200,412	202,943	198,440	203,444	3.1%	1.4%
Medicaid	31,671	50,758	34,937	72,343	92,736	41,523	44,801	42,524	34,806	37,108	41,807	2.8%	0.1%
Other	237,410	471,144	562,876	536,871	292,313	242,678	237,531	198,582	327,290	177,163	185,934	-2.4%	-5.2%
<b>Total federal</b>	<b>\$ 876,041</b>	<b>\$1,125,580</b>	<b>\$1,180,148</b>	<b>\$1,144,884</b>	<b>\$ 935,951</b>	<b>\$ 845,796</b>	<b>\$ 907,241</b>	<b>\$ 798,931</b>	<b>\$ 808,999</b>	<b>\$ 783,943</b>	<b>\$ 814,500</b>	<b>-0.7%</b>	<b>-0.8%</b>
<b>Total revenue</b>	<b>\$5,018,404</b>	<b>\$5,019,578</b>	<b>\$5,304,028</b>	<b>\$5,659,997</b>	<b>\$5,760,419</b>	<b>\$5,388,477</b>	<b>\$5,442,407</b>	<b>\$5,437,265</b>	<b>\$5,272,667</b>	<b>\$5,828,172</b>	<b>\$6,447,300</b>	<b>2.5%</b>	<b>3.7%</b>
Change in revenue from previous year	\$ 198,384	\$ 1,174	\$ 284,450	\$ 355,969	\$ 100,422	\$ (371,942)	\$ 53,930	\$ (5,142)	\$ (164,598)	\$ 555,505	\$ 619,128	1.0%	10.6%
Percent change in revenue	4.1%	0.0%	5.7%	6.7%	1.8%	-6.5%	1.0%	-0.1%	-3.0%	10.5%	10.6%		

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STATISTICAL SECTION

STATISTICAL SECTION





**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS**  
Last Ten Fiscal Years and 2018 Budget  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
<b>Compensation:</b>													
Teacher salaries .....	\$1,885,400	\$1,975,940	\$2,026,257	\$2,023,510	\$2,026,832	\$1,942,407	\$1,921,969	\$1,953,938	\$1,869,683	\$1,815,309	\$1,860,907	-0.1%	-0.8%
ESP salaries .....	589,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	581,665	549,299	-0.2%	-2.8%
Total salaries .....	\$2,445,141	\$2,573,473	\$2,630,299	\$2,634,251	\$2,645,097	\$2,575,496	\$2,541,431	\$2,576,529	\$2,475,500	\$2,396,974	\$2,410,206	-0.1%	-1.3%
Teacher pension .....	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	853,474	895,751	9.8%	19.1%
ESP pension .....	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	99,428	88,960	-0.1%	-2.8%
Hospitalization .....	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	306,871	348,182	2.9%	1.7%
Medicare .....	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	33,658	36,408	1.6%	0.0%
Unemployment insurance .....	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	7,040	8,997	4.6%	-0.3%
Workers' compensation .....	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,531	21,993	-3.0%	-1.7%
Total benefits .....	\$ 767,241	\$ 856,212	\$ 962,659	\$ 845,002	\$ 838,684	\$ 866,206	\$1,263,635	\$1,356,061	\$1,326,495	\$1,321,002	\$1,400,291	6.2%	10.1%
Total compensation .....	\$3,212,382	\$3,429,685	\$3,592,958	\$3,479,253	\$3,483,781	\$3,441,702	\$3,805,066	\$3,932,590	\$3,801,995	\$3,717,976	\$3,810,497	1.7%	2.1%
<b>Non-compensation:</b>													
Energy .....	\$ 86,759	\$ 92,354	\$ 78,682	\$ 83,356	\$ 73,409	\$ 76,559	\$ 87,547	\$ 74,516	\$ 70,227	\$ 69,067	\$ 74,866	-1.5%	-0.4%
Food .....	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	94,911	93,954	1.2%	-2.5%
Textbooks .....	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	43,255	36,807	-8.5%	-11.8%
Supplies .....	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	44,400	36,786	-2.2%	-7.0%
Commodities — other .....	910	998	948	478	583	408	648	474	294	221	410	-7.7%	0.1%
Professional fees .....	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	357,258	331,976	-0.8%	-3.6%
Charter schools .....	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	668,412	745,402	14.7%	8.4%
Transportation .....	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	95,974	106,681	0.4%	0.0%
Tuition .....	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	53,668	59,072	-1.0%	1.6%
Telephone and telecommunications .....	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	21,998	30,744	5.7%	5.8%
Services — other .....	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	13,814	19,866	4.1%	9.8%
Equipment .....	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	30,967	17,061	-7.9%	-22.1%
Repairs and replacements .....	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	18,319	18,918	-6.5%	-6.5%
Capital outlays .....	463,067	648,314	691,774	563,390	576,925	493,532	486,986	374,758	294,446	205,852	136,234	-11.5%	-22.7%
Rent .....	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	14,638	17,501	4.7%	10.7%
Debt service .....	282,142	302,206	386,597	332,097	374,494	390,409	467,904	523,113	480,288	569,694	576,879	7.4%	8.1%
Other .....	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	13,488	298,753	31.8%	103.1%
Total non-compensation .....	\$1,905,798	\$2,262,565	\$2,378,835	\$2,326,181	\$2,355,923	\$2,388,534	\$2,599,955	\$2,585,642	\$2,361,447	\$2,315,576	\$2,601,910	3.2%	1.7%
Total expenditures .....	\$5,118,180	\$5,692,250	\$5,971,793	\$5,805,434	\$5,839,704	\$5,830,236	\$6,405,021	\$6,518,232	\$6,163,442	\$6,033,552	\$6,412,407	2.3%	1.9%
<b>Change in expenditures from previous year .....</b>													
	\$ 285,886	\$ 574,070	\$ 279,543	\$ (166,359)	\$ 34,270	\$ (9,468)	\$ 574,785	\$ 113,211	\$ (354,790)	\$ (129,890)	\$ 378,855	9.8%	1.8%
Percent change in expenditures .....	5.9%	11.2%	4.9%	-2.8%	0.6%	-0.2%	9.8%	1.8%	-5.4%	-2.1%	6.3%		

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS**  
Last Ten Fiscal Years and 2018 Budget  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011
<b>Revenues:</b>				
Local	\$ 2,296,329	\$ 2,382,112	\$ 2,571,804	\$ 2,565,332
State	1,846,034	1,511,886	1,552,076	1,949,781
Federal	876,041	1,125,580	1,180,148	1,144,884
Total revenues	\$ 5,018,404	\$ 5,019,578	\$ 5,304,028	\$ 5,659,997
Total expenditures	5,118,180	5,692,250	5,971,793	5,805,434
Revenues less expenditures	\$ (99,776)	\$ (672,672)	\$ (667,765)	\$ (145,437)
<b>Other Financing Sources:</b>				
Bond proceeds	\$ 1,674,555	\$ 225,675	\$ 1,083,260	\$ 638,790
Net premiums/discounts	41,226	—	6,459	14,700
Insurance proceeds	—	1,155	—	—
Sales of general capital assets	6,404	91	—	—
Payment to bond escrow agent	(1,474,081)	(226,408)	(288,704)	(269,483)
Total other financing sources	\$ 248,104	\$ 513	\$ 801,015	\$ 384,007
Change in fund balance	\$ 148,328	\$ (672,159)	\$ 133,250	\$ 238,570
Fund balance — beginning of period	1,578,331	1,726,659	1,054,500	1,187,750
Fund balance — end of period	\$ 1,726,659	\$ 1,054,500	\$ 1,187,750	\$ 1,426,320
Revenues as a percent of expenditures	98.1%	88.2%	88.8%	97.5%
<b>Composition of fund balance</b>				
<b>Reserved:</b>				
Reserved for encumbrances	\$ 401,281	\$ 211,422	\$ 340,688	\$ —
Reserved for restricted donations	1,826	3,695	5,825	—
Reserved for specific purposes	102,695	101,072	109,163	—
Reserved for debt services	272,471	272,273	375,211	—
<b>Unreserved:</b>				
Designated to provide operating capital	258,000	181,200	—	—
Undesignated	690,386	284,838	356,863	—
Nonspendable	—	—	—	1,972
Restricted for grants and donations	—	—	—	126,855
Restricted for workers' comp/tort immunity	—	—	—	91,036
Restricted for capital improvement program	—	—	—	182,884
Restricted for debt service	—	—	—	271,643
Assigned for educational services	—	—	—	289,000
Assigned for appropriated fund balance	—	—	—	181,300
Assigned for debt service	—	—	—	231,413
Assigned for commitments and contracts	—	—	—	44,924
Unassigned	—	—	—	5,293
Total fund balance	\$ 1,726,659	\$ 1,054,500	\$ 1,187,750	\$ 1,426,320
Unreserved/Unassigned fund balance as a percentage of revenues	18.9%	9.3%	6.7%	0.1%
Total fund balance as a percentage of revenues	34.4%	21.0%	22.4%	25.2%

**NOTE:**  
The classification of fund balances for fiscal year 2011 was modified to comply with GASB 54, which was adopted in July 2010.

	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018
<b>Revenues:</b>							
Local	\$ 2,858,567	\$ 2,726,883	\$ 2,694,361	\$ 2,791,265	\$ 2,911,343	\$ 3,335,363	\$ 3,509,331
State	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,708,865	2,080,516
Federal	935,951	845,796	907,241	798,931	808,999	783,943	813,405
Total revenues	\$ 5,760,419	\$ 5,388,477	\$ 5,442,407	\$ 5,437,265	\$ 5,272,667	\$ 5,828,172	\$ 6,403,252
Total expenditures	5,839,704	5,830,236	6,405,021	6,518,232	6,163,442	6,033,552	6,412,406
Revenues less expenditures	\$ (79,285)	\$ (441,759)	\$ (962,614)	\$ (1,080,967)	\$ (890,775)	\$ (205,381)	\$ (9,154)
<b>Other Financing Sources:</b>							
Bond proceeds	\$ 592,510	982,720	131,600	561,880	724,999	879,580	\$ 22,278
Net premiums/discounts	1,229	47,271	—	(12,502)	(110,071)	(36,097)	—
Insurance proceeds	—	—	—	—	—	224	—
Sales of general capital assets	—	723	7,301	37,504	15,012	6,273	—
Payment to bond escrow agent	(190,100)	(480,597)	—	(397,090)	(120,856)	—	—
Total other financing sources	\$ 403,639	\$ 550,117	\$ 138,901	\$ 189,792	\$ 509,084	\$ 849,980	\$ 22,278
Change in fund balance	\$ 324,354	\$ 108,358	\$ (823,713)	\$ (891,175)	\$ (381,691)	\$ 644,599	—
Fund balance — beginning of period	1,426,320	1,750,674	2,546,502	1,722,789	831,614	449,923	—
Fund balance — end of period	\$ 1,750,674	\$ 1,859,032	\$ 1,722,789	\$ 831,614	\$ 449,923	\$ 1,094,522	—
Revenues as a percent of expenditures	98.6%	92.4%	85.0%	83.4%	85.5%	96.6%	—
<b>Composition of fund balance</b>							
<b>Reserved:</b>							
Reserved for encumbrances	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Reserved for restricted donations	—	—	—	—	—	—	—
Reserved for specific purposes	—	—	—	—	—	—	—
Reserved for debt services	—	—	—	—	—	—	—
<b>Unreserved:</b>							
Designated to provide operating capital	—	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—	—
Nonspendable	9,003	6,108	429	429	429	2,785	—
Restricted for grants and donations	69,873	63,434	61,022	64,155	64,854	51,858	—
Restricted for workers' comp/tort immunity	92,680	64,985	19,838	41,373	35,116	27,344	—
Restricted for capital improvement program	88,762	169,368	—	—	107,248	792,586	—
Restricted for debt service	332,517	466,966	491,552	545,383	535,116	660,501	—
Assigned for educational services	—	—	—	—	—	—	—
Assigned for appropriated fund balance	348,900	562,682	267,652	79,225	—	—	—
Assigned for debt service	254,967	269,167	193,877	57,057	—	—	—
Assigned for commitments and contracts	110,397	105,664	87,067	73,101	—	—	—
Unassigned	443,575	150,658	(91,953)	(29,109)	(292,840)	(440,552)	—
Total fund balance	\$ 1,750,674	\$ 1,859,032	\$ 1,029,484	\$ 831,614	\$ 449,923	\$ 1,094,552	—
Unreserved/Unassigned fund balance as a percentage of revenues	7.7%	2.8%	-1.7%	-0.5%	-5.6%	-7.6%	—
Total fund balance as a percentage of revenues	30.4%	34.5%	18.9%	15.3%	8.5%	18.8%	—

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES**  
**Last Ten Fiscal Years and 2018 Budget**  
**(Modified Accrual Basis of Accounting)**  
**(Thousands of Dollars)**

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
<b>Local revenue:</b>													
Property taxes	\$1,763,282	\$1,867,350	\$2,035,938	\$1,904,169	\$2,295,178	\$2,157,777	\$2,152,753	\$2,252,828	\$2,313,470	\$2,613,889	\$2,808,707	4.0%	2.6%
Replacement taxes	159,805	132,819	96,816	172,384	126,786	128,212	131,075	143,867	115,961	169,637	90,438	0.6%	6.0%
Investment income	40,905	21,405	3,084	1,920	4,363	2,207	4,458	198	1,347	1,964	1,100	-26.2%	-14.8%
Other	96,816	102,107	111,985	221,391	142,160	132,717	156,115	165,819	271,858	265,099	269,393	10.6%	13.3%
<b>Total local</b>	<b>\$2,060,808</b>	<b>\$2,123,681</b>	<b>\$2,247,823</b>	<b>\$2,299,864</b>	<b>\$2,568,487</b>	<b>\$2,420,913</b>	<b>\$2,444,401</b>	<b>\$2,562,712</b>	<b>\$2,702,636</b>	<b>\$3,050,589</b>	<b>\$3,169,638</b>	<b>4.0%</b>	<b>3.5%</b>
<b>State Revenue:</b>													
General state aid	\$ 953,783	\$ 700,954	\$ 801,198	\$ 940,693	\$ 989,943	\$ 945,651	\$ 972,572	\$ 847,420	\$ 857,601	\$ 683,008	\$1,179,121	-3.3%	-7.2%
Teacher pension	75,210	74,845	74,922	42,971	10,449	10,931	11,903	62,145	12,105	1,016	232,992	-35.0%	-37.3%
Other	663,358	557,383	491,677	710,902	756,774	642,842	645,417	669,759	529,148	603,678	287,297	-0.9%	-4.4%
<b>Total state</b>	<b>\$1,692,351</b>	<b>\$1,333,182</b>	<b>\$1,367,797</b>	<b>\$1,694,566</b>	<b>\$1,757,166</b>	<b>\$1,599,424</b>	<b>\$1,629,892</b>	<b>\$1,579,324</b>	<b>\$1,398,854</b>	<b>\$1,287,702</b>	<b>\$1,699,410</b>	<b>-2.7%</b>	<b>-6.0%</b>
<b>Federal revenue:</b>													
Elementary and Secondary Education Act (ESEA)	\$ 350,515	\$ 369,352	\$ 307,331	\$ 271,859	\$ 283,681	\$ 264,600	\$ 342,915	\$ 253,514	\$ 293,302	\$ 357,715	\$ 92,538	0.2%	4.7%
Individuals with Disabilities Education Act (IDEA)	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	93,096	96,549	-1.3%	2.0%
School lunch program	150,394	139,096	178,764	175,753	182,836	190,093	189,336	200,412	202,943	198,440	203,444	2.8%	1.7%
Medicaid	31,671	50,758	34,937	72,343	92,736	41,523	40,879	42,524	34,806	37,108	41,806	1.6%	-16.7%
Other	193,895	468,369	543,140	513,444	247,349	202,865	194,290	167,199	151,743	65,936	338,642	-10.2%	-23.2%
<b>Total federal</b>	<b>\$ 832,526</b>	<b>\$1,122,805</b>	<b>\$1,160,412</b>	<b>\$1,121,457</b>	<b>\$ 890,987</b>	<b>\$ 805,983</b>	<b>\$ 867,512</b>	<b>\$ 767,548</b>	<b>\$ 776,277</b>	<b>\$ 752,295</b>	<b>\$ 772,979</b>	<b>-1.0%</b>	<b>-3.3%</b>
<b>Total revenue</b>	<b>\$4,585,685</b>	<b>\$4,579,668</b>	<b>\$4,776,032</b>	<b>\$5,115,887</b>	<b>\$5,216,640</b>	<b>\$4,826,320</b>	<b>\$4,941,805</b>	<b>\$4,909,584</b>	<b>\$4,877,767</b>	<b>\$5,090,586</b>	<b>\$5,642,027</b>	<b>1.1%</b>	<b>-0.5%</b>
Change in revenue from previous year	\$ 303,181	\$ (6,017)	\$ 196,364	\$ 339,855	\$ 100,753	\$ (390,320)	\$ 115,485	\$ (32,221)	\$ (31,817)	\$ 212,819	\$ 551,441		
Percentage change in revenue	7.1%	-0.1%	4.3%	7.1%	2.0%	-7.5%	2.4%	-0.7%	-0.6%	4.4%	10.8%		

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES**  
Last Ten Fiscal Years and 2018 Budget  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
<b>Compensation:</b>													
Teachers' salaries	\$1,885,400	\$1,975,940	\$2,026,257	\$2,023,510	\$2,026,832	\$1,942,007	\$1,921,969	\$1,953,938	\$1,869,683	\$1,815,309	\$1,860,907	-0.1%	-0.8%
ESP salaries	559,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	581,665	549,299	-0.2%	-2.8%
Total salaries	\$2,445,141	\$2,573,473	\$2,630,299	\$2,634,251	\$2,645,097	\$2,575,496	\$2,541,431	\$2,576,529	\$2,475,500	\$2,396,974	\$2,410,206	-0.1%	-1.3%
Teachers' pension	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	853,474	895,751	9.8%	19.1%
ESP pension	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	99,428	88,960	-0.1%	-2.8%
Hospitalization	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	306,871	348,182	2.9%	1.7%
Medicare	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	33,658	36,408	1.6%	0.0%
Unemployment insurance	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	7,040	8,997	4.6%	-0.3%
Workers' compensation	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,531	21,993	-3.0%	-1.7%
Total benefits	\$ 767,241	\$ 856,212	\$ 962,659	\$ 845,002	\$ 838,684	\$ 866,206	\$1,263,635	\$1,356,061	\$1,326,495	\$1,321,003	\$1,400,291	6.2%	10.1%
Total compensation	\$3,212,382	\$3,429,685	\$3,592,958	\$3,479,253	\$3,483,781	\$3,441,702	\$3,805,066	\$3,932,590	\$3,801,995	\$3,717,976	\$3,810,497	1.7%	2.1%
<b>Non-compensation:</b>													
Energy	\$ 86,759	\$ 92,354	\$ 78,682	\$ 83,356	\$ 73,409	\$ 76,559	\$ 87,547	\$ 74,516	\$ 70,227	\$ 69,067	\$ 74,866	-1.5%	-0.4%
Food	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	94,911	93,954	1.2%	-2.5%
Textbooks	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	43,255	36,807	-8.5%	-11.8%
Supplies	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	44,040	36,786	-2.2%	-7.0%
Commodities — other	910	998	948	478	583	408	648	474	294	221	410	-7.7%	0.1%
Professional fees	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	357,258	331,976	-0.8%	-3.6%
Charter schools	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	668,412	745,402	14.7%	8.4%
Transportation	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	95,974	106,681	0.4%	0.0%
Tuition	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	53,668	59,072	-1.0%	1.6%
Telephone and telecommunications	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	21,998	30,744	5.7%	5.4%
Services — other	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	13,814	19,866	4.1%	9.8%
Equipment	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	30,967	17,061	-7.9%	-22.1%
Repairs and replacements	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	18,319	18,918	-6.5%	-6.5%
Capital outlays	10	12	10	5	43	75	—	5	1,135	1,017	—	-11.5%	-22.7%
Rent	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	14,638	17,501	4.7%	10.7%
Debt service	21,704	1,037	2,710	—	—	—	—	—	25,003	38,735	—	7.4%	8.1%
Other	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	13,488	298,753	31.8%	103.1%
Total non-compensation	\$1,182,303	\$1,313,094	\$1,303,184	\$1,430,699	\$1,404,547	\$1,504,668	\$1,645,068	\$1,687,776	\$1,612,851	\$1,579,782	\$1,888,797	3.2%	1.7%
Total expenditures	\$4,394,685	\$4,742,779	\$4,896,142	\$4,909,952	\$4,888,328	\$4,946,370	\$5,450,131	\$5,620,366	\$5,414,849	\$5,297,758	\$5,699,294	2.3%	1.9%
Change in expenditures from previous year	\$ 248,316	\$ 348,094	\$ 153,363	\$ 13,810	\$ (21,624)	\$ 58,042	\$ 574,785	\$ 113,211	\$ (354,790)	\$ (322,608)	\$ 378,855	9.8%	1.8%
Percent change in expenditures	6.0%	7.9%	3.2%	0.3%	-0.4%	1.2%	9.8%	1.8%	-5.4%	-5.7%	6.3%		

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)**

Last Ten Fiscal Years and 2018 Budget  
(Modified Accrual Basis of Accounting)  
(Thousands of dollars)

	2008	2009	2010	2011
Revenues:				
Local	\$2,060,808	\$2,123,681	\$2,247,823	\$2,299,864
State	1,692,351	1,333,182	1,367,797	1,694,566
Federal	832,526	1,122,805	1,160,412	1,121,457
Total revenues	\$4,585,685	\$4,579,668	\$4,776,032	\$5,115,887
Total expenditures	4,394,685	4,742,779	4,896,142	4,909,952
Revenues less expenditures	\$ 191,000	\$ (163,111)	\$ (120,110)	\$ 205,935
Other financing sources less transfers	3,813	20,389	17,851	109,830
Change in fund balance	\$ 194,813	\$ (142,722)	\$ (102,259)	\$ 315,765
Fund balance — beginning of period	474,783	669,596	526,874	424,615
Fund balance — end of period	\$ 669,596	\$ 526,874	\$ 424,615	\$ 740,380
Revenues as a percent of expenditures	104.3%	96.6%	97.5%	104.2%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	\$ 132,684	\$ 110,685	\$ 111,166	\$ —
Reserved for restricted donations	1,826	3,695	5,825	—
Reserved by law for specific purposes	102,695	101,072	109,163	—
Unreserved:				
Designated to provide operating capital	258,000	181,200	—	—
Undesignated	174,391	130,222	198,461	—
Nonspendable	—	—	—	1,972
Restricted for grants and donations	—	—	—	126,855
Restricted for workers' comp/tort immunity	—	—	—	91,036
Assigned for 2017 Budget	—	—	—	—
Assigned for educational services	—	—	—	289,000
Assigned for appropriated fund balance	—	—	—	181,300
Assigned for commitments and contracts	—	—	—	44,924
Unassigned	—	—	—	5,293
Total fund balance	\$ 669,596	\$ 526,874	\$ 424,615	\$ 740,380
Unreserved/unassigned fund balance as a percent of revenues	9.4%	6.8%	4.2%	0.1%
Total fund balance as a percentage of revenues	14.6%	11.5%	8.9%	14.5%

**NOTE:**

The classification of fund balances for fiscal year 2011 was modified to comply with GASB 54, which was adopted in July 2010.

	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018
Revenues:							
Local	\$2,568,487	\$2,420,913	\$2,444,401	\$2,562,712	\$2,702,635	\$3,050,589	\$3,252,500
State	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855	1,287,702	1,666,000
Federal	890,987	805,983	867,512	767,548	776,277	752,295	773,000
Total revenues	\$5,216,640	\$4,826,320	\$4,941,805	\$4,909,584	\$4,877,767	\$5,090,586	\$5,691,500
Total expenditures	4,888,328	4,946,370	5,450,131	5,620,366	5,414,846	5,297,758	5,749,900
Revenues less expenditures	\$ 328,312	\$ (120,050)	\$ (508,326)	\$ (710,782)	\$ (537,079)	\$ (207,172)	\$ (58,400)
Other financing sources less transfers	62	439	161	—	(12,915)	50,162	58,574
Change in fund balance	\$ 328,374	\$ (119,611)	\$ (508,165)	\$ (723,697)	\$ (486,917)	\$ (148,598)	\$ (148,598)
Fund balance — beginning of period	740,380	1,068,754	1,592,147	1,083,982	360,285	(126,632)	(126,632)
Fund balance — end of period	\$1,068,754	\$ 949,143	\$1,083,982	\$ 360,285	\$ (126,632)	\$ (275,230)	\$ (275,230)
Revenues as a percent of expenditures	106.7%	97.6%	90.7%	87.4%	90.1%	96.1%	96.1%
Composition of fund balance							
Reserved:							
Reserved for encumbrances	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Reserved for restricted donations	—	—	—	—	—	—	—
Reserved by law for specific purposes	—	—	—	—	—	—	—
Unreserved:							
Designated to provide operating capital	—	—	—	—	—	—	—
Undesignated	—	—	—	—	—	—	—
Nonspendable	3,329	1,720	429	429	429	429	429
Restricted for grants and donations	69,873	63,434	61,022	64,155	64,854	51,858	—
Restricted for workers' comp/tort immunity	92,680	64,985	19,838	41,373	35,116	27,344	—
Assigned for 2017 Budget	—	—	—	—	—	—	—
Assigned for educational services	—	—	—	—	—	—	—
Assigned for appropriated fund balance	348,900	562,682	267,652	79,225	—	—	—
Assigned for commitments and contracts	110,397	105,664	87,067	73,101	—	—	—
Unassigned	443,575	150,658	—	102,002	(227,031)	(354,861)	—
Total fund balance	\$1,068,754	\$ 949,143	\$ 436,008	\$ 360,285	\$ (126,632)	\$ (275,230)	\$ (275,230)
Unreserved/unassigned fund balance as a percent of revenues	8.5%	3.1%	0.0%	2.1%	-4.7%	-7.0%	-7.0%
Total fund balance as a percentage of revenues	20.5%	19.7%	8.8%	7.3%	-2.6%	-5.4%	-5.4%



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF TORT EXPENDITURES  
As Required Under Section 9-103 (a-5) of the Tort Immunity Act  
For the Fiscal Year Ended June 30, 2017

Eligible Expenditures:	
Other General Charges .....	\$ 1,075,000
Physical Education — Athletic Claims .....	163,871
Summer School .....	152,811
Legal Services .....	759,458
Tort Claims — Administration Fee .....	503,125
Tort Claims — Major Settlements .....	1,896,951
Tort Claims — Casualty .....	727,600
General Liability Insurance .....	2,468,118
Property Damage Insurance .....	2,022,974
Property Loss Reserve Fund .....	31,308
Investigations — Administration .....	64,840
School Safety Services .....	20,561,634
School Security Personnel .....	52,487,053
Central Service Security .....	4,097,437
Security Services .....	4,392,845
Risk Management Administration .....	9,100
Technology Purchases .....	7,163
Total Eligible Expenditures .....	<u>\$91,421,288</u>

Operating Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS  
For the Fiscal Year Ended June 30, 2017

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools .....	\$19,765,881	\$31,195,727	\$31,116,039	\$19,845,569
Child Parent Centers .....	37,489	51,622	59,755	29,356
Alternative Schools .....	12,504	19,035	19,005	12,534
Middle Schools .....	245,524	614,527	542,201	317,850
High Schools .....	<u>19,199,871</u>	<u>29,144,441</u>	<u>27,555,039</u>	<u>20,789,273</u>
	<u>\$39,261,269</u>	<u>\$61,025,352</u>	<u>\$59,292,039</u>	<u>\$40,994,582</u>
Investments:				
Elementary Schools .....				67,376
High Schools .....				225,573
Total Cash and Investments Held for Student Activities .....				<u>\$41,287,531</u>

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees .....	\$1,702,345	\$3,297,688	\$ 5,000,033
Total Elementary Students .....	239,606	239,606	239,606
Average Fee per Student .....	<u>\$ 7.10</u>	<u>\$ 13.76</u>	<u>\$ 20.87</u>
Total High School Fees .....	\$ 898,134	\$9,754,831	\$10,652,965
Total High School Students .....	83,739	83,739	83,739
Average Fee per Student .....	<u>\$ 10.73</u>	<u>\$ 116.49</u>	<u>\$ 127.22</u>

NOTES:

- A) Graduation fees are defined as all mandatory graduation fees, including cap and gown.
- B) Student activity fees are defined as fees collected from students to cover activities and items necessary to complete a given curriculum and fees collected from students to cover the cost of extra-curricular activities and items.



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
<b>BROKER SERVICES</b>	Mesirow Insurance Services, Inc. an Alliant-owned company	07/01/16 — 06/30/17	\$ 100,000	Insurance placement and consultation. The contract with Mesirow for these services has been extended and continues until Feb 28, 2018.
<b>PROPERTY INSURANCE</b>				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/16 — 06/30/17	\$ 1,797,450	\$50M per occurrence subject to \$5M deductible
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/16 — 06/30/17	71,638	\$25M per occurrence \$50M excess \$50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/16 — 06/30/17	73,553	\$25M per occurrence \$50M excess \$50M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/16 — 06/30/17	83,980	\$100M subject to \$50,000 deductible
			\$ 2,026,621	Total Property, Boiler & Machinery for year end 06/30/16
Property Loss Reserve			—	Self-Insurance contents/claim payments
Total Property Program			\$ 2,026,621	

Operating Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
<b>LIABILITY INSURANCE</b>				
General Liability, Auto, SBLL, EPL, Abuse	Gemini Insurance Co (Berkley)	07/01/16 — 06/30/17	\$ 445,910	\$5M excess \$10M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/16 — 06/30/17	881,450	\$10M excess of \$15M Self Insured Retention (does not follow form of Gemini)
Excess Liability III	Ironshore Specialty Insurance Company	07/01/16 — 06/30/17	451,384	\$10M excess of \$10M excess of \$15M Self Insured Retention (follows form of Lexington)
Excess Liability IV	AXIS Surplus Insurance Company	07/01/16 — 06/30/17	362,950	\$10M excess of \$10M excess of \$10M excess of \$15M Self Insured Retention (follows form of Lexington)
Excess Liability V	Lexington Insurance Company	07/01/16 — 06/30/17	259,250	\$10M excess of \$10M excess of \$10M excess of \$10 excess \$15M Self Insured Retention (follows form of Lexington)
Special Events CGL	National Casualty Insurance Company	07/01/16 — 06/30/17	50,571	\$1M/no deductible/\$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/16 — 06/30/17	16,603	\$5M excess of \$5M no deductible
Fiduciary	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/16 — 06/30/17	83,123	\$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/16 — 06/30/17	106,985	\$6M Subject to \$25,000 deductible
Foreign Travel (includes: Travel Property, GL, AL, Foreign Voluntary WC, Travel Accident & Sickness, Kidnap & Ransom)	Insurance Company of the State of PA (AIG)		5,763	\$1M/deductible varies/\$4M master control program agg
Total Liability Insurance Cost			\$ 2,663,989	
Total Insurance Cost			\$ 4,690,610	

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STATISTICAL SECTION

STATISTICAL SECTION



CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
<b>SELF INSURANCE PROGRAMS</b>				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	\$ 3,702,730	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	525,000	
			<u>\$ 4,227,730</u>	Total General Liability Claims and Expenses
Workers' Compensation Claims	Cannon, Cochran, Management Services, Inc.	07/01/16 — 06/30/17	\$ 1,075,000	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives.
	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	19,018,038	
			<u>\$ 20,093,038</u>	Total Workers Compensation Claims and Expenses
Total Self Insured Program			<u>\$ 24,320,768</u>	

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
<b>HEALTH INSURANCE / HMO/PPO</b>				
Medical-Administrative Services	Blue Cross PPO	07/01/16 — 06/30/17	\$ 5,790,146	PPO health care for eligible employees and dependents
	Blue Cross PPO with HSA	07/01/16 — 06/30/17	297,313	PPO health care for eligible employees and dependents that includes a health savings account. This plan was instituted in 2017.
	United Healthcare HMO(EPO), PPO, & PPO w/HRA	07/01/16 — 06/30/17	1,667,524	Health care for eligible employees and dependents. Administrative costs for these three plans are paid together. Plans with this vendor terminated on December 31, 2016
	Blue Cross HMO Illinois	07/01/16 — 06/30/17	21,677,445	HMO health care for eligible employees and dependents. This plan terminated as of December 31, 2016. No premiums were paid in 2017.
	Blue Cross Blue Advantage HMO	07/01/16 — 06/30/17	38,250,937	HMO health care for eligible employees and dependents
Medical Total Administrative Fees			<u>\$ 67,683,365</u>	
Medical PPO Claim	Blue Cross PPO and PPO with HSA	07/01/16 — 06/30/17	\$113,119,906	PPO and PPO with HSA Health care for eligible employees and dependents
	United Healthcare PPO	07/01/16 — 06/30/17	36,375,011	PPO health care for eligible employees and dependents. The PPO plan terminated December 31, 2016. Payments made to the vendor are claims for services provided prior to the termination date.
	United Healthcare PPO w/HRA	07/01/16 — 06/30/17	184,179	PPO with HSA health care for eligible employees and dependents. The PPO plan terminated December 31, 2016. Payments made to the vendor are claims for services provided prior to the termination date.
Medical Total PPO Claims			<u>\$149,679,096</u>	
Medical HMO Claims	Blue Cross Blue Advantage HMO	07/01/16 — 06/30/17	\$ 33,105,379	HMO Health care for eligible employees and dependents and Claims and Physician Service Fees

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STATISTICAL SECTION

STATISTICAL SECTION





CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
	Blue Cross HMO Illinois	07/01/16 — 06/30/17	\$ 35,568,562	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees. This plan terminated as of December 31, 2016. Claims for services performed in 2016 are still being filed and paid in 2017.
	United Healthcare HMO (EPO)	07/01/16 — 06/30/17	147,764	The HMO (EPO) plan terminated December 31, 2015. Payments made to the vendor are claims for services provided prior to the termination date.
Medical Total HMO Claims			<u>\$ 68,821,705</u>	
Medical Claims Total		07/01/16 — 06/30/17	<u>\$218,500,801</u>	
Health Savings Account	HSA Bank	07/01/16 — 06/30/17	\$ 1,727,839	CPS contributes funds for plan members and the plan allows employees to also make tax deferred contributions. Contributions go to an investment account under the control of the participating employee.
Medical Claims and Administration		07/01/16 — 06/30/17	<u>\$287,912,005</u>	
Managed Mental Health Service	United Behavioral Health	07/01/16 — 06/30/17	\$ 2,095,951	Mental health care for PPO eligible employees and dependents. Contract with this vendor terminated on December 31, 2016 and premiums are no longer paid as of that date, but claims for 2016 services continue to be paid in 2017.
Utilization Review and Case Management	Telligen	07/01/16 — 06/30/17	578,274	Pre-certification, utilization review and case management for PPO eligible employees and dependents. Contract with this vendor terminated December 31, 2016.
Prescription Drugs	Caremark	07/01/16 — 06/30/17	74,746,492	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/16 — 06/30/17	<u>\$365,332,722</u>	

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)  
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
<b>OTHER INSURANCE</b>				
Dental Insurance	Delta Dental HMO	07/01/16 — 06/30/17	\$ 2,610,803	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/16 — 06/30/17	8,411,352	Dental PPO for eligible employees and dependents
Dental Insurance Total			<u>\$ 11,022,155</u>	
Vision Plan	Vision Service Plan (VSP)	07/01/16 — 06/30/17	\$ 2,288,442	Vision services for eligible employees and dependents
Term Life Insurance	Aetna Life Insurance	07/01/16 — 06/30/17	\$ 273,911	Life insurance policy at \$10,000 per eligible employee
Total Dental/Vision/Life			<u>\$ 13,584,508</u>	
Total Health/Life Benefit Expenses			<u>\$ 378,917,230</u>	

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STATISTICAL SECTION

STATISTICAL SECTION



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY**  
Last Ten Fiscal Years  
For the Fiscal Year Ended June 30, 2017  
(Millions of dollars)

	2008	2009	2010
Unexpended (over expended) .....	\$ 646.4	\$565.7	\$ 73.9
Proceeds available from bond issuance .....	252.5	—	803.8
Property Taxes .....			
State aid .....	0.1	—	—
Federal aid .....	43.5	2.8	12.3
Investment income .....	25.9	12.5	2.0
Other income .....	60.4	127.5	83.1
Total .....	\$1,028.8	\$708.5	\$975.1
Expenditures .....	463.1	634.6	666.7
Operating transfers in (out) .....	—	—	(46.8)
Unexpended .....	\$ 565.7	\$ 73.9	\$261.6
Encumbrances .....	268.6	73.9	229.5
Available balance .....	\$ 297.1	\$ —	\$ 32.1

**NOTES:**

- A) The above amounts do not include construction expenditures made by the Public Building Commission.
- B) Beginning in fiscal year 2013, the proceeds available from bond issuance includes both premiums and gross amounts from debt issuances.
- C) In fiscal year 2015, CPS changed its revenue recognition policy resulting in a restatement to fiscal year 2014 balances.



	2011	2012	2013 (B)	2014 (C)	2015	2016	2017
Unexpended (over expended) .....	\$261.6	\$182.2	\$ 88.1	\$174.2	\$ (91.9)	\$(157.1)	\$ 66.4
Proceeds available from bond issuance .....	382.3	402.4	508.9	131.3	148.5	364.0	775.5
Property Taxes .....						42.5	48.4
State aid .....	2.8	1.3	6.9	37.8	31.6	39.4	30.1
Federal aid .....	4.4	18.1	13.6	14.9	6.5	7.7	6.7
Investment income .....	2.1	5.5	1.9	0.8	0.4	0.1	2
Other income .....	91.5	54.2	88.0	31.3	107.2	62.9	21.1
Total .....	\$744.7	\$663.7	\$707.4	\$390.3	\$ 202.3	\$ 359.5	\$950.2
Expenditures .....	562.3	576.8	493.4	482.2	359.4	293.1	204.8
Operating transfers in (out) .....	(0.2)	1.2	(41.6)	—	—	—	—
Unexpended .....	\$182.2	\$ 88.1	\$172.4	\$(91.9)	\$(157.1)	\$ 66.4	\$745.4
Encumbrances .....	182.2	88.1	172.4	(91.9)	(157.1)	66.4	745.4
Available balance .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM  
Last Five Fiscal Years  
(Thousands of dollars)

	2013	2014	2015 (A)	2016 (A)	2017 (A)
<b>DAYS MEALS SERVED:</b>					
National School Lunch Program	181	177	178	176	178
<b>PUPIL LUNCHES SERVED:</b>					
Paid lunches (regular)	1,528,287	1,324,623	—	—	—
Reduced lunches (regular)	1,919,787	1,353,204	—	—	—
Free lunches (regular)	40,730,512	40,531,544	43,507,955	42,061,499	40,401,995
<b>TOTAL PUPIL LUNCHES SERVED</b>	<b>\$44,178,586</b>	<b>\$43,209,371</b>	<b>\$43,507,955</b>	<b>\$42,061,499</b>	<b>\$40,401,995</b>
Daily Average	244,081	244,121	244,427	238,986	226,978
Change from Previous Year	804,148	(969,215)	298,584	(1,446,456)	(1,659,504)
Daily Percentage Change	-2.6%	0.0%	0.1%	-2.2%	-5.0%
<b>PUPIL BREAKFASTS SERVED:</b>					
Paid breakfasts (regular)	1,694,160	1,534,733	—	—	—
Reduced breakfasts (regular)	1,023,368	724,873	—	—	—
Free breakfasts (regular)	24,138,173	23,724,239	26,144,917	24,850,825	23,511,510
<b>TOTAL PUPIL BREAKFASTS SERVED</b>	<b>\$26,855,701</b>	<b>\$25,983,845</b>	<b>\$26,144,917</b>	<b>\$24,850,825</b>	<b>\$23,511,510</b>
Daily Average	148,374	146,801	146,882	141,198	132,087
Change from Previous Year	(209,556)	(871,856)	161,072	(1,294,092)	(1,339,315)
Daily Percentage Change	-5.2%	-1.1%	0.1%	-3.9%	-6.5%
<b>TOTAL MEALS SERVED</b>					
	<b>\$71,034,287</b>	<b>\$69,193,216</b>	<b>\$69,652,872</b>	<b>\$66,912,324</b>	<b>\$63,913,505</b>
Daily Average	392,455	390,922	391,308	380,184	359,065
Total Change From Previous Year	594,592	(1,841,071)	459,656	(2,740,548)	(2,998,819)
Daily Percentage Change	-3.6%	-0.4%	0.1%	-2.8%	-5.6%
<b>NUMBER OF ADULT LUNCHES (REGULAR)</b>					
	<b>61,741</b>	<b>429,877</b>	<b>241,263</b>	<b>241,533</b>	<b>217,541</b>
Daily Average	341	2,429	1,355	1,372	1,222
Total Change From Previous Year	(52,842)	368,136	(188,614)	270	(23,992)
Daily Percentage Change	-48.5%	612.2%	-44.2%	1.3%	-10.9%

NOTE:

A) Beginning in fiscal year 2015 through fiscal year 2018 all breakfasts and lunches are provided to pupils free of charge per the Community Eligibility Provision Program.

Operating Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)  
Last Five Fiscal Years  
(Thousands of dollars)

	2013	2014	2015	2016	2017
<b>REVENUE:</b>					
Federal and State Sources	\$197,514	\$189,152	\$204,975	\$207,506	\$203,003
Local Sources	32,137	13,698	7,747	8,428	8,704
<b>Total Revenue</b>	<b>\$229,651</b>	<b>\$202,850</b>	<b>\$212,722</b>	<b>\$215,934</b>	<b>\$211,707</b>
<b>EXPENDITURES:</b>					
Career Service Salaries	\$ 71,124	\$ 60,680	\$ 60,303	\$ 61,566	\$ 62,551
Career Service Pension	12,136	10,282	10,374	11,121	11,359
Hospitalization	22,907	23,567	23,562	23,770	21,351
Food	103,972	92,984	94,576	94,619	92,500
Professional and Special Services	1,544	2,927	3,942	4,234	4,909
Administrative Allocation	14,624	10,124	7,665	11,184	9,205
Other	3,344	2,286	2,174	3,351	5,878
<b>Total Expenditures</b>	<b>\$229,651</b>	<b>\$202,850</b>	<b>\$202,596</b>	<b>\$209,845</b>	<b>\$207,753</b>
Revenues in excess of Expenditures	\$ —	\$ —	\$ 10,126	\$ 6,089	\$ 3,954
<b>DAILY AVERAGE</b>					
Revenues	\$ 1,269	\$ 1,146	\$ 1,195	\$ 1,227	\$ 1,189
Expenditures	\$ 1,269	\$ 1,146	\$ 1,138	\$ 1,192	\$ 1,167
<b>PERCENTAGE CHANGE</b>					
Revenues	2.7%	-11.7%	4.9%	1.5%	-2.0%
Expenditures	2.7%	-11.7%	-0.1%	3.6%	-1.0%



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION  
For Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Period Ended June 30, 2016

	2017 Schools	2017 Administrative Center	Total
<b>Electricity</b>			
Total Electricity Charges	\$ 48,922,397	\$ 137,317	\$ 49,059,714
Kilowatt Hours	526,124,627	1,304,676	527,429,303
Charge per Kilowatt Hour	\$ 0.09299	\$ 0.10525	\$ 0.09302
<b>Gas</b>			
Total Gas Charges	\$ 20,007,024	\$ —	\$ 20,007,024
Therms	28,948,830	—	28,948,830
Charge per Therm	\$ 0.69112	\$ —	\$ 0.69112

	2016 Schools	2016 Administrative Center	Total
<b>Electricity</b>			
Total Electricity Charges	\$ 49,639,877	\$ 128,922	\$ 49,768,799
Kilowatt Hours	527,270,030	1,189,074	528,459,104
Charge per Kilowatt Hour	\$ 0.09415	\$ 0.10842	\$ 0.09418
<b>Gas</b>			
Total Gas Charges	\$ 20,459,051	\$ —	\$ 20,459,051
Therms	26,555,109	—	26,555,110
Charge per Therm	\$ 0.77044	\$ —	\$ 0.77044

Operating Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

PROPERTY SALES AND PURCHASES  
For the Fiscal Year Ended June 30, 2017

Sales				
Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain / (Loss) on Sale
5221 W Congress Parkway	N/A*	\$ —	\$ 201,065	\$ 201,065
1345 N Rockwell St	1979	58,390	—**	(58,390)
1852 S Albany Ave	1918	—	—**	—
5200 N Ashland	1909	3,606,067	5,250,000	1,643,933
116th & Oakley	N/A*	125,025	—**	(125,025)
91st & Vanderpoel	1974	195,000	—**	(195,000)
13425 S Baltimore	2000	28,811	30,400	1,589
		<u>\$4,013,293</u>	<u>\$5,481,465</u>	<u>\$1,468,172</u>

Purchases			
Unit Location	Date Acquired	School	Purchase Cost
7131-7145 W. 64th Place	06/05/17	Dore	\$1,891,183
16th & Dearborn	01/27/17	South Loop	5,100,000
			<u>\$6,991,183</u>

NOTE:

- \* Historical records related to the month and day of acquisition are not available.
- \*\* Property was transferred to the City of Chicago



Statistical Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

TEACHERS' BASE SALARIES  
(Annual School Year Salary)  
Last Ten Fiscal Years

Fiscal Year	Minimum Salary (A)	Median Salary	Maximum Salary (B)	Percent Change (C)
2008	\$42,021	\$59,504	\$76,986	4.00%
2009	43,702	62,384	81,065	4.00%
2010	45,450	64,879	84,308	4.00%
2011	47,268	67,974	88,680	4.00%
2012	47,268	68,474	89,680	0.00%
2013	48,686	70,644	92,602	3.00%
2014	49,660	72,163	94,666	2.00%
2015	50,653	73,706	96,759	2.00%
2016	50,653	73,706	96,759	0.00%
2017	50,653	73,706	96,759	0.00%

NOTES:

- A) The minimum salary represents the minimum amount a CPS teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on education attainment and years of service. Minimum salary excludes pension and hospitalization benefits.
- B) The maximum salary represents the maximum amount a CPS teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on educational attainment and years of service. The majority of the Chicago Public Schools Teaching Staff receive the maximum salary due to the 16 years minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.
- C) The percent change is the official CTU (Chicago Teachers Union) agreed to minimum salary increase for that year, net of any changes to the salary schedule or step advances on the pay schedule.

Operating Information

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

TEACHERS' PENSION FUNDING ANALYSIS  
Last Five Fiscal Years  
(Thousands of dollars)

Fiscal Year	Employer and Employee Contribution	Net Assets of Plan (Fair Market Value)	Unfunded Obligation (Assets at Fair Market Value)	% Funded of Pension Obligation Fund at Year End (Assets at Fair Market Value)	% Unfunded (Assets at Fair Market Value)
2012	\$335,657	\$ 9,364,077	\$8,011,584	53.9%	46.1%
2013	374,567	9,422,519(A)	9,622,014(A)	49.5%(A)	50.5%
2014	740,419	10,045,543	9,458,351	51.5%	48.5%
2015	826,304	10,344,375	9,606,915	51.9%	48.1%
2016	811,051	10,610,747	9,635,393	52.4%	47.6%

NOTE:

- A) The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**AVERAGE DAILY ATTENDANCE AND PER PUPIL COSTS**  
Last Five Fiscal Years

Fiscal Year	School Year	Average Daily Attendance (A)	Operating Expenses Per Pupil (B)	Per Capita Tuition Charge (C)
2013 .....	2012-13	365,974	\$13,791	\$10,412
2014 .....	2013-14	366,077	15,120	11,707
2015 .....	2014-15	363,276	15,310	12,229
2016 .....	2015-16	361,764	14,973	12,544
2017 .....	2016-17	347,001	N/A	N/A

**NOTES:**

- A) *Source:* Department of Finance, Grants Management.
- B) *Source:* Illinois State Board of Education — Operating Expense Pupil is the total operating cost of regular K-12 programs divided by the nine-month average daily attendance. This measure excludes expenditures related to Pre-school, Summer School, Adult Education, Capital Expenditures, and Board Principal and Interest.
- C) *Source:* Illinois State Board of Education — Per Capita Tuition Charge is the amount a local school district charges as tuition for non-resident students per Section 18-3 of the School Code. It is a reasonable measure of basic education program costs. Per Capita Tuition is calculated by deducting the costs of supplemental programs from operating expenses and dividing the result by the nine-month average daily attendance.

N/A: Not available at publishing.



**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**TOTAL STUDENT MEMBERSHIP**

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Elementary										
Pre-Kindergarten .....	21,388	23,325	24,370	23,705	24,232	24,507	23,671	22,873	22,555	20,673
Kindergarten .....	27,901	28,975	29,632	28,812	29,594	30,936	30,166	28,978	27,651	26,093
Grades 1-3 .....	93,853	93,416	92,581	91,899	92,302	91,880	92,251	92,526	91,347	86,610
Grades 4-6 .....	90,701	89,234	88,695	87,834	87,630	86,966	86,244	86,066	85,391	85,022
Grades 7-8 .....	62,217	59,839	58,231	56,791	56,520	56,773	56,184	54,233	54,174	53,898
Total Elementary .....	<u>296,060</u>	<u>294,789</u>	<u>293,509</u>	<u>289,041</u>	<u>290,278</u>	<u>291,062</u>	<u>288,516</u>	<u>284,676</u>	<u>281,118</u>	<u>272,296</u>
Secondary										
9th Grade .....	35,151	34,233	32,877	31,081	30,336	29,812	30,069	30,366	29,130	27,623
10th Grade .....	31,994	32,177	34,659	33,303	32,230	31,343	30,963	31,130	31,189	29,704
11th Grade .....	24,608	25,292	25,436	26,277	27,039	26,610	26,500	26,378	26,714	27,284
12th Grade .....	20,788	21,464	22,798	22,979	24,268	24,634	24,497	24,133	24,134	24,442
Total Secondary .....	<u>112,541</u>	<u>113,166</u>	<u>115,770</u>	<u>113,640</u>	<u>113,873</u>	<u>112,399</u>	<u>112,029</u>	<u>112,007</u>	<u>111,167</u>	<u>109,053</u>
Grand Total .....	<u>408,601</u>	<u>407,955</u>	<u>409,279</u>	<u>402,681</u>	<u>404,151</u>	<u>403,461</u>	<u>400,545</u>	<u>396,683</u>	<u>392,285</u>	<u>381,349</u>

Source: CPS Performance Website ([www.cps.edu/SchoolData/Pages/SchoolData.aspx](http://www.cps.edu/SchoolData/Pages/SchoolData.aspx))



**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**TEACHER - TO - STUDENT RATIO**

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary.....	20.0	23.5	21.3	23.2	23.3	24.6	25.2	25.4	25.8	24.7
Secondary.....	16.3	19.5	19.7	19.8	19.2	19.8	21.5	21.9	20.3	23.7

Source: Illinois State Board of Education

**NOTE:**

Starting in 2009, the ratio includes Charter Schools.

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION**

Last Five Fiscal Years

As of June 30, 2017

Functions	2013	2014	2015	2016	2017
Instruction .....	26,909	26,123	26,261	25,615	25,044
Support services:					
Pupil support services .....	5,010	4,676	4,652	4,415	4,476
Administrative support services .....	1,063	1,042	1,038	705	821
Facilities support services .....	1,633	1,527	1,468	1,427	1,417
Instructional support services .....	3,311	2,920	2,965	2,788	2,671
Food services .....	3,562	2,860	2,762	2,721	2,712
Community services .....	339	266	247	250	204
Total government employees .....	<u>41,827</u>	<u>39,414</u>	<u>39,393</u>	<u>37,921</u>	<u>37,345</u>





**CHICAGO PUBLIC SCHOOLS**

Chicago Board of Education

**NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES**

Last Ten Fiscal Years

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
<b>Number of Schools</b>						
Elementary (A) .....	474	474	474	474	473	468
Special (C) .....	17	17	13	12	12	12
High School .....	98	98	109	107	103	98
Vocational/Technical (C) .....	10	10	8	8	8	8
Charter Schools .....	28	67	71	82	87	95
Kindergarten to H.S. (K-12) (C) .....	—	—	—	—	—	—
<b>Total Schools .....</b>	<b>627</b>	<b>666</b>	<b>675</b>	<b>683</b>	<b>683</b>	<b>681</b>
<b>School Enrollment (B)</b>						
Elementary (A) .....	279,823	274,875	272,308	264,569	263,540	261,638
Special (C) .....	2,846	2,762	2,073	1,940	1,839	1,961
High School .....	88,936	90,055	91,390	87,061	85,068	81,735
Vocational/Technical (C) .....	14,219	11,251	9,956	8,833	8,226	7,927
Charter Schools .....	22,777	29,012	33,552	40,278	45,478	50,200
Kindergarten to H.S. (K-12) (C) .....	—	—	—	—	—	—
<b>Total School Enrollment .....</b>	<b>408,601</b>	<b>407,955</b>	<b>409,279</b>	<b>402,681</b>	<b>404,151</b>	<b>403,461</b>
<b>Number of High School Graduates .....</b>	<b>20,285</b>	<b>18,972</b>	<b>22,245</b>	<b>20,131</b>	<b>20,914</b>	<b>22,447</b>

	2013-2014	2014-2015	2015-2016	2016-2017
<b>Number of Schools</b>				
Elementary (A) .....	422	426	425	424
Special (C) .....	5	—	—	—
High School .....	109	121	122	118
Vocational/Technical (C) .....	—	—	—	—
Charter Schools .....	126	131	129	122
Kindergarten to H.S. (K-12) (C) .....	5	—	—	—
<b>Total Schools .....</b>	<b>667</b>	<b>678</b>	<b>676</b>	<b>664</b>
<b>School Enrollment (B)</b>				
Elementary (A) .....	254,864	251,554	247,487	239,606
Special (C) .....	907	—	—	—
High School .....	86,184	88,183	86,208	83,739
Vocational/Technical (C) .....	—	—	—	—
Charter Schools .....	54,572	56,946	58,590	58,004
Kindergarten to H.S. (K-12) (C) .....	4,018	—	—	—
<b>Total School Enrollment .....</b>	<b>400,545</b>	<b>396,683</b>	<b>392,285</b>	<b>381,349</b>
<b>Number of High School Graduates .....</b>	<b>22,817</b>	<b>22,825</b>	<b>22,839</b>	<b>22,805</b>

Source: Information & Technology Services, Enterprise Data Strategy-Data Analytics

**NOTES:**

- A) Elementary schools include the traditional classification of middle schools.
- B) School enrollment includes the number of students in each type of school regardless of the students' grades.
- C) The governance and school types in fiscal year 2015 has changed compared to fiscal year 2014 and prior years. As a result, there is no longer a category for "Vocational/Technical", "Special" or "Kindergarten to H.S (K-12)" in fiscal year 2016.





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education of the City of Chicago  
Chicago Public Schools  
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Chicago Public Schools (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements, and have issued our report thereon dated January 24, 2018. Our report includes an emphasis of matter paragraph relative to the adoption of the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73*, both effective July 1, 2016. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chicago Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chicago Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Chicago Public Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



To the Board of Education of the City of Chicago  
Chicago Public Schools

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chicago Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Vorchaw Krause, LLP*

Chicago, Illinois  
January 24, 2018





**REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education of the City of Chicago  
Chicago Public Schools  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Chicago Public Schools' (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chicago Public Schools' major federal programs for the year ended June 30, 2017. Chicago Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Chicago Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chicago Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chicago Public Schools' compliance.



To the Board of Education of the City of Chicago  
Chicago Public Schools

**Opinion on Each Major Federal Program**

In our opinion, Chicago Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of Chicago Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chicago Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago Public Schools' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and each major fund of Chicago Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements. We issued our report thereon dated January 24, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes an emphasis of matter paragraph relative to the adoption of the provisions of GASB Statement No. 77, *Tax*



To the Board of Education of the City of Chicago  
Chicago Public Schools

*Abatement Disclosures*, and GASB Statement No. 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73*, both effective July 1, 2016. Our opinion is not modified with respect to this matter. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The basic financial statements of Chicago Public Schools as of and for the year ended June 30, 2016 (not presented herein) were audited by other auditors whose report contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 23, 2017, stated that the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the year ended June 30, 2016 was subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

*Baker Tilly Voichau Krause, LLP*

Chicago, Illinois  
January 24, 2018



Statutory Reporting Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number
<b>NATIONAL SECURITY AGENCY</b>				
Direct Funding Language Grant Program	Starak Arabic and Chinese Language Institute	N/A	12.900	H-98230-16-1-0085
<b>TOTAL NATIONAL SECURITY AGENCY</b>				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through Illinois State Board of Education (ISBE)				
<b>Child Nutrition Cluster</b>				
National School Lunch Program	Lunch Program	4210	10.555	15-4210-00
		4210	10.555	16-4210-00
		4210	10.555	17-4210-00
		4200	10.555	17-4200-00
School Breakfast Program	Breakfast Program * Noncash Awards	4220	10.553	16-4220-00
		4220	10.553	17-4220-00
<b>Total Child Nutrition Passed Through Illinois State Board of Education (including cluster)</b>				
<b>Passed Through Illinois State Board of Education (ISBE)</b>				
Child and Adult Care Food Program	Child & Adult Care Food Program	4226	10.558	16-4226-00
		4226	10.558	17-4226-00
Fresh Fruits and Vegetables	Fresh Fruits and Vegetables	4240	10.582	16-4240-15 / 16-4240-16
		4240	10.582	17-4240-16 / 17-4240-17
<b>Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (not including cluster)</b>				
<b>Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (including cluster)</b>				
Passed Through Northwestern Illinois Association				
Team Nutrition Grants	Illnet Mini Grants	N/A	10.574	N/A
<b>Total U.S. Department of Agriculture Passed Through Northwestern Illinois Association</b>				
<b>Direct Funding</b>				
Plant and Animal Disease, Pest Control, and Animal Care	Summer Internship Program	N/A	10.025	16-1001-0899-CA
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Illinois State Board of Education (ISBE)				
<b>Special Education Cluster (IDEA)</b>				
Special Education Grants to State	IDEA — Flow Through Instruction	4620	84.027A	10-4620-00
		4620	84.027A	16-4620-00
		4620	84.027A	17-4620-00
	Room and Board	4625	84.027A	16-4625-00
		4625	84.027A	17-4625-00
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	16-4600-00
		4600	84.173A	17-4600-00
	IDEA — Pre-School Discretionary	4605	84.173A	16-4605-01
		4605	84.173A	17-4605-01
<b>Total Special Education Cluster (IDEA)</b>				
Passed Through Illinois State Board of Education (ISBE)				
Title I — Grants to Local Education Agencies	Title I — Low Income	4300	84.010A	12-4300-00
		4300	84.010A	16-4300-00
		4300	84.010A	17-4300-00
	ESEA — School Improvement	4331	84.010A	16-4331-SB
		4331	84.010A	17-4331-SB
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	15-4305-00
		4305	84.010A	16-4305-00
		4305	84.010A	17-4305-00
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	16-4306-00
		4306	84.010A	17-4306-00
Supporting Effective Instruction State Grants	Title IA — Teacher Quality	4932	84.367A	16-4932-00
	Title IA — Teacher Quality	4932	84.367A	17-4932-00
	Title II — Teacher Quality Leadership	4935	84.367A	16-4935-02
		4935	84.367A	17-4935-02
English Language Acquisition State Grants	Title III — Lang Inst Prog — Limited Eng LI/LEP	4909	84.365A	16-4909-00
		4909	84.365A	17-4909-00
	Title III — Immigrant Education Program (IEP)	4905	84.360A	17-4905-00

Uniform Guidance

Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Final Status	
									Cumulative Expenditures Through June 30, 2017	Cumulative Expenditures Through June 30, 2017
04/01/16-02/28/17	\$ 89,984	\$ 4,267	\$ 87,949	\$ 83,682	\$ 83,682	\$ —	\$ —	\$ 4,267	\$ 87,949	
	<b>\$ 89,984</b>	<b>\$ 4,267</b>	<b>\$ 87,949</b>	<b>\$ 83,682</b>	<b>\$ 83,682</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,267</b>	<b>\$ 87,949</b>	
09/01/14-09/30/15	N/A	\$ 1,497,589	\$ 1,497,589	\$ —	\$ —	\$ —	\$ —	\$ 129,195,804	\$ 129,195,804	
09/01/15-09/30/16	N/A	7,932,376	10,193,027	2,260,651	2,260,651	—	—	131,211,635	133,472,286	
09/01/16-09/30/17	N/A	—	119,002,794	127,532,020	127,532,020	—	8,529,226	—	127,532,020	
07/01/16-06/30/17	N/A	—	13,873,872	13,873,872	13,873,872	—	—	—	13,873,872	
09/01/15-09/30/16	N/A	3,603,296	9,128,742	5,525,446	5,525,446	—	—	43,987,777	49,513,223	
09/01/16-09/30/17	N/A	—	38,708,043	41,999,463	41,999,463	—	3,291,420	—	41,999,463	
		<b>\$ —</b>	<b>\$ 113,033,261</b>	<b>\$ 192,203,867</b>	<b>\$ 190,991,252</b>	<b>\$ —</b>	<b>\$ 11,820,646</b>	<b>\$ 304,395,216</b>	<b>\$ 495,386,468</b>	
09/01/15-09/30/16	N/A	\$ 1,062,073	\$ 1,318,330	\$ 256,307	\$ 256,307	\$ —	\$ —	\$ 7,533,432	\$ 7,789,739	
09/01/16-09/30/17	N/A	—	8,850,309	7,192,822	7,192,822	—	341,683	—	7,192,822	
07/01/15-09/30/16	N/A	378,816	378,816	—	—	—	—	2,169,265	2,169,265	
07/01/16-09/30/17	N/A	—	1,348,650	1,698,006	1,698,006	—	349,356	—	1,698,006	
		<b>\$ —</b>	<b>\$ 1,440,889</b>	<b>\$ 9,886,785</b>	<b>\$ 9,146,935</b>	<b>\$ —</b>	<b>\$ 9,702,697</b>	<b>\$ 18,849,632</b>	<b>\$ 18,849,632</b>	
		<b>\$ —</b>	<b>\$ 114,474,150</b>	<b>\$ 202,100,652</b>	<b>\$ 200,138,187</b>	<b>\$ —</b>	<b>\$ 112,511,685</b>	<b>\$ 314,097,813</b>	<b>\$ 514,236,160</b>	
09/01/10-09/31/16	\$ 5,500	\$ 1,200	\$ —	\$ (1,200)	\$ (1,200)	\$ —	\$ —	\$ 5,500	\$ 4,300	
	<b>\$ 5,500</b>	<b>\$ 1,200</b>	<b>\$ —</b>	<b>\$ (1,200)</b>	<b>\$ (1,200)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,500</b>	<b>\$ 4,300</b>	
01/01/16-12/31/16	\$ 7,200	\$ —	\$ 7,200	\$ 7,200	\$ 7,200	\$ —	\$ —	\$ —	\$ 7,200	
	<b>\$ 12,700</b>	<b>\$ 14,475,350</b>	<b>\$ 202,107,852</b>	<b>\$ 200,144,187</b>	<b>\$ 200,144,187</b>	<b>\$ —</b>	<b>\$ 112,511,685</b>	<b>\$ 314,103,413</b>	<b>\$ 514,247,600</b>	
07/01/09-08/31/10	\$ 96,011,080	\$ —	\$ 62,718	\$ 62,718	\$ 62,718	\$ —	\$ —	\$ 90,882,375	\$ 90,945,093	
07/01/15-08/31/16	90,119,237	4,588,835	6,460,404	603,569	603,569	—	—	89,199,602	90,103,171	
07/01/16-08/31/17	92,962,285	—	81,464,718	90,619,014	90,619,014	—	9,154,296	—	90,619,014	
09/01/15-08/31/16	N/A	—	1,143,524	1,143,524	1,143,524	—	—	2,224,427	2,224,427	
09/01/16-08/31/17	N/A	—	648,347	1,081,476	1,081,476	—	441,129	—	1,081,476	
07/01/15-08/31/16	1,311,409	473,401	473,803	402	402	—	—	1,163,840	1,168,242	
07/01/16-08/31/17	1,636,546	—	985,855	1,268,078	1,268,078	—	282,223	—	1,268,078	
07/01/15-08/31/16	489,250	190,214	219,990	29,776	29,776	—	—	381,434	411,210	
07/01/16-08/31/17	508,435	—	263,577	443,773	443,773	—	180,196	—	443,773	
	<b>\$ 283,038,242</b>	<b>\$ 5,250,450</b>	<b>\$ 90,744,936</b>	<b>\$ 95,952,330</b>	<b>\$ 95,952,330</b>	<b>\$ —</b>	<b>\$ 10,057,844</b>	<b>\$ 182,708,154</b>	<b>\$ 278,260,484</b>	
07/01/11-08/31/12	\$ 333,558,791	\$ 450,001	\$ 2,036,437	\$ 1,506,436	\$ 1,506,436	\$ —	\$ —	\$ 290,751,234	\$ 292,237,670	
07/01/15-08/31/17	303,328,048	—	223,731,459	272,374,435	272,374,435	41,830,594	48,642,976	—	272,374,435	
07/01/15-08/30/16	3,915,800	1,800,010	2,284,374	434,364	434,364	—	—	3,481,037	3,915,801	
07/01/16-09/30/17	3,915,800	—	3,288,626	3,793,554	3,793,554	—	504,928	—	3,793,554	
07/01/14-08/31/15	693,584	(121,813)	—	—	—	—	—	600,431	600,431	
07/01/15-08/31/16	680,886	208,320	385,541	177,221	177,221	—	—	399,273	576,494	
07/01/16-08/31/17	684,364	—	293,713	408,107	408,107	—	115,394	—	408,107	
07/01/15-08/31/16	1,166,491	264,920	368,796	103,876	103,876	—	—	762,882	866,758	
07/01/16-08/31/17	947,785	—	434,171	599,909	599,909	—	165,738	—	599,909	
07/01/15-08/31/16	43,606,802	5,183,627	8,224,859	3,051,232	3,051,232	237,816	—	27,012,189	30,063,421	
07/01/16-08/31/17	47,233,993	—	33,560,721	39,346,867	39,346,867	—	4,230,842	5,756,146	39,346,867	
06/06-08/31/16	62,512	—	8,300	8,300	8,300	—	—	—	8,300	
07/01/16-08/31/17	68,763	—	8,300	8,300	8,300	—	—	—	8,300	
09/01/16-08/31/16	13,883,538	744,922	2,208,328	1,463,406	1,463,406	48,481	—	7,177,942	8,641,348	
09/01/16-08/31/17	13,425,047	(2,047)	6,820,740	8,119,295	8,119,295	499,508	1,296,508	—	8,119,295	
09/01/16-08/31/17	805,508	—	395,862	555,946	555,946	—	160,084	—	555,946	

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STATUTORY REPORTING SECTION



STATUTORY REPORTING SECTION

**Statutory Reporting Section**

**CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education**

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
For the Fiscal Year Ended June 30, 2017**

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number
Career and Technical Education	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	16-4745-00
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	17-4745-00
School Improvement Grants	School Improvement — Cohort 3	4339	84.377A	16-4339-13
	School Improvement — Cohort 4	4339	84.377A	16-4339-14
	School Improvement — Cohort 5	4339	84.377A	16-4339-15
	School Improvement — Cohort 6	4339	84.377A	16-4339-16
	School Improvement — Cohort 4	4339	84.377A	17-4339-14
	School Improvement — Cohort 5	4339	84.377A	17-4339-15
Twenty-First Century Community Learning Centers	School Improvement — Cohort 6	4339	84.377A	17-4339-16
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-13
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-15
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-25
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-35
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-45
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-55
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-13
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-25
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-35
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-45
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-55
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-65
	McKinley Education for Homeless Children	4920	84.195A	16-4920-00
Education for Homeless Children and Youth				
Race to the Top	Race to the Top	4998	84.412	16-4998-00
Race to the Top — Early Learning Challenge	Race to the Top — Early Learning Challenge	4999	84.365A	4999-1B
English Language Acquisition State Grants	International Baccalaureate	4999	84.365A	4999-1B
Preschool Development Grants	Preschool Expansion	4902	84.419B	16-4902-PE
		4902	84.419B	17-4902-PE
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)</b>				
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)</b>				
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education</b>				
<b>Direct Funding</b>				
<b>TRIO Cluster — Talent Search</b>				
	Pulman Talent Search	N/A	84.044A	P044A10797
		N/A	84.044A	P044A109585
<b>Total TRIO Cluster</b>				
<b>Direct Funding</b>				
<b>Impact Aid</b>				
	Federal Impact Aid Grant	N/A	84.041	S041Z-2008-1446
		N/A	84.041	S041B-2016-1446
	Indian Education — Grants to Local Education Agencies	N/A	84.060A	S060A140666
	Fund for the Improvement of Education	N/A	84.060A	S060A150666
	Safe and Drug-Free Schools and Communities	N/A	84.184S	S184S180005
	Start on Success Program	N/A	84.219H	U219H150069
	Arts in Education	N/A	84.219H	U219H150069
	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140002
		N/A	84.351C	U351C140002
	Early Reading First	N/A	84.359B	S359B050093
	High School Graduation Initiative	N/A	84.360A	S360A100176
	Safe and Drug-Free Schools and Communities	N/A	84.184C	S184C100002
<b>Total U.S. Department of Education — Direct Funding (not including cluster)</b>				
<b>Total U.S. Department of Education — Direct Funding (including cluster)</b>				
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education</b>				
<b>Passed Through Illinois Department of Human Services</b>				
	Rehabilitation Grants to States	N/A	84.126	46CTD0155
		N/A	84.126	46CTD00155
		N/A	84.126	46CTD0155
	Rehabilitation Services Vocational Rehabilitation Grants to States	N/A	84.126	46CTD03159
<b>Total U.S. Department of Education Passed Through IHHS</b>				
<b>Passed Through WestED</b>				
	Improving Teacher Quality	N/A	84.367D	S00029593.0
<b>Total U.S. Department of Education Passed Through WestED</b>				
<b>Passed Through University of Illinois at Chicago</b>				
	Education Research, Development and Dissemination	N/A	84.305F	R305F100007
<b>Total U.S. Department of Education Passed Through University of Illinois at Chicago</b>				

**Uniform Guidance**

Contract Period	Contract Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Cumulative Expenditures Through June 30, 2017	Final Status
07/01/15-08/31/16	9,660,544	1,923,653	2,606,334	682,681	682,681	—	—	—	4,937,757	5,620,438
07/01/16-08/31/17	6,466,250	—	3,814,296	5,832,984	5,832,984	—	2,018,888	—	5,832,984	5,832,984
09/30/15-09/30/16	2,000,000	1,070,385	1,816,062	545,897	545,897	—	—	—	1,717,802	2,263,489
07/01/15-08/31/16	3,656,904	1,003,299	1,730,396	727,097	727,097	—	—	—	2,630,069	3,357,166
07/01/16-08/31/16	6,296,873	1,626,711	2,654,027	1,037,316	1,037,316	—	—	—	4,662,358	5,699,674
01/01/16-08/31/16	500,000	335,007	381,952	46,986	46,986	—	—	—	500,000	500,000
07/01/16-08/31/17	1,301,738	—	487,877	707,389	707,389	—	219,712	—	707,389	707,389
07/01/16-08/31/17	6,248,814	—	4,081,963	5,008,454	5,008,454	—	1,006,511	—	5,008,454	5,008,454
07/01/16-08/31/17	2,000,000	—	1,262,050	1,669,878	1,669,878	—	587,928	—	1,669,878	1,669,878
07/01/15-08/31/16	2,835,000	1,243,272	1,810,354	567,082	567,082	—	—	2,196,890	2,763,972	2,763,972
07/01/15-08/31/16	540,000	165,577	290,887	75,310	75,310	—	—	—	436,484	514,354
07/01/15-08/31/16	540,000	20,640	315,046	84,406	84,406	—	—	409,817	494,223	494,223
07/01/15-08/31/16	540,000	216,735	337,716	120,981	120,981	—	—	414,602	535,583	535,583
07/01/15-08/31/16	540,000	239,710	322,706	83,996	83,996	—	—	456,004	540,000	540,000
07/01/15-08/31/16	540,000	184,800	378,908	194,088	194,088	—	—	333,929	528,017	528,017
07/01/15-08/31/16	540,000	215,818	273,575	56,757	56,757	—	—	333,829	533,589	533,589
07/01/16-08/31/17	2,362,500	—	1,439,721	2,118,077	2,118,077	—	—	678,356	2,118,077	2,118,077
07/01/16-08/31/17	540,000	—	259,865	404,132	404,132	—	—	145,447	404,132	404,132
07/01/16-08/31/17	540,000	—	279,728	397,341	397,341	—	—	117,613	397,341	397,341
07/01/16-08/31/17	540,000	—	239,822	377,917	377,917	—	—	138,095	377,917	377,917
07/01/16-08/31/17	540,000	—	305,930	442,235	442,235	—	—	134,405	442,235	442,235
07/01/16-08/31/17	540,000	—	197,331	442,215	442,215	—	—	244,884	442,215	442,215
07/01/16-08/31/17	540,000	—	352,779	452,577	452,577	—	—	99,798	452,577	452,577
07/01/16-08/31/17	838,800	803,127	838,807	35,980	35,980	—	—	803,127	838,807	838,807
07/01/16-08/31/17	838,706	—	785,545	838,706	838,706	—	—	838,706	838,706	838,706
07/01/16-08/31/17	70,000	—	70,000	585,070	585,070	—	—	1,655,356	2,940,466	2,940,466
07/01/16-08/31/17	748,500	(540)	—	540	540	—	—	71,499	712,039	712,039
07/01/16-08/31/17	327,320	—	327,320	327,320	327,320	—	—	—	327,320	327,320
07/01/16-08/31/17	5,600,000	2,038,279	1,988,375	(47,904)	(47,904)	—	—	5,119,961	5,072,057	5,072,057
07/01/16-08/31/17	473,961	—	87,378	472,002	472,002	—	—	384,624	472,002	472,002
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)</b>										
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)</b>										
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education</b>										
<b>Direct Funding</b>										
<b>TRIO Cluster — Talent Search</b>										
09/01/15-08/31/16	216,373	13,926	41,010	27,084	27,084	\$	\$	\$	187,452	214,536
09/01/16-07/31/17	240,000	—	128,419	159,996	159,996	\$	\$	\$	31,577	159,996
<b>Total TRIO Cluster</b>										
<b>Direct Funding</b>										
<b>Impact Aid</b>										
07/01/15-06/30/16	N/A	15,915	31,830	15,915	15,915	\$	\$	\$	76,411	92,326
07/01/16-06/30/17	N/A	—	71,164	87,156	87,156	\$	\$	\$	15,992	87,156
07/01/16-06/30/17	239,887	15,310	23,847	8,537	8,537	\$	\$	\$	211,833	230,370
07/01/16-06/30/17	202,065	—	130,226	164,206	164,206	\$	\$	\$	33,980	164,206
10/01/14-06/30/16	914,812	128,241	463,170	531,042	531,042	\$	\$	\$	196,113	348,845
04/29/16-09/28/16	70,650	70,650	70,650	—	—	\$	\$	\$	70,650	70,650
10/01/15-09/30/16	295,455	53,640	165,957	112,917	112,917	\$	\$	\$	162,859	275,776
10/01/16-09/30/17	447,615	—	137,436	180,918	180,918	\$	\$	\$	43,482	180,918
10/01/14-09/30/16	349,888	96,564	196,015	99,461	99,461	\$	\$	\$	247,514	346,975
10/01/16-09/30/17	349,839	—	298,535	408,026	408,026	\$	\$	\$	109,491	408,026
10/01/05-06/30/09	846,947	69,116	—	(69,116)	(69,116)	\$	\$	\$	69,116	—
10/01/15-09/30/16	2,074,722	66,060	118,425	63,345	63,345	\$	\$	\$	924,113	987,458
10/01/16-09/30/16	1,274,909	—	110,463	194,430	194,430	\$	\$	\$	83,967	194,430
<b>Total U.S. Department of Education — Direct Funding (not including cluster)</b>										
<b>Total U.S. Department of Education — Direct Funding (including cluster)</b>										
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education</b>										
<b>Passed Through Illinois Department of Human Services</b>										
07/01/14-06/30/15	1,124,571	(5,622)	(5,622)	—	—	\$	\$	\$	552,845	552,845
07/01/15-06/30/16	925,074	344,863	387,820	43,162	43,162	\$	\$	\$	397,223	434,385
07/01/16-06/30/17	400,000	—	200,350	373,875	373,875	\$	\$	\$	173,525	407,875
07/01/14-06/30/15	250,000	1	1	—	—	\$	\$	\$	146,919	146,919
<b>Total U.S. Department of Education Passed Through IHHS</b>										
<b>Passed Through WestED</b>										
10/01/15-09/30/16	79,500	26,304	46,024	19,720	19,720	\$	\$	\$	26,304	46,024
<b>Total U.S. Department of Education Passed Through WestED</b>										
<b>Passed Through University of Illinois at Chicago</b>										
01/24/14-06/30/17	35,000	9,143	—	(9,143)	(9,143)	\$	\$	\$	14,577	5,434
<b>Total U.S. Department of Education Passed Through University of Illinois at Chicago</b>										
<b>Total U.S. Department of Education Passed Through Illinois State Board of Education</b>										

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STATUTORY REPORTING SECTION



STATUTORY REPORTING SECTION

Statutory Reporting Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number
Passed Through University of Southern California Education Research, Development and Dissemination	Pathways For Success — University of Southern California	N/A 84.305A	R305A140281-15/95562128 R305A140281-15/95562128	
<b>Total U.S. Department of Education Passed Through University of Southern California</b>				
Passed Through National Opinion Research Center Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A120809
<b>Total U.S. Department of Education Passed Through National Opinion Research Center</b>				
Passed Through Northeastern Illinois University Gaining Early Awareness and Readiness for Undergraduate Program	Gear-Up 4 (Year 4) Gear-Up 5 (Year 5) Gear-Up 5 (Year 6) Gear-Up 6 (Year 2) Gear-Up 6 (Year 3)	N/A	84.334A	P334A100031 / P00442020 P334A100031 / P00449055 P334A110082 / P00442021 P334A110082 / P00449024 P334A140132 / P0042022 P334A140132 / P00449025
Twenty-First Century Community Learning Centers	Illinois 21st Century CLC NEIU — Ella Flagg Young Illinois 21st Century CLC NEIU — Ella Flagg Young Illinois 21st Century CLC NEIU- Duke Ellington Illinois 21st Century CLC NEIU- Duke Ellington Illinois 21st Century CLC NEIU- Michelle Clark Academic Illinois 21st Century CLC NEIU- Michelle Clark Academic Illinois 21st Century CLC NEIU- Frederick A Douglas Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	P0R0040535 P0R0040534 P0R0040534 P0R0040534 P0R0040533 P0R0040532 P0R0041070 P0R0044303
<b>Total U.S. Department of Education Passed Through Northeastern Illinois University</b>				
Passed Through University of Illinois at Chicago Teacher Quality Partnership Grants	Increase Teacher Quality	N/A	84.336S	U336S090013
<b>Total U.S. Department of Education Passed Through University of Illinois at Chicago</b>				
Passed Through University of Minnesota Education Innovation and Research	Midwest Expansion of the Child Parent Center Education Program	N/A	84.411B	U411B110098 U411B110098 U411B110098
Investing In Innovation (i3)	Comprehensive Strategies to Promote Social and Emotional Learning	N/A	84.411C	U411C130091
<b>Total U.S. Department of Education Passed Through University of Minnesota</b>				
Passed Through Columbia College — Chicago Investing In Innovation (i3)	i3 Convergence Academies: Digital Media Whole School Reform Model Project	N/A	84.411	Agreement
<b>Total U.S. Department of Education Passed Through Columbia College — Chicago</b>				
Passed Through Old Dominion University Research Foundation / Success for All Foundation Investing In Innovation (i3)	Investing In Innovation (i3)	N/A	84.411A	U411A11000414-138-317101
<b>Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation</b>				
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through Centers for Disease Control Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U879S004162-03
School-Based HIV/STD Prevention and School-Based Surveillance	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U879S004162-04 5U879S004162-03
Substance Abuse and Mental Health Services Projects of Regional and National Significance	CPS Youth Mental Health First Aid (YMHFA) CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM006208-01 1H79SM006208-01
<b>Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control</b>				
Passed Through Aids Foundation of Chicago Sexually Transmitted Diseases (STD) Provider Education Grants	CDC Community Approaches to Reducing STD	N/A	93.978	Agreement
<b>Passed Through Aids Foundation of Chicago</b>				

Uniform Guidance

Contract Period	Amount of Grant	Accrued (Defered) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016	Revenue Recognized June 30, 2017	Federal Award Expenditures July 1, 2016	Pass Through to Subrecipients June 30, 2017	Accrued (Defered) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Cumulative Expenditures Through June 30, 2017	Final Status
07/01/15-06/30/16	\$ 19,310	\$ 11,126	\$ 11,126	\$ —	\$ —	\$ —	\$ —	\$ 11,126	\$ 11,126	
07/01/16-06/30/17	27,846	—	—	25,501	25,501	—	25,501	—	25,501	
	<b>\$ 47,156</b>	<b>\$ 11,126</b>	<b>\$ 11,126</b>	<b>\$ 25,501</b>	<b>\$ 25,501</b>	<b>\$ —</b>	<b>\$ 25,501</b>	<b>\$ 11,126</b>	<b>\$ 36,627</b>	
07/01/15-06/30/16	\$ 435,932	\$ 92,324	\$ 89,569	\$ (2,755)	\$ (2,755)	\$ —	\$ —	\$ 192,494	\$ 189,739	
	<b>\$ 435,932</b>	<b>\$ 92,324</b>	<b>\$ 89,569</b>	<b>\$ (2,755)</b>	<b>\$ (2,755)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 192,494</b>	<b>\$ 189,739</b>	
10/01/15-09/30/16	\$ 344,263	\$ 283,714	\$ 297,200	\$ 13,546	\$ 13,546	\$ —	\$ —	\$ 283,714	\$ 297,200	
10/01/16-09/30/17	103,754	—	40,888	59,493	59,493	—	—	18,795	59,493	
09/26/15-09/25/16	968,178	605,631	731,793	126,162	126,162	—	—	605,631	731,793	
09/26/16-09/25/17	947,024	—	278,790	569,585	569,585	—	—	290,795	569,585	
09/25/15-09/24/16	806,155	492,786	621,252	128,466	128,466	—	—	492,786	621,252	
09/25/16-09/24/17	1,072,855	—	324,520	549,692	549,692	—	—	225,172	549,692	
10/15/15-09/30/16	38,102	29,951	29,951	—	—	—	—	38,102	38,102	
10/24/16-06/30/17	18,504	—	—	24,989	24,989	—	—	24,989	24,989	
10/15/15-06/15/16	23,597	17,208	9,144	(8,064)	(8,064)	—	—	23,597	15,533	
10/24/16-06/30/17	16,070	—	—	13,760	13,760	—	—	13,760	13,760	
11/01/15-09/30/16	21,834	20,140	20,140	—	—	—	—	21,834	21,834	
10/24/16-06/30/17	12,906	—	11,459	11,459	11,459	—	—	11,459	11,459	
10/15/15-06/15/16	6,839	6,839	37,759	30,520	30,520	—	—	6,839	37,759	
10/24/16-06/30/17	7,172	—	—	1,132	1,132	—	—	1,132	1,132	
	<b>\$ 4,385,193</b>	<b>\$ 1,492,269</b>	<b>\$ 2,387,307</b>	<b>\$ 1,521,140</b>	<b>\$ 1,521,140</b>	<b>\$ —</b>	<b>\$ 986,102</b>	<b>\$ 1,472,593</b>	<b>\$ 2,993,643</b>	
10/01/11-09/30/12	\$ 91,645	\$ 29,103	\$ —	\$ (29,103)	\$ (29,103)	\$ —	\$ —	\$ 46,453	\$ 17,350	
	<b>\$ 91,645</b>	<b>\$ 29,103</b>	<b>\$ —</b>	<b>\$ (29,103)</b>	<b>\$ (29,103)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 46,453</b>	<b>\$ 17,350</b>	
01/01/14-12/31/14	\$ 2,201,576	\$ 904,116	\$ 904,116	\$ —	\$ —	\$ —	\$ —	\$ 1,942,930	\$ 1,942,930	
01/01/15-09/30/16	1,564,904	1,486,894	1,486,894	—	—	—	—	1,486,894	1,486,894	
01/02/16-12/30/16	1,651,843	—	—	352,754	352,754	—	—	352,754	352,754	
07/01/15-06/30/16	108,160	13,086	12,988	(98)	(98)	—	—	52,131	52,033	
	<b>\$ 5,326,483</b>	<b>\$ 2,404,096</b>	<b>\$ 2,403,999</b>	<b>\$ 352,656</b>	<b>\$ 352,656</b>	<b>\$ —</b>	<b>\$ 352,754</b>	<b>\$ 3,481,955</b>	<b>\$ 3,834,611</b>	
07/01/15-06/30/16	\$ 103,875	\$ 32,916	\$ 24,125	\$ (8,791)	\$ (8,791)	\$ —	\$ —	\$ 103,875	\$ 95,084	
	<b>\$ 103,875</b>	<b>\$ 32,916</b>	<b>\$ 24,125</b>	<b>\$ (8,791)</b>	<b>\$ (8,791)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 103,875</b>	<b>\$ 95,084</b>	
07/01/15-06/30/17	\$ 190,000	\$ 96,059	\$ 51,620	\$ 95,000	\$ 95,000	\$ —	\$ —	\$ 99,439	\$ 79,020	
	<b>\$ 190,000</b>	<b>\$ 96,059</b>	<b>\$ 51,620</b>	<b>\$ 95,000</b>	<b>\$ 95,000</b>	<b>\$ —</b>	<b>\$ 99,439</b>	<b>\$ 79,020</b>	<b>\$ 174,020</b>	
	<b>\$ 1,452,664,694</b>	<b>\$68,136,968</b>	<b>\$455,863,781</b>	<b>\$482,793,001</b>	<b>\$482,793,001</b>	<b>\$48,209,154</b>	<b>\$75,066,208</b>	<b>\$821,571,732</b>	<b>\$1,284,364,733</b>	
08/01/15-07/31/16	\$ 320,000	\$ 44,087	\$ 64,802	\$ 20,715	\$ 20,715	\$ —	\$ —	\$ 253,257	\$ 273,972	
08/01/16-07/31/17	320,000	—	128,805	218,349	218,349	2,400	—	94,494	218,349	
09/01/15-07/31/16	50,000	4,262	7,734	3,472	3,472	—	—	44,229	47,701	
08/01/16-07/31/17	50,000	—	32,731	45,492	45,492	—	—	12,761	45,492	
09/30/14-09/29/15	49,931	11,073	11,031	(42)	(42)	—	—	56,158	56,116	
09/30/14-09/29/16	49,194	469	9,305	8,836	8,836	—	—	16,227	25,563	
	<b>\$ 895,115</b>	<b>\$ 69,891</b>	<b>\$ 249,458</b>	<b>\$ 296,822</b>	<b>\$ 296,822</b>	<b>\$ 2,400</b>	<b>\$ 107,255</b>	<b>\$ 370,371</b>	<b>\$ 667,193</b>	
10/01/15-09/30/16	\$ 20,000	\$ 12,504	\$ 12,504	\$ —	\$ —	\$ —	\$ —	\$ 12,504	\$ 12,504	
	<b>\$ 20,000</b>	<b>\$ 12,504</b>	<b>\$ 12,504</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 12,504</b>	<b>\$ 12,504</b>	

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STATUTORY REPORTING SECTION



STATUTORY REPORTING SECTION

Statutory Reporting Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number
<b>Passed Through City of Chicago Department of Family and Support Services</b>				
Head Start	Head Start — Child Development	N/A	93.600	POH3330-1
	Head Start — Supp DIS SP Initiatives	N/A	93.600	POH3330-1
		N/A	93.600	IGA
		N/A	93.600	IGA
<b>Total U.S. Department of Health and Human Services Passed Through City of Chicago Department of Family and Support Services</b>				
<b>Direct Funding</b>				
Teen Pregnancy Prevention Program	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-05-00
	Teen Pregnancy Prevention Grant (BICAH)	N/A	93.297	TP1AH000066-05-00
Projects of Regional and National Significance	Enhancing Students Skills for Success	N/A	93.243	SU79M005027-03
Children's Health Insurance Program	Healthy Schools Health City Medicaid Enrollment Project	N/A	93.767	ZDCMS331507-01-00
<b>Total U.S. Department of Health and Human Services — Direct Funding</b>				
<b>Passed Through Illinois Department of Human Services</b>				
Refugee and Entrant Assistance	Refugee Children Impact Grant	N/A	93.566	FCSUK01131
		N/A	93.566	FCSLUVK01131
<b>Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services</b>				
<b>Passed Through National Opinion Research Center</b>				
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	RD11HD067500
<b>Total U.S. Department of Health and Human Services Passed Through National Opinion Research Center</b>				
<b>Passed Through Illinois Department of Healthcare and Family Services (IDHFS)</b>				
Medicaid Cluster	Medical Assistance Program			
	Medicaid — Administrative Services	N/A	93.778	95-4900-00
<b>Total Medicaid Passed Through Illinois Department of Health care and Family Services (Including Cluster)</b>				
<b>Total U.S. Department of Health and Human Services Passed Through IDHFS (including cluster)</b>				
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>Passed Through Illinois Department of Human Services</b>				
Juvenile Accountability Block Grants	Restorative Justice Conflict Resolution	N/A	16.523	FCSUR03403
<b>Total U.S. Department of Justice Passed Through Illinois Department of Human Services</b>				
<b>Passed Through the City of Chicago</b>				
National Forum on Youth Violence Prevention	National Youth Forum on Violence	N/A	16.819	2013-NY-FX-K001
<b>Total U.S. Department of Justice Passed Through City of Chicago</b>				
<b>Direct Funding</b>				
National Institute of Justice Research, Evaluation and Development Project Grants	Connect and Redirect to Respect	N/A	16.560	2014-CK-BX-0002
		N/A	16.560	2014-CK-BX-0002
		N/A	16.560	2014-CK-BX-0002
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113004
<b>Total U.S. Department of Justice — Direct Funding</b>				
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				
<b>U.S. DEPARTMENT OF LABOR</b>				
<b>Passed Through Manufacturing Renaissance</b>				
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17
		N/A	17.274	YC-25414-14-60-A-17
<b>Total U.S. Department of Labor Passed Through Manufacturing Renaissance</b>				
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<b>Passed through the Illinois Department of Commerce and Economic Opportunity</b>				
Coastal Zone Management Administration Awards	CIMBY IDNR	N/A	11.419	16-065-N15-23
<b>Total U.S. Department of Commerce Passed Through Illinois Department of Commerce and Economic Opportunity</b>				
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>				

Uniform Guidance

Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Cumulative Expenditures Through June 30, 2017
12/01/15-11/30/16	\$ 37,619,688	\$ 37,619,688	\$ 19,055,808	\$ 12,082,814	\$ 12,082,814	\$ —	\$ —	\$ 25,444,587	\$ 37,527,401
12/01/16-11/30/17	37,619,688	—	22,106,320	25,335,304	25,335,304	—	3,228,984	—	25,335,304
12/01/15-11/30/16	975,000	426,771	960,116	533,345	533,345	—	—	426,771	960,116
12/01/16-11/30/17	1,132,670	—	—	599,434	599,434	—	599,434	—	599,434
	<b>\$ 77,347,026</b>	<b>\$ 7,399,765</b>	<b>\$ 42,122,244</b>	<b>\$ 38,550,897</b>	<b>\$ 38,550,897</b>	<b>\$ —</b>	<b>\$ 3,828,418</b>	<b>\$ 25,871,358</b>	<b>\$ 64,422,255</b>
09/01/15-08/31/16	\$ 979,953	—	\$ 80,134	\$ 80,134	\$ 80,134	\$ —	\$ —	\$ 752,161	\$ 832,295
07/01/16-06/30/17	65,000	—	7,505	45,890	45,890	—	38,395	—	45,890
09/30/15-09/29/16	136,515	6,121	27,118	20,997	20,997	—	—	99,115	120,112
07/01/16-06/30/17	435,962	—	163,229	267,268	267,268	—	104,039	—	267,268
	<b>\$ 1,617,430</b>	<b>\$ 6,121</b>	<b>\$ 277,986</b>	<b>\$ 414,289</b>	<b>\$ 414,289</b>	<b>\$ —</b>	<b>\$ 142,424</b>	<b>\$ 851,276</b>	<b>\$ 1,265,585</b>
07/01/15-06/30/16	\$ 57,525	\$ 18,473	\$ 17,411	\$ (1,062)	\$ (1,062)	\$ —	\$ —	\$ 55,267	\$ 54,205
07/01/16-06/30/17	57,525	—	37,940	56,653	56,653	—	18,713	—	56,653
	<b>\$ 115,050</b>	<b>\$ 18,473</b>	<b>\$ 55,351</b>	<b>\$ 55,591</b>	<b>\$ 55,591</b>	<b>\$ —</b>	<b>\$ 18,713</b>	<b>\$ 55,267</b>	<b>\$ 110,858</b>
12/01/13-11/30/14	\$ 313,705	\$ 155,793	\$ 198,772	\$ 42,979	\$ 42,979	\$ —	\$ —	\$ 274,293	\$ 317,272
	<b>\$ 313,705</b>	<b>\$ 155,793</b>	<b>\$ 198,772</b>	<b>\$ 42,979</b>	<b>\$ 42,979</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 274,293</b>	<b>\$ 317,272</b>
07/01/13-06/30/17	\$ N/A	\$ 6,105,793	\$ 12,630,713	\$ 8,870,533	\$ 8,870,533	\$ —	\$ 2,345,573	\$ 32,557,642	\$ 41,428,175
	<b>\$ —</b>	<b>\$ 6,105,793</b>	<b>\$ 12,630,713</b>	<b>\$ 8,870,533</b>	<b>\$ 8,870,533</b>	<b>\$ —</b>	<b>\$ 2,345,573</b>	<b>\$ 32,557,642</b>	<b>\$ 41,428,175</b>
	<b>\$ —</b>	<b>\$ 6,105,793</b>	<b>\$ 12,630,713</b>	<b>\$ 8,870,533</b>	<b>\$ 8,870,533</b>	<b>\$ —</b>	<b>\$ 2,345,573</b>	<b>\$ 32,557,642</b>	<b>\$ 41,428,175</b>
	<b>\$ 80,292,326</b>	<b>\$ 13,756,300</b>	<b>\$ 55,947,028</b>	<b>\$ 48,231,111</b>	<b>\$ 48,231,111</b>	<b>\$ 2,400</b>	<b>\$ 6,442,363</b>	<b>\$ 99,992,711</b>	<b>\$ 108,223,822</b>
07/01/15-06/30/16	\$ 76,589	\$ 26,961	\$ 26,961	\$ —	\$ —	\$ —	\$ —	\$ 76,589	\$ 76,589
	<b>\$ 76,589</b>	<b>\$ 26,961</b>	<b>\$ 26,961</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 76,589</b>	<b>\$ 76,589</b>
10/01/13-09/30/16	\$ 200,000	\$ 120,301	\$ 1	\$ (120,300)	\$ (120,300)	\$ —	\$ —	\$ 120,300	\$ —
	<b>\$ 200,000</b>	<b>\$ 120,301</b>	<b>\$ 1</b>	<b>\$ (120,300)</b>	<b>\$ (120,300)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 120,300</b>	<b>\$ —</b>
01/01/15-12/31/15	\$ 737,861	\$ 44,120	\$ 44,120	\$ —	\$ —	\$ —	\$ —	\$ 226,703	\$ 226,703
01/01/15-12/31/16	720,069	116,476	512,746	418,825	418,825	—	20,555	116,476	533,361
01/01/15-12/31/17	739,307	—	43,795	71,114	71,114	—	27,319	—	71,114
02/01/15-01/31/16	118,896	2,936	—	(2,936)	(2,936)	—	—	119,981	117,045
	<b>\$ 2,316,073</b>	<b>\$ 163,532</b>	<b>\$ 600,661</b>	<b>\$ 485,003</b>	<b>\$ 485,003</b>	<b>\$ —</b>	<b>\$ 47,874</b>	<b>\$ 463,160</b>	<b>\$ 948,163</b>
	<b>\$ 2,992,662</b>	<b>\$ 310,794</b>	<b>\$ 627,623</b>	<b>\$ 364,703</b>	<b>\$ 364,703</b>	<b>\$ —</b>	<b>\$ 47,874</b>	<b>\$ 660,049</b>	<b>\$ 1,624,732</b>
07/01/15-06/30/16	\$ 148,683	\$ 148,683	\$ 148,683	\$ —	\$ —	\$ —	\$ —	\$ 148,683	\$ 148,683
07/01/16-06/30/17	186,000	—	—	137,442	137,442	—	137,442	—	137,442
	<b>\$ 334,683</b>	<b>\$ 148,683</b>	<b>\$ 148,683</b>	<b>\$ 137,442</b>	<b>\$ 137,442</b>	<b>\$ —</b>	<b>\$ 137,442</b>	<b>\$ 148,683</b>	<b>\$ 286,125</b>
	<b>\$ 334,683</b>	<b>\$ 148,683</b>	<b>\$ 148,683</b>	<b>\$ 137,442</b>	<b>\$ 137,442</b>	<b>\$ —</b>	<b>\$ 137,442</b>	<b>\$ 148,683</b>	<b>\$ 286,125</b>
10/17/15-04/30/16	\$ 100,000	\$ 22,986	\$ 68,981	\$ 64,013	\$ 64,013	\$ —	\$ 18,418	\$ 35,112	\$ 99,125
	<b>\$ 100,000</b>	<b>\$ 22,986</b>	<b>\$ 68,981</b>	<b>\$ 64,013</b>	<b>\$ 64,013</b>	<b>\$ —</b>	<b>\$ 18,418</b>	<b>\$ 35,112</b>	<b>\$ 99,125</b>
	<b>\$ 100,000</b>	<b>\$ 22,986</b>	<b>\$ 68,981</b>	<b>\$ 64,013</b>	<b>\$ 64,013</b>	<b>\$ —</b>	<b>\$ 18,418</b>	<b>\$ 35,112</b>	<b>\$ 99,125</b>

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STATUTORY REPORTING SECTION



STATUTORY REPORTING SECTION



Statutory Reporting Section

CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed Through Illinois Department of Aviation				
Airport Improvement Program	Noise Abatement — Farnsworth	N/A	20.106	3-17-0022-106-2009
	Noise Abatement — Ehlinger	N/A	20.106	3-17-0022-142
<b>Total U.S. Department of Transportation Passed Through Illinois Department of Aviation</b>				
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Passed Through City Colleges of Chicago				
Basic and Applied Scientific Research	Critical MASS Year 3	N/A	12.300	16-12-1-0738
	Critical MASS Year 4	N/A	12.300	17-12-1-0738
	Critical MASS Year 5	N/A	12.300	16-12-1-0738
<b>Total U.S. Department of Defense Passed Through City Colleges of Chicago</b>				
<b>Direct Funding</b>				
Basic Scientific Research	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251
	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251
<b>Total U.S. Department of Defense — Direct Funding</b>				
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>				
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
Environmental Education Grant Program	CIMBY EPA	N/A	66.951	NE-83619701-0
<b>Total Environmental Protection Agency</b>				
<b>NATIONAL SCIENCE FOUNDATION</b>				
Passed Through DePaul University				
Computer and Information Science and Engineering	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	50116SSG125
	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	50116SSG125
<b>Total National Science Foundation Passed Through DePaul University</b>				
Passed Through University of Massachusetts				
Education and Human Resources	Broadening Advanced Technological Education Connections	N/A	47.076	DUE-1104145
<b>Total National Science Foundation Passed University of Massachusetts</b>				
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>				
<b>GRAND TOTAL</b>				

Uniform Guidance

Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received/Refunded) July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Cumulative Expenditures Through June 30, 2017	Final Status
09/23/09-09/22/11	\$ 300,000	\$ 800	\$ —	\$ (800)	\$ (800)	\$ —	\$ —	\$ 291,791	\$ 290,991	
09/06/12-09/07/16	4,550,000	178,195	—	(178,195)	(178,195)	—	—	4,730,610	4,552,414	
09/16/14-06/30/16	6,000,000	5,330,461	5,291,225	(39,236)	(39,236)	—	—	5,330,461	5,291,225	
<b>\$ 10,850,000</b>		<b>\$ 5,509,457</b>	<b>\$ 5,291,225</b>	<b>\$ (218,232)</b>	<b>\$ (218,232)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 10,352,862</b>	<b>\$ 10,134,630</b>	
04/01/15-03/31/16	\$ 542,072	\$ 106,157	\$ 106,157	\$ —	\$ —	\$ —	\$ —	\$ 357,816	\$ 357,816	
04/01/16-03/31/17	420,000	101,126	393,666	292,540	292,540	—	—	101,126	393,666	
04/01/17-03/31/18	410,000	—	—	68,261	68,261	—	—	68,261	68,261	
<b>\$ 1,372,072</b>		<b>\$ 207,283</b>	<b>\$ 499,823</b>	<b>\$ 360,801</b>	<b>\$ 360,801</b>	<b>\$ —</b>	<b>\$ 68,261</b>	<b>\$ 458,942</b>	<b>\$ 819,743</b>	
05/15/15-06/30/16	\$ 1,084,253	\$ 297,654	\$ 277,701	\$ (19,953)	\$ (19,953)	\$ —	\$ —	\$ 621,093	\$ 601,140	
05/15/16-06/30/17	883,925	69,742	481,091	657,300	657,300	—	245,951	69,742	727,042	
<b>\$ 1,968,178</b>		<b>\$ 367,396</b>	<b>\$ 758,792</b>	<b>\$ 637,347</b>	<b>\$ 637,347</b>	<b>\$ —</b>	<b>\$ 245,951</b>	<b>\$ 690,835</b>	<b>\$ 1,328,182</b>	
<b>\$ 3,340,250</b>		<b>\$ 574,679</b>	<b>\$ 1,258,615</b>	<b>\$ 998,148</b>	<b>\$ 998,148</b>	<b>\$ —</b>	<b>\$ 314,212</b>	<b>\$ 1,149,777</b>	<b>\$ 2,147,925</b>	
04/01/16-09/30/17	192,200	—	51,841	70,665	70,665	—	18,824	—	70,665	
<b>\$ 192,200</b>		<b>\$ —</b>	<b>\$ 51,841</b>	<b>\$ 70,665</b>	<b>\$ 70,665</b>	<b>\$ —</b>	<b>\$ 18,824</b>	<b>\$ —</b>	<b>\$ 70,665</b>	
10/15/15-06/30/16	\$ 114,346	\$ 21,645	\$ 26,325	\$ 29,115	\$ 29,115	\$ —	\$ 24,435	\$ 21,645	\$ 50,790	
07/01/16-06/30/17	164,018	—	—	18,728	18,728	—	—	18,728	18,728	
<b>\$ 278,364</b>		<b>\$ 21,645</b>	<b>\$ 26,325</b>	<b>\$ 47,843</b>	<b>\$ 47,843</b>	<b>\$ —</b>	<b>\$ 43,163</b>	<b>\$ 21,645</b>	<b>\$ 69,488</b>	
05/01/16-07/31/18	60,593	—	—	19,419	19,419	—	—	19,419	19,419	
<b>\$ 60,593</b>		<b>\$ —</b>	<b>\$ —</b>	<b>\$ 19,419</b>	<b>\$ 19,419</b>	<b>\$ —</b>	<b>\$ 19,419</b>	<b>\$ —</b>	<b>\$ 19,419</b>	
<b>\$ 338,957</b>		<b>\$ 21,645</b>	<b>\$ 26,325</b>	<b>\$ 67,262</b>	<b>\$ 67,262</b>	<b>\$ —</b>	<b>\$ 62,582</b>	<b>\$ 21,645</b>	<b>\$ 88,907</b>	
<b>\$1,550,768,456</b>		<b>\$102,963,149</b>	<b>\$721,079,503</b>	<b>\$712,735,982</b>	<b>\$712,735,982</b>	<b>\$48,211,554</b>	<b>\$94,619,028</b>	<b>\$1,208,040,251</b>	<b>\$1,920,776,233</b>	

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**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL CATALOG NUMBER**  
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 7,200	\$ —	\$ —
School Breakfast Program (1)	10.553	47,524,909	—	—
National School Lunch Program (1)	10.555	143,466,343	—	190,991,252(1)
Child and Adult Care Food Program	10.558	7,448,929	—	—
Team Nutrition Grants	10.574	(1,200)	—	—
Fresh Fruit and Vegetable Program	10.582	1,698,006	—	—
Coastal Zone Management Administration Awards	11.419	64,013	—	—
Basic and Applied Scientific Research	12.300	360,801	—	—
Basic Scientific Research	12.431	637,347	—	—
Language Grant Program	12.900	83,682	—	—
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	487,939	—	—
Project Safe Neighborhood	16.609	(2,936)	—	—
National Forum on Youth Violence Prevention	16.819	(120,300)	—	—
Youthbuild	17.274	137,442	—	—
Airport Improvement Program	20.106	(218,232)	—	—
Computer and Information Science and Engineering	47.070	47,843	—	—
Education and Human Resources	47.076	19,419	—	—
Environmental Education Grant Program	66.951	70,665	—	—
Title I Grants to Local Education Agencies	84.010	285,777,147	43,192,507	—
Special Education Grants to State (2)	84.027	93,810,301	—	95,552,330(2)
Impact Aid	84.041	103,071	—	—
TRIO — Talent Search (3)	84.044	187,080	—	187,080(3)
Career and Technical Education	84.048	6,515,665	—	—
Indian Education — Grants to Local Education Agencies	84.060	172,743	—	—
Rehabilitation Grants to States	84.126	417,037	—	—
Special Education - Preschool Grants (2)	84.173	1,742,029	—	—
Safe and Drug-Free Schools and Communities	84.184	194,430	—	—
Education for Homeless Children and Youth	84.196	874,386	—	—
Fund for the Improvement of Education	84.215	824,877	—	—

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL CATALOG NUMBER (continued)**  
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total
Twenty-First Century Community Learning Centers	84.287	\$ 5,889,310	\$ —	\$ —
Education Research, Development and Dissemination	84.305	13,603	—	—
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	1,446,944	—	—
Teacher Quality Partnership Grants	84.336	(29,103)	—	—
Arts in Education	84.351	507,487	—	—
Early Reading First	84.359	(69,116)	—	—
High School Graduation Initiative	84.360	63,345	—	—
English Language Acquisition Grants	84.365	10,466,507	547,989	—
Supporting Effective Instruction State Grants	84.367	42,434,419	4,468,658	—
School Improvement Grants	84.377	10,002,806	—	—
Race to the Top	84.395	585,070	—	—
Education Innovation and Research	84.411	438,865	—	—
Preschool Development Grants	84.419	424,098	—	—
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	288,028	2,400	—
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	29,791	—	—
Teen Pregnancy Prevention Program	93.297	126,024	—	—
Refugee and Entrant Assistance	93.566	55,591	—	—
Head Start	93.600	38,550,897	—	—
Projects of Regional and National Significance Children's Health Insurance Program	93.767	267,268	—	—
Medical Assistance Program (4)	93.778	8,870,533	—	8,870,533(4)
Child Health and Human Development Extramural Research	93.865	42,979	—	—
<b>Total</b>		<b>\$712,735,982</b>	<b>\$48,211,554</b>	<b>\$295,601,195</b>

**Clusters:**

- (1) Child Nutrition Cluster
- (2) Special Education Cluster (IDEA)
- (3) TRIO Cluster
- (4) Medicaid Cluster

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STATUTORY REPORTING SECTION



STATUTORY REPORTING SECTION

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SINGLE AUDIT**  
**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2017

**1. SCOPE OF SINGLE AUDIT**

**General** — The Board of Education of the City of Chicago ("CPS") is a body politic and corporate of the State of Illinois. All significant federal financial and compliance operations of CPS are included in the scope of the Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The U.S. Department of Education ("ED") is CPS cognizant federal agency for the Single Audit. Cognizant duties have been delegated to the Illinois State Board of Education (the "ISBE") by the ED, which, in turn, oversees the performance of such duties.

**2. NATURE OF FEDERAL FINANCIAL ASSISTANCE**

Generally, federal awards are granted for the purpose of providing specific goods or services or aid to specific individuals. In addition to the purposes they serve, federal programs can be classified according to the basis under which the federal programs are funded. For certain federal programs, funds are received based upon actual qualified expenditures up to the total federal awards amount (expenditure-driven federal programs). For other federal programs, funds are received based on an approved formula such as a standard reimbursement rate applied to qualified unit of service provided (formula-driven federal program).

The majority of CPS' federal awards are passed through and received from the ISBE. For those pass-through federal awards, CPS' direct reporting responsibility is to ISBE, which, in their capacity as sub-grantors, oversee and monitor the utilization of such federal awards by CPS.

**3. BASIS OF PRESENTATION IN THE SCHEDULE OF GRANT ACTIVITY**

**General** — The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CPS under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and the pass through requirements of ISBE. Because the Schedule presents only a selected portion of the operations of CPS, it is not intended to and does not present the financial position or changes in net position of CPS. Only federal programs considered active during the year ended June 30, 2017, are reflected in the Schedule. An active federal program is defined as a federal program that incurred expenditures (adjustments) of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. In addition, there is no federal insurance in effect during the year and no loan or loan guarantees outstanding at year end.

**Revenues** — Grant revenues for expenditure-driven federal programs are recognized in the Schedule based on expenditures incurred during the fiscal year. Grant revenues for formula-driven federal programs are recognized based on units of services provided as of June 30, 2017.

Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA").



**Expenditures** — For all expenditure-driven federal programs, expenditures included on the Schedule represent actual expenditures incurred (governmental fund basis) during the fiscal year ended June 30, 2017. In accordance with Uniform Guidance, pension costs are uniformly charged to all positions as a direct benefit cost in proportion to pensionable salary regardless of whether the funding source is local, state, or federal.

For formula-driven federal programs, expenditures are presented on the Schedule as follows:

- The expenditures for the National School Lunch and Breakfast Program in the schedule only reflect the portion funded by the Program.
- Expenditures for the Food Donation Program represent commodities received at amounts per the USDA standard price listings.

**Adjustments to Increase (Decrease) Accrued Grant Revenue** — Adjustments reflected in the Schedule of Expenditures of Federal Awards represent (1) adjustments for recorded expenditures that have been determined to be unallowable by respective funding agencies, (2) corrections of prior year's estimated accruals.

**Accrued and Unearned Grant Revenue** — Various funding schedules are used for the federal awards received by CPS. Consequently, timing differences between the recognition of revenues and related cash receipts can exist at the beginning and end of the fiscal year. Accrued grant revenue balances represent the excess of revenue recognized over cash received to date. Unearned grant revenue balances represent the excess of cash received over revenue recognized to date.

**Indirect Cost Rate** — The amount expended includes amounts claimed as indirect cost recovery using an approved indirect cost rate percent by the ISBE or as per the funding agencies approved budget. The Chicago Public Schools has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. RELATIONSHIP TO THE FINANCIAL STATEMENTS INCLUDED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The following is a reconciliation of federal grant revenues as reflected in the Supplementary Schedule of Expenditures of Federal Awards in CPS' Comprehensive Annual Financial Reports:

"Revenue recognized" per the Schedule . . . . .	\$712,735,982
E-Rate program revenues not included in the Schedule . . . . .	16,706,020
Medicare Part D Revenue not included in the Schedule . . . . .	238,837
Medicaid Fee for Service Revenue not included in the Schedule . . . . .	26,870,123
Build America Bonds (BABS) revenue not included in the Schedule . . . . .	25,006,637
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule . . . . .	6,903,289
Adjustments to record revenue that do not provide current financial resources . . . . .	<u>(4,517,864)</u>
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds . . . . .	<u>\$783,943,024</u>



Expenditures relating to individual federal programs are not represented separately from other CPS expenditures in CPS Comprehensive Annual Financial Report. Accordingly, a similar reconciliation of expenditures is not included herein.

**5. FINAL CLAIMS**

Some final claims for federal programs with a contractual funding period ended June 30, 2017, were filed prior to recording certain year-end adjustments and, therefore, do not agree with the related amounts accrued and reported in the Schedule. CPS plans to submit a program liquidation report to the respective grantor agencies, which will revise the outstanding obligation amounts per the final claim, thereby reflecting the appropriate year-end adjustments for these federal awards.

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**CHICAGO PUBLIC SCHOOLS  
Chicago Board of Education  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2017**

**SECTION I — SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- > Material weakness (es) identified?  yes  no
- > Significant deficiency (ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- > Material weakness (es) identified?  yes  no
- > Significant deficiency (ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?  yes  no

Auditee qualified as low-risk auditee?  yes  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
84.010	Title I — Grants to Local Educational Agencies	\$285,777,147
84.365	Title III — English Language Acquisition State Grants	10,466,507
84.367	Title II — Supporting Effective Instruction State Grants	42,434,419
93.600	Head Start	38,550,897
		<u>\$377,228,970</u>

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

**SECTION II — FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

None reported.

**SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.



**Statutory Reporting Section**

**CHICAGO PUBLIC SCHOOLS**  
Chicago Board of Education

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2017

**I. FINANCIAL STATEMENT FINDINGS**

Finding 2016-001: Maintenance of Capital Asset Records

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

**II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Finding 2016-002: Subrecipient Monitoring

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-003: Standards of Documentation of Personnel Expenses

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-004: Procurement

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-005: Special Education Funding and Child Tracking System

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

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## APPENDIX C

### THE REAL PROPERTY TAX SYSTEM

#### Real Property Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the “**County**”) applicable to the School District. The following is not an exhaustive discussion, nor is there any assurance that the procedures described in this Appendix will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (35 ILCS 200) (the “**Property Tax Code**”).

Substantially all (approximately 99.99%) of the “**Equalized Assessed Valuation**” (as herein defined) of taxable property in the School District is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth in this Appendix and elsewhere in this Official Statement with respect to taxable property of the School District does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the “**Assessor**”) is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The real property within the School District is reassessed every three years, with 2018 being a reassessment year..

Pursuant to the Cook County Real Property Assessment Classification Ordinance (the “**Classification Ordinance**”), real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the “**Assessed Valuation**”) for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the Classification Ordinance pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor’s tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the “**Board of Review**”). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the “**PTAB**”), a state-wide administrative body, or to the Circuit Court of Cook County (the “**Circuit Court**”). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The Board believes that the impact of any such case on the Board would be minimal, as the Board's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year, including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "**Equalization Factor**"), commonly called the "*multiplier*," for each county. The purpose of equalization is to bring the aggregate assessed value of all real property in each county, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, to the statutory requirement of 33-1/3% of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "**Equalized Assessed Valuation**" or "**EAV**").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "**Assessment Base**"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. In addition, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. See the discussion under the heading "**Property Tax Extension Limitation Law**" below. For a listing of the Equalization Factors for the ten years ended December 31, 2016, see the section of the Official Statement entitled "**FINANCIAL INFORMATION – Property Tax Revenues – Property Tax Base, Tax Extensions and Collections.**"

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of \$10,000 in the County and \$6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least



65 years of age), for whom the Assessor is authorized to reduce the EAV by \$8,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to \$100,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by \$2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to \$75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is \$65,000 or less, and who are either the owner of record or have a legal or equitable interest in their residential property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called “freeze” and each year thereafter in which the qualifying criteria are maintained.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

In 2001, the County enacted the “*Longtime Homeowner Exemption Ordinance*,” which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner’s triennial assessment does not exceed 115% of the “*Chicago Primary Metropolitan Statistical Area*” median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of \$300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property’s fair cash value in excess of the \$45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the “**Units**”) located in whole or in part in the County that have taxing power. There are six major units of local government located in whole or in part within the boundaries of the School District which are: the City; the Chicago Park District; Community College District Number 508; the County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real property taxes, proceedings are adopted by the governing body of each Unit. Typically, real property taxes are levied in one calendar year and collected in the following calendar year. The tax levy proceedings impose the Units’ respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk’s Office. The remaining administration and collection of the real property taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the “**County Collector**”).

The Local Government Debt Reform Act (30 ILCS 350/16) (the “**Debt Reform Act**”) includes special provisions applicable to tax levies to pay debt service on general obligation bonds, including Alternate Revenue Bonds, such as the Bonds. A governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds, including Alternate Revenue Bonds, at any time prior to March 1 of the calendar year during which the tax will be collected. The County Clerk is required

to accept the filing of the ordinance levying such tax notwithstanding that such time is subsequent to the end of the calendar year next preceding the calendar year during which such tax will be collected.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law. Pursuant to the Debt Reform Act, in extending taxes for general obligation bonds, including Alternate Revenue Bonds, such as the Bonds, the County Clerk is required to increase the levy for debt service on such bonds to provide an allowance for loss in collections, in an amount sufficient, in view of all losses and delinquencies in tax collection, to produce tax receipts adequate for the prompt payment of such debt service.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the “**Warrant Books**”) the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector’s authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the “**Truth in Taxation Law**”) contained within the Property Tax Code imposes procedural limitations on a Unit’s real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service (including debt service on Alternate Revenue Bonds, such as the Bonds), levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year’s levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the Unit’s general obligations bonds and notes (including payment of debt service on Alternate Revenue Bonds, such as the Bonds).

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year’s tax bill. The second installment is for the balance of the current year’s tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2008 to 2017; the first installment penalty date has been March 1, 2 or 3 for all years.

**Second Installment**

<u>Tax Year</u>	<u>Penalty Date</u>
2017	August 1, 2018
2016	August 1, 2017
2015	August 1, 2016
2014	August 3, 2015
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year’s Warrant Books (the “**Annual Tax Sale**”). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue interest at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the “**Scavenger Sale**”), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the Board has a provision for an allowance for uncollectible taxes for debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2016, collectible in 2017, the allowance for uncollectible taxes is about four percent of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the Board after four years, but are fully reserved after one year.

## **Property Tax Extension Limitation Law**

The Property Tax Code specifically limits the annual growth in property tax extensions for certain Units pursuant to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18-185) (the “**PTELL**”). The effects of the PTELL are to limit or retard the growth in the amount of property taxes that can be extended for a non-home rule taxing body and to impose direct referendum requirements upon the issuance of certain types of general obligation bonds by such non-home rule taxing bodies.

The PTELL was extended in 1995 (effective as of the 1994 assessment year) to non-home rule taxing districts in the County, including the Board. The PTELL limits the annual growth in certain property tax extensions by the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction and referendum approval of tax or limitation rate increases. The PTELL requires the County Clerk in extending taxes to use the Equalized Assessed Valuation of all property within the taxing district for the levy year prior to the levy year for which taxes are then being extended.

The PTELL does not limit the rate or amount of taxes extended by the Board to pay its Alternate Revenue Bonds, including the Bonds.

## APPENDIX D

### ECONOMIC AND DEMOGRAPHIC INFORMATION

*Set forth below is certain economic and demographic information regarding the City of Chicago (the “City” or “Chicago”), whose boundaries are coterminous with the boundaries of the School District governed by the Board. Sources of information are set forth in footnotes. With respect to non-Board sources, the Board considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.*

#### Overview

The Chicago metropolitan area has a population of 9.5 million people, with over 4.7 million employees.<sup>1,2</sup> Chicago’s large and diverse economy contributed to a gross regional product of more than \$680 billion in 2017.<sup>3</sup>

Chicago’s transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.13 million tons of freight, mail, and goods annually.<sup>4</sup>

The Chicago Public School system is the third largest school district in the nation and the City Colleges of Chicago operate seven colleges and serve approximately 83,181 students.<sup>5</sup>

The Chicago metropolitan area’s largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality, and manufacturing.<sup>6</sup>

#### Transportation

According to statistics compiled by Airports Council International in 2016, O’Hare ranked sixth worldwide and third in the United States in terms of total passengers while Midway ranked 26<sup>th</sup> in the United States.<sup>7</sup> According to the Chicago Department of Aviation, O’Hare and Midway had 47.5 and 12.8 million in total passenger volume in the first half of 2018, respectively. O’Hare supports substantial

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<sup>1</sup> U.S. Census Bureau (2016). American Community Survey 1-year estimates. Retrieved from Census Reporter Profile page for Chicago-Naperville-Elgin, IL-IN-WI Metro Area. <https://censusreporter.org/profiles/31000US16980-chicago-joliet-naperville-il-in-wi-metro-area/>

<sup>2</sup> U.S. Bureau of Labor Statistics, “Chicago Area Employment – November 2017,” [https://www.bls.gov/regions/midwest/news-release/areaemployment\\_chicago.htm](https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm)

<sup>3</sup> U.S. Bureau of Economic Analysis, “Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area,” [https://www.bea.gov/system/files/2018-09/gdp\\_metro0918\\_0.pdf](https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf)

<sup>4</sup> Chicago Department of Aviation, “Monthly Operations, Passengers, Cargo Summary by Class, July 2018,” <http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx>

<sup>5</sup> City Colleges of Chicago, “Fiscal Year 2017 Statistical Digest,” <http://www.ccc.edu/menu/pages/facts-statistics.aspx>

<sup>6</sup> U.S. Bureau of Labor Statistics, “Chicago Area Economic Summary, October 3, 2018,” [https://www.bls.gov/regions/midwest/summary/blssummary\\_chicago.pdf](https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf)

<sup>7</sup> Airports Council International “2016 North American (ACI-NA) Top 50 Airports,” <http://www.aci-na.org/content/airport-traffic-reports>

international service with international passengers constituting approximately 17% of total enplaned passengers in the first half of 2018.<sup>8</sup>

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,864 buses operating over 129 routes and 1,536 route miles, making 19,237 trips per day and serving 10,768 bus stops; 1,492 rail cars operating over 8 routes and 224 miles of track, making 2,318 trips each day and serving 145 stations; and 1.6 million rides on an average weekday and over 497 million rides a year (bus and train combined).<sup>9</sup>

## Population

Chicago is home to over 2.7 million people that live in more than one million households.<sup>10</sup> The City’s population increased nearly 0.8% since the 2010 Census.<sup>11</sup>

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimates for 2016 and 2017 is set forth below.

Year	Population <sup>12</sup> 1980—2017			
	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2016 Estimate	323,127,513	12,801,539	5,203,499	2,704,958
2017 Estimate	325,719,178	12,802,023	5,211,263	2,716,450

36.5% of Chicago’s residents (age 25 or older) have bachelor’s degrees, which is higher than the national average of 30.3%.<sup>13</sup>

<sup>8</sup> Chicago Department of Aviation Airport Budget Statistics, “Monthly Operations, Passengers, Cargo Summary by Class, July 2018,” <http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx>

<sup>9</sup> Chicago Transit Authority, “CTA Facts at a Glance, Fall 2017,” <http://www.transitchicago.com/about/facts.aspx>

<sup>10</sup> U.S. Census Bureau, “State and County QuickFacts—Chicago (city), Illinois,” <https://www.census.gov/quickfacts/fact/table/chicagocityillinois.US/PST045216> (accessed October 24, 2018).

<sup>11</sup> U.S. Census Bureau, “State and County QuickFacts—Chicago (city), Illinois,” <https://www.census.gov/quickfacts/table/PST045215/1714000.00> (accessed October 24, 2018)

<sup>12</sup> U.S. Census Bureau, “State and County QuickFacts—USA,” <https://www.census.gov/quickfacts/table/PST045216/00>; “State and County QuickFacts—Cook County, Illinois,” <https://www.census.gov/quickfacts/table/RHI805210/17031>; “State and County QuickFacts—Illinois (State),” <https://www.census.gov/quickfacts/table/PST045215/17> (accessed October 24, 2018)

<sup>13</sup> U.S. Census Bureau, “State and County QuickFacts—Chicago (city), Illinois,” <https://www.census.gov/quickfacts/table/PST045215/1714000.00> (accessed October 24, 2018)

## Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago Metropolitan Statistical Area (“MSA”) is set forth below for the years 2007 through 2017.

### Per Capita Income<sup>14</sup> 2007—2017

<u>Year</u>	<u>United States</u>	<u>State of Illinois</u>	<u>Cook County</u>	<u>Chicago MSA</u>
2007	\$39,844	\$42,422	\$46,662	\$45,763
2008	40,904	43,306	47,176	46,488
2009	39,284	41,071	43,289	43,264
2010	40,545	42,088	43,662	43,801
2011	42,727	44,172	45,341	45,815
2012	44,582	46,067	47,897	48,302
2013	44,826	47,160	49,201	49,105
2014	47,025	49,530	52,872	52,006
2015	48,940	51,648	55,506	54,518
2016	49,831	52,473	56,669	55,621
2017	51,640	54,203	Not Available	Not Available

Chicago’s 2016 median household income is \$50,434, compared to \$59,196 in Illinois and \$55,322 in the United States, and Chicago ranks 7th among other major metropolitan areas on the cost of living index.<sup>15, 16</sup>

<sup>14</sup> U.S. Bureau of Economic Analysis, “Interactive Data,” <http://www.bea.gov/iTable/index.cfm> (accessed October 25, 2018)

<sup>15</sup> U.S. Census Bureau, “State and County QuickFacts—Chicago (city), Illinois,” <https://www.census.gov/quickfacts/table/RHI805210/1714000>; “State and County QuickFacts—USA,” <https://www.census.gov/quickfacts/table/PST045216/00>; “State and County QuickFacts—Illinois (State),” <https://www.census.gov/quickfacts/table/PST045215/17> (accessed October 25, 2018)

<sup>16</sup> World Business Chicago, “Demographics” <http://www.worldbusinesschicago.com/research-data/demographics/> (accessed October 25, 2018)

## Employment

Total employment for the State of Illinois, Cook County, the Chicago MSA, and the City for the years 2008 through 2017 is set forth below.

<u>Year</u>	<b>Employment (in thousands)<sup>17,18</sup></b>			
	<u>State of Illinois</u>	<u>Cook County</u>	<u>Chicago MSA</u>	<u>Chicago</u>
2008	5,947	2,501	4,525	1,231
2009	5,656	2,376	4,288	1,174
2010	5,611	2,346	4,242	1,206
2011	5,676	2,377	4,302	1,208
2012	5,750	2,406	4,373	1,228
2013	5,804	2,426	4,441	1,236
2014	5,879	2,468	4,508	1,257
2015	5,969	2,531	4,593	1,273
2016	6,013	2,562	4,658	1,286
2017	6,042	2,572	4,697	1,288

\* December 2016 data.

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<sup>17</sup> U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," <https://www.bls.gov/bls/employment.htm> (accessed October 26, 2018)

<sup>18</sup> US Bureau of Labor Statistics, "Local Area Unemployment Statistics," <http://beta.bls.gov/dataViewer/view/timeseries/LAUCT17140000000005> (accessed October 26, 2018)



The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for December 2017 is shown in the following table.

**Percentage of Total Non-Farm Employment by Major Industry Sector  
August 2018\*<sup>19</sup>**

<u>Sector</u>	<u>United States</u>	<u>State of Illinois</u>	<u>Chicago MSA</u>
Trade, transportation, and utilities	18.61%	19.85%	19.99%
Education and health services	15.69%	15.16%	15.11%
Government	14.28%	13.77%	11.40%
Professional and business services	14.22%	15.49%	17.71%
Leisure and hospitality	11.45%	10.11%	10.63%
Manufacturing	8.58%	9.65%	8.87%
Financial activities	5.80%	6.53%	6.57%
Construction	5.04%	3.70%	4.03%
Other services	3.97%	4.10%	4.09%
Information	1.86%	1.52%	1.57%
Mining and logging	0.51%	0.13%	0.03%
Total .....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\*not seasonally adjusted

<sup>19</sup> U.S. Bureau of Labor Statistics, [http://www.bls.gov/regions/midwest/il\\_chicago\\_md.htm](http://www.bls.gov/regions/midwest/il_chicago_md.htm)  
<https://www.bls.gov/eag/eag.il.htm> (accessed October 26, 2018)

The City’s average annual unemployment rate decreased from 11.2% in 2010 to 5.4% in 2017, while statewide, Illinois’ unemployment rate dropped from 10.4% in 2010 to 5.0% in 2017.<sup>20</sup> In 2017, the Chicago MSA’s annual unemployment rate was 4.9%.<sup>21</sup>

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2008 through 2017.

**Annual Unemployment Rates**<sup>22</sup>  
**2008—2017**

<b>Year</b>	<b>United States</b>	<b>State of Illinois</b>	<b>Cook County</b>	<b>Chicago MSA</b>	<b>Chicago</b>
2008	5.8	6.3	6.4	6.1	7.0
2009	9.3	10.2	10.5	10.2	11.1
2010	9.6	10.4	10.9	10.6	11.2
2011	8.9	9.7	10.4	9.9	10.9
2012	8.1	9.0	9.6	9.1	10.0
2013	7.4	9.1	9.7	9.1	10.1
2014	6.2	7.1	7.5	7.1	7.8
2015	5.3	6.0	6.2	5.9	6.6
2016	4.9	5.8	6.1	5.8	6.5
2017	4.4	5.0	5.2	4.9	5.4

<sup>20</sup> U.S. Bureau of Labor Statistics, “State and Metro Area Employment, Hours, & Earnings,” [https://www.bls.gov/news.release/archives/laus\\_01242017.pdf](https://www.bls.gov/news.release/archives/laus_01242017.pdf) (accessed March 9, 2018)

<sup>21</sup> Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CHIC917URN> (accessed October 26, 2018)

<sup>22</sup> Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/ILCOOK1URN> (accessed October 26, 2018)

## Employers

The principal non-governmental employers in the Chicago MSA for 2016 are set forth below.

### Principal Chicago MSA Non-Governmental Employers<sup>23</sup> 2016

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Advocate Health Care	18,930	1.48%
University of Chicago	16,374	1.28
Northwestern Memorial Healthcare	15,747	1.23
J.P. Morgan Chase & Co.	15,229	1.19
United Continental Holdings Inc.	15,157	1.18
Walgreens Boots Alliance Inc.	12,685	0.99
Northwestern University	10,241	0.80
Presence Health	10,183	0.79
Abbott Laboratories	9,800	0.76
Jewel Food Stores, Inc.	9,660	0.75

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<sup>23</sup> See the Board's Comprehensive Annual Financial Report set forth in APPENDIX B to this Official Statement. Chicago Public Schools Annual Financial Report for the year ended June 30, 2017, [http://cps.edu/About\\_CPS/Financial\\_information/Documents/FY17\\_CAFR.pdf](http://cps.edu/About_CPS/Financial_information/Documents/FY17_CAFR.pdf)

## Top Taxpayers

The top property taxpayers in Chicago in 2016 based on 2016 EAV are shown in the following table.

### Top Ten Property Taxpayers 2016<sup>24</sup> (\$ in thousands)

<b>Rank</b>	<b>Property</b>	<b>2016 EAV</b>	<b>% of Total EAV</b>
1	Willis Tower	\$ 406,464	0.55%
2	AON Building	252,408	0.34
3	Blue Cross Blue Shield Tower	250,676	0.34
4	Water Tower Place	226,358	0.31
5	300 N. LaSalle	212,135	0.29
6	Franklin Center	205,994	0.28
7	Chase Plaza	204,322	0.28
8	Citadel Center	203,126	0.27
9	Prudential Plaza	196,745	0.27
10	Three First National Plaza	191,736	0.26
	Total	<u>\$2,349,964</u>	<u>3.19%</u>

As shown in the table, the top ten taxpayers account for less than 3.5% of the City's total tax base.

<sup>24</sup> Chicago Public Schools Annual Financial Report for the year ended June 30, 2017, [http://cps.edu/About\\_CPS/Financial\\_information/Documents/FY17\\_CAFR.pdf](http://cps.edu/About_CPS/Financial_information/Documents/FY17_CAFR.pdf)

## APPENDIX E

### BOARD OF EDUCATION OF THE CITY OF CHICAGO PENSION AND OTHER POST EMPLOYMENT OBLIGATIONS

#### Introduction

Employees of the Board of Education of the City of Chicago (the “Board”) participate in one of two defined benefit retirement funds (the “Retirement Funds”) which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Pension Code, Chapter 40, Act 5, Articles 1, 1A, 17, 20 and 22 of the Illinois Compiled Statutes (the “Pension Code”) as separate legal entities and for the benefit of the members of the Retirement Funds. The two Retirement Funds are: (i) the Public School Teachers’ Pension and Retirement Fund of Chicago (the “Pension Fund”), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees’ Annuity and Benefit Fund of Chicago (the “Annuity Fund”), which covers non-teacher employees of the Board and most civil servant employees of the City of Chicago (the “City”).

Information concerning the Retirement Funds contained in this Official Statement is sourced primarily from documents published by the Retirement Funds (such information is collectively referred to as the “Third-Party Source Pension Information”). Except for certain information derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2017, the information contained herein pertaining to the Pension Fund relies on (i) the Public School Teachers’ Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2017 (the “2017 Actuarial Valuation Report”), prepared by Gabriel, Roeder, Smith & Company (“GRS Consulting”), independent actuaries and consultants engaged by the Pension Fund Board defined below (the “Pension Fund Actuaries”), and (ii) the comprehensive annual financial report of the Pension Fund for its Fiscal Year ending June 30, 2017 (the “Pension Fund 2017 CAFR”), prepared by the Pension Fund’s administrative staff and its independent auditors Plante & Moran, PLLC Southfield, MI (the “Pension Fund Auditors”). The 2017 Actuarial Valuation Report and the Pension Fund 2017 CAFR are referred to herein as the “Pension Fund Source Information.”

The Pension Fund recently released the Actuarial Valuation Report for its fiscal year ended June 30, 2018 (the “2018 Actuarial Valuation Report”). Information in the 2018 Actuarial Valuation Report provides information regarding results in the Pension Fund’s fiscal year ended June 30, 2018 that supplements certain, but not all, of the information under “– Overview of Retirement Funds,” “– Background Information Regarding the Pension Fund,” “– Pension Fund Contributions” and “– Other Post-Employment Benefits and Other Board Liabilities.” Information in the 2018 Actuarial Valuation Report, when audited, will become a part of the Pension Fund’s 2018 CAFR, which is not yet publicly available. What follows in this paragraph is selected information from the 2018 Actuarial Valuation Report. Reference should be made to the full 2018 Valuation Report for complete information. In the Pension Fund’s fiscal year ending June 30, 2018, the Pension Fund reported an investment return of approximately 5.84%. Since 5.84% is less than the assumed rate of return of 7.25% for FY18, there was a loss on the actuarial value of the assets, and the Funded Ratio of the Pension Fund for the Pension Fund fiscal year ended June 30, 2018 based on the actuarial value of assets is reported to be 47.9%, versus 50.1% in the Pension Fund fiscal year ended June 30, 2017. As a result, the Board’s Fiscal Year 2019 Pension Fund contribution is projected to increase by \$12.6 million and the State’s contribution is projected to increase by \$11.9 million. The Board’s Fiscal Year 2018 Pension Fund contribution has already been certified to the Board by the Pension Fund as required by State statute and will not change.

As of the date of this Official Statement, the Pension Fund 2017 CAFR, the 2017 Actuarial Valuation and the 2018 Actuarial Valuation are the most recent audit and actuarial valuations pertaining to the Pension Fund available to the Board. Copies of the Pension Fund 2017 CAFR, the 2017 Actuarial Valuation and the 2018 Actuarial Valuation, as well as Pension Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be accessed at [http://www.ctpf.org/general\\_info/Financial\\_lists.htm](http://www.ctpf.org/general_info/Financial_lists.htm). None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into this Official Statement. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Pension Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Pension Fund Source Information.

Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein pertaining to the Annuity Fund relies on (i) the comprehensive annual financial reports of the Annuity Fund for its Fiscal Years ending December 31, 2017 and December 31, 2016 (the "Annuity Fund 2017 CAFR"), prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois, and (ii) the actuarial valuation of the Annuity Fund as of December 31, 2017 (the "2017 Annuity Fund Actuarial Valuation" and, together with the Annuity Fund 2017 CAFR, the "Annuity Fund Source Information"), prepared by The Segal Company, independent actuaries and consultants engaged by the Annuity Fund Board (the "Annuity Fund Actuaries," and, together with the Pension Fund Actuaries, referred to herein as the "Actuaries").

At the time of the preparation of this Disclosure, the Annuity Fund 2017 CAFR and the 2017 Annuity Fund Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Annuity Fund available to the Board. Copies of the Annuity Fund 2017 CAFR and the 2017 Annuity Fund Actuarial Valuation, as well as Annuity Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be viewed at <http://www.meabf.org>. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Annuity Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Annuity Fund Source Information.

Healthcare benefits for certified teachers and administrators employed by the Board are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein regarding the Health Insurance Program can be found in the Pension Fund 2017 CAFR, as well as the 2017 Actuarial Valuation Report and, together with relevant information in the Pension Fund 2017 CAFR, the "Health Insurance Plan Source Information"). At the time of the preparation of this Disclosure, the Pension Fund 2017 CAFR and the 2017 Actuarial Valuation Report is the most recent information pertaining to the Health Insurance Program available to the Board. The Board has not independently verified the Health Insurance Plan Source Information and makes no representations nor expresses any opinion as to the accuracy of the Health Insurance Plan Source Information.

## **Overview of Retirement Funds**

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension

plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees, the Board, the City, the State of Illinois (the “State”) and, in certain instances, approved City charter schools make contributions to the Retirement Funds (the “Statutory Contributions”).

The Retirement Funds invest Statutory Contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds. Information, as reported by the Board, pertaining to the Retirement Funds and the Board’s Statutory Contributions is contained in the Board’s Comprehensive Annual Financial Reports of the Chicago Public Schools for each Fiscal Year, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2017.

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

On August 31, 2017, Public Act 100-465 (“P.A. 100-465”) became effective. P.A. 100-465 provides a significant revision to the State’s funding of the Pension Fund and the Board. In Fiscal Year 2018, under P.A. 100-465, the Pension Fund expects to receive approximately \$221 million in State funding of the the employer normal cost for Fiscal Year 2018 and the amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs (i.e., the annual retiree healthcare reimbursement subsidy), and the Board expects to receive an increase of pension property tax revenues previously approved by P.A. 099-0521 (as hereinafter defined) by approximately \$130 million, which when combined with the existing pension property tax revenues will bring the total amount to approximately \$405 million in Fiscal Year 2018. As of November 1, 2018, the Board’s unaudited estimate of pension property tax revenues received by the Pension Fund for Fiscal Year 2018 is approximately \$424 million. This number has not been finalized by the Pension Fund. The increase over the original estimate by the Board is a combination of the timing of revenue receipts and tax increment revenues included in the distributions (see “– Legislation and Litigation Relevant to the Retirement Funds” herein).

In light of new funding sources provided under P.A. 100-0465 and P.A. 099-0521, the Board and the Pension Fund have entered into an intergovernmental agreement (the “Intergovernmental Agreement”) regarding early payments. Effective with the 2017 Actuarial Valuation Report, certain contributions are assumed to occur as follows:

- 1.) Additional Board contribution (0.58 percent of pay) — June 30th (end of fiscal year)
- 2.) Additional State contribution (0.544 percent of pay\_ — monthly (middle of year)
- 3.) State normal cost contribution — monthly (middle of year)
- 4.) Board early payment of pension property tax levy — March 1st, annually
  - a.) 55 percent of prior year’s pension property tax levy is assumed to occur each March 1st
    - i.) An amount of \$141,625,000 was assumed for Fiscal Year 2018 and increased by 3 percent annually thereafter.
- 5.) Remaining Board contribution — June 30th (end of fiscal year)

## **Forward-Looking Statements and Actuarial Assumptions**

The information included under the headings “–Background Information Regarding the Pension Fund,” “– Pension Fund Contributions,” “– Pensions for Other Board Personnel” and “– Other Post-Employment Benefits and Other Board Liabilities” relies to a large extent on Pension Fund Source Information. Actuarial assessments contained under such headings and in the Pension Fund Source Information are “*forward-looking*” information that reflects the judgment of the Pension Fund fiduciaries, including the Pension Fund Actuaries. A variety of factors impact the Unfunded Actuarial Liabilities and Funded Ratios of the Pension Fund and the Annuity Fund. Increases in member salaries and benefits, a lower rate of return on investment than that assumed by the respective Fund and insufficient contributions when compared to the employer’s normal cost plus interest on the Unfunded Actuarial Liability will all cause an increase in the Unfunded Actuarial Liability and a decrease in the Funded Ratio. Conversely, decreases in member salaries and benefits, a higher return on investment than assumed and employer contributions in excess of the employer’s normal cost plus interest will decrease the Unfunded Actuarial Liability and increase the Funded Ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the Unfunded Actuarial Liability and the Funded Ratio. No assurances can be given that the Board, the City or the State will make the contributions necessary to meet any escalating costs incurred by the Retirement Funds.

The projections herein, including those in Table 4 under “– Pension Fund Contributions,” are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on actuarial assumptions and assumptions made regarding such future events, including but not limited to the assumptions that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in Table 4 or with respect to any other statements and projections that constitute forward-looking statements or are based on actuarial assumptions.

## **Background Information Regarding the Pension Fund**

*General.* The Pension Fund is a multiple-employer, defined-benefit public employee retirement system established by the State to provide annuity, disability, survivor, death, and health benefits for certain certified teachers and other employees of the Chicago Public Schools, Pension Fund employees and approved City charter schools. “*Defined-benefit*” refers to the fact that the Pension Fund pays a periodic benefit to retired employees and survivors in a fixed (defined) benefit amount determined at the time of retirement (benefits are increased annually in retirement by the defined Automatic Annual Increase factor, which is 3% for the Tier 1 members (hired before 2011) and ½ the rate of inflation for the Tier 2 members (hired after 2010)). The Pension Fund has a Fiscal Year ending June 30.

*Membership.* Participation in the Pension Fund is mandatory for teachers, educational, administrative, professional and other certified individuals employed by the Board. In addition, certified teachers and staff employed by City charter schools must also participate in the Pension Fund. As of June 30, 2017, according to the most recently available information, the Pension Fund had 75 participating employers consisting of the primary employer, Chicago Public Schools, 71 charter schools, the Illinois Federation of Teachers, the Chicago Teacher’ Union and the Pension Fund itself. The Pension Fund included 63,356 members consisting of 28,439 retirees and beneficiaries currently receiving benefits, 6,062 vested terminated members entitled to benefits but not yet receiving them, 17,800 total active vested current members and 11,055 nonvested current members.

*Governance of the Pension Fund.* The Pension Fund is governed by a 12 member Board of Trustees (the “Pension Fund Board”) including six trustees elected by the active teacher membership,



three trustees elected by the retired teacher membership, one trustee elected by the active principals and administrators, and two trustees appointed by the Board. The Pension Fund Board is authorized by State law to make investments, pay benefits, hire staff and consultants, and carry out all necessary functions in compliance with the Pension Code.

The Pension Fund Board is a fiduciary of the Pension Fund and is authorized to perform all functions necessary for operation of the Pension Fund. The Pension Code authorizes each pension board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

The Pension Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Pension Fund, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Pension Fund are not construed to be debt imposed upon the Board. Such expenses are the obligation of the Pension Fund exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Pension Fund or any act or practice which violates any provision of the Pension Code.

*Benefits and Contributions.* Article 17 of the Pension Code governs the retirement, survivor and disability benefits provided by the Pension Fund and establishes the statutorily required contributions from the Board, the State and participating employees. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the Board), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. The benefits available under the Pension Fund accrue throughout the time a member is employed by the Board. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the Board. The Pension Fund also provides certain disability benefits and retiree healthcare benefits to eligible members. Section 5 of Article XIII of the Illinois Constitution (the "Illinois Pension Clause") provides as follows:

*"Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."*

For purposes herein, references to "employee" or "member" are references to the employees of the Board; the employees of the Pension Fund and approved City charter school employees that also participate in the Pension Fund.

## **Pension Fund Contributions**

*Required Contributions.* The Pension Code requires funding of the Pension Fund from contributions by the Board (the employer), the State and employees. Board (and State) contributions are required (the “Statutory Required Contributions”) only if the actuarially determined value of the assets as a percentage of its actuarially determined accrued liabilities (the “Funded Ratio”) is less than 90%. The Pension Code does not require that assets of the Pension Fund at any time equal or exceed the actuarially determined accrued liabilities of the Pension Fund. On an annual basis, an actuarial valuation is performed by an independent actuary firm retained by the Pension Fund Board (each an “Actuarial Valuation”) in order to determine the amount of required contributions. The Pension Code provides for an actuarially based funding ramp intended to accumulate the actuarial assets of the Pension Fund at a level equal to 90% of the actuarial liabilities of the Pension Fund beginning in the 2059 Fiscal Year and to maintain the actuarial assets of the Pension Fund equal to 90% of the actuarial liabilities in the fiscal years after 2059.

*Member Contributions.* The Pension Fund’s active contributors make biweekly contributions to the Pension Fund from their salaries which contributions are currently set at 9% of covered payroll. Historically, as part of its collective bargaining agreement with the Chicago Teachers’ Union (“CTU”), the Board has paid a substantial portion of the employee contribution in an amount equal to 7% of covered payroll. This contribution arrangement for the current CTU Pension Fund members was reaffirmed upon the final approval by the Board of a new collective bargaining agreement between the Board and CTU on December 7, 2016. New CTU Pension Fund members hired after January 1, 2017 will make their entire 9% employee contribution, but will receive a 7% increase to their base salary such that their total compensation does not decrease.

*Employer Required Annual Statutory Contributions.* Prior to the enactment of P.A. 96-0889, the Pension Code required that the Board’s minimum contributions for each Fiscal Year be in an amount sufficient to bring the Funded Ratio to equal 90% by Fiscal Year 2045. P.A. 96-0889 extended the deadline to achieve the required 90% Funding Ratio by fourteen years from Fiscal Year 2045 to Fiscal Year 2059. In addition P.A. 96-0889 specified fixed Board contribution amounts for Fiscal Years 2011, 2012 and 2013 (\$187,000,000, \$192,000,000 and \$196,000,000, respectively) which are substantially lower than the amounts which would otherwise be required by the Pension Code (required contributions were decreased approximately \$400,000,000 for each of those years). This reduction in required contributions by the Board further increased the Unfunded Actuarial Liability of the Pension Fund. See Table 2 – “Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2006-2017.”

Beginning in Fiscal Year 2014, Required Annual Statutory contributions from the Board (and State) for Fiscal Years 2014 through 2059, as determined by the actuary for the Pension Fund, are required to be sufficient to bring the Actuarial Funded Percentage to 90% by the end of Fiscal Year 2059, and Required Annual Statutory contributions will be required thereafter to maintain the 90% Funded Percentage in each fiscal year. See Table 4 – “Projections of Contributions, Liabilities and Assets.”

*State “Normal Cost” Contributions.* Under P.A. 100-465, the Pension Fund expects to receive annual State funding of the employer normal cost and the amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs costs (i.e., the annual retiree healthcare reimbursement subsidy). The total amount of additional State funding under P.A. 100-465 was approximately \$221 million in FY 2018 and will be approximately \$227 million in FY 2019.

*State and Board Required Payroll Contributions.* The Pension Code requires that the State and Board each make an annual contribution to the Pension Fund equal to a defined percentage of total teacher payroll (0.544% of payroll for the “*State Payroll Contribution*” and 0.580% of payroll for the “*Board Payroll Contribution*”). These contributions are not required in those years in which the Pension Fund Board has certified that the Pension Fund is at least 90% funded. The required contributions based on payroll for Fiscal Year 2018 were \$11,692,000 for the State and \$12,466,000, for the Board. This required payroll contribution was added to the Pension Code by P.A. 90-0582, and was intended by the General Assembly to cover part of the cost of a benefit increase resulting from that Act.

*State Appropriation Contributions.* The State historically made additional discretionary contributions to the Pension Fund from State appropriations in the amount of approximately \$65,000,000 per year in addition to the State’s required statutory contributions. These contributions were in furtherance of provisions of the Pension Code regarding the goal and intention of the State to make annual contributions to the Pension Fund in an amount that is between 20% and 30% of the amount of the annual State contribution to the other teachers’ retirement system in the State. For several previous fiscal years the State discretionary appropriation was either reduced or not contributed. In Fiscal Year 2018, the State made Pension Fund contributions of \$11,692,000. There were no discretionary contributions by the State in Fiscal Year 2018 to supplement the Board’s required contribution. The Board does not anticipate that the State will make contributions in excess of its statutorily-required contributions in the future.

*Credit for State Contributions.* The Pension Code provides that “*any contribution by the State to or for the benefit of the Fund . . . shall be a credit against any contribution required to be made by the Board of Education . . .*”

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*Historical Contributions.* The following table provides historical contribution information and the Actuarially Determined Contribution (as defined herein) for Fiscal Years 2006-2017.

**Table 1**

**Historical Contributions**  
(All dollar amounts are in millions)

<b>Fiscal Year</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>			<b>Actuarially Determined Contribution (ARC)<sup>(3)</sup></b>
		<b>State Appropriations and Payroll Contributions<sup>(1)</sup></b>	<b>BOE Contributions<sup>(2)</sup></b>	<b>Total Employer Contributions<sup>(3)</sup></b>	
<b>2006</b>	\$158.6	\$74.9	\$35.2	\$110.1	\$328.4
<b>2007</b>	148.2	75.2	92.0	167.2	370.2
<b>2008</b>	161.2	75.2	149.9	225.1	290.1
<b>2009</b>	166.8	74.8	188.2	263.1	292.1
<b>2010</b>	161.2	37.6	324.6	362.2	355.8
<b>2011</b>	167.0	10.4	168.0	178.4	425.6
<b>2012</b>	167.7	10.4	195.8	206.2	510.1
<b>2013</b>	165.9	10.9	234.5	245.4	585.5
<b>2014</b>	163.8	11.9	601.6	613.0	719.8
<b>2015</b>	168.1	62.2	634.4	696.5	728.5
<b>2016</b>	158.2	12.1	675.9	688.0	749.8
<b>2017</b>	153.3	12.2	733.2	745.4	754.8

Sources: Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2006-2017. Public School Teachers’ Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2006-2017.

- (1) As discussed above under “– *State Appropriation Contributions*,” the State historically appropriated \$65 million in non-GSA funds to the Pension Fund except that for Fiscal Year 2004 the State failed to make such appropriation and instead provided that amount to the Board for capital purposes. The figures for Fiscal Years 2006 through 2009 reflect additional payroll contributions received from the State.
- (2) “**BOE Contributions**” are comprised of a number of contributions that are described in Note 13 to the Chicago Public School Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017 and are included in the “**Total Employer Contributions**” (“**Total Employer Contributions**” – **total “State Appropriations” = “BOE Contributions**”). The numbers may differ from actuarially or statutorily required contribution amounts and have been the subject of various litigation proceedings.
- (3) “**Actuarially Determined Contributions**” do not include the required contributions associated with the Health Insurance Program, i.e., the amount described in P.A. 100-465 as allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs, which is \$65 million for FY 2018, and which is further described below under “– Other Post-Employment Benefits and Other Board Liabilities.” Also note that this concept is referred to in the Chicago Public Schools Comprehensive Annual Financial Report as “*Annual Determined Contributions*” – see footnote to section “– *Actuarial Process*” for explanation of naming convention herein.

*Funded Status of Pension Fund.* As of the end of its Fiscal Year 2017, the Pension Fund had liabilities of \$21,822,010,297 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) \$10,933,031,685 if valued on an actuarial basis (using the “Asset Smoothing Method” (as described below), or (ii) \$10,793,173,927 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately \$10.89 billion on an actuarial basis (using the Asset Smoothing Method), and \$11.03 billion on a market value basis and Funded Percentages of 50.1% on an actuarial basis (using the Asset Smoothing Method) and 49.5% on a market value basis. The Fiscal Year 2017 Actuarial Liability of \$21,822,010,297 represents a net increase of \$1,575.9 million compared to the Actuarial Liability as of June 30, 2016. This increase is due mainly to the assumption changes adopted by the Pension Fund for the June 30, 2017 Actuarial Valuation. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2017 Actuarial Valuation Report. Information in the Actuarial Valuation regarding the reconciliation of change in Unfunded Actuarial Liability shows the impact of such factors as salaries, funding status and investment returns.

The following table summarizes the Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Fiscal Years 2006-2017 and the Annual Covered Payroll.

**Table 2**

**Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2006-2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
06/30/2006	\$10,947,998,433**	\$14,035,627,452	\$3,087,629,019	78.00%	\$1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%
06/30/2014	10,045,542,575	19,503,893,632	9,458,351,057	51.51%	2,233,280,995	423.5%
06/30/2015	10,344,375,122	19,951,289,974	9,606,914,852	51.85%	2,273,551,432	422.6%
06/30/2016	10,610,746,831	20,246,140,298	9,635,393,467	52.41%	2,281,268,890	422.4%
06/30/2017	10,933,031,685	21,822,010,297	10,888,978,612	50.10%	2,221,849,230	490.1%

Sources: Public School Teachers’ Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2006-2017.

\*\* Health Insurance Fund assets are included for Fiscal Years ending 6/30/2005 and 6/30/2006 and are excluded with the results for the Fiscal Year ending 6/30/2007 and thereafter.

Table 3

**Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Based on GASB No. 67 Actuarial Valuations Fiscal Years 2015-2017 <sup>(1)</sup>**

<b>Actuarial Valuation Date</b>	<b>Fiduciary Net Position (FNP) (a)</b>	<b>Pension Total Liability (TPL) (b)</b>	<b>Net Pension Liability (NPL) (b) - (a)</b>	<b>GASB 67 Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>NPL as a Percentage of Covered (b) - (a) / (c)</b>
06/30/20	\$10,689,954,3	\$20,713,217,296	\$10,023,262,	51.61%	\$2,273,551,4	440.90%
06/30/20	10,093,067,58	21,124,697,012	11,031,629,4	47.78%	2,281,268,89	483.57%
06/30/20	10,793,173,92	23,175,590,999	12,382,417,0	46.57%	2,030,175,11	609.92%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2015-2017.

<sup>(1)</sup> Excludes Health Insurance Fund Assets.

Table 4 shown on the following page presents projected required contributions, liabilities, assets, unfunded liability and funded ratios in the Fiscal Years 2017 through 2059 for the Pension Fund prepared by the Actuaries and which reflect the impact of P.A. 96-0889.

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**Table 4**

**Projection of Contributions, Liabilities and Assets<sup>(1)</sup>**

(Board contributions are based on P. A. 96-0889)

(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Required Statutory Employer Contribution</u>	<u>State Normal Cost Contribution</u>	<u>Additional State Contribution</u>	<u>Additional Board Contribution</u>	<u>Required Board of Education Contribution<sup>(2)</sup></u>	<u>Total Actuarial Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Percentage</u>
2018	\$193.1	\$784.4	\$221.3	\$11.7	\$12.5	\$538.9	\$22,230.1	\$10,942.3	\$11,287.8	49.22%
2019	200.0	808.6	226.8	12.1	12.9	556.8	22,651.5	11,048.1	11,603.4	48.77%
2020	206.6	835.5	232.1	12.5	13.3	577.6	23,088.0	11,365.3	11,722.7	49.23%
2021	213.3	862.4	237.3	12.9	13.7	598.5	23,540.5	11,597.2	11,943.3	49.26%
2022	220.0	889.6	242.2	13.3	14.2	620.0	24,010.9	11,856.0	12,154.9	49.38%
2023	226.8	917.1	246.8	13.7	14.6	642.0	24,500.4	12,141.2	12,359.2	49.56%
2024	233.7	945.0	250.9	14.1	15.1	664.9	25,009.1	12,452.6	12,556.5	49.79%
2025	240.5	972.7	254.3	14.5	15.5	688.3	25,536.0	12,792.3	12,743.7	50.10%
2026	247.3	999.9	257.2	14.9	15.9	711.8	26,081.3	13,161.1	12,920.2	50.46%
2027	253.9	1,026.8	259.3	15.3	16.4	735.7	26,643.1	13,558.6	13,084.5	50.89%
2028	260.4	1,052.8	261.0	15.7	16.8	759.2	27,233.7	13,997.4	13,236.3	51.40%
2029	266.5	1,077.5	261.8	16.1	17.2	782.4	27,838.8	14,463.7	13,375.1	51.96%
2030	272.1	1,100.4	262.1	16.4	17.5	804.3	28,456.7	14,955.7	13,501.0	52.56%
2031	277.5	1,122.1	262.0	16.8	17.9	825.4	29,086.1	15,471.8	13,614.3	53.19%
2032	282.7	1,143.2	261.2	17.1	18.2	846.7	29,724.7	16,011.0	13,713.7	53.86%
2033	287.8	1,163.8	259.5	17.4	18.5	868.3	30,369.5	16,571.6	13,797.9	54.57%
2034	292.8	1,183.8	256.8	17.7	18.9	890.5	31,017.6	17,152.5	13,865.1	55.30%
2035	297.5	1,203.1	253.0	18.0	19.2	912.9	31,665.7	17,751.6	13,914.1	56.06%
2036	302.1	1,221.5	248.3	18.3	19.5	935.4	32,310.2	18,366.8	13,943.4	56.85%
2037	306.4	1,239.1	242.6	18.5	19.7	958.2	32,947.8	18,996.5	13,951.3	57.66%
2038	310.6	1,256.1	235.8	18.8	20.0	981.4	33,573.9	19,638.1	13,935.8	58.49%

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Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2017.

- (1) Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2017 actuarial valuation, including the 7.25% assumed rate of investment return, are exactly realized each year.
- (2) Any discretionary contributions by the State of Illinois (other than the State "Normal Cost" and Additional State Contributions shown above) will replace amounts otherwise that are required to be contributed by the Board.

Table 4 (Continued)

**Projection of Contributions, Liabilities and Assets<sup>(1)</sup>**

(Board contributions are based on P. A. 96-0889)

(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Required Statutory Employer Contribution</u>	<u>State Normal Cost Contribution</u>	<u>Additional State Contribution</u>	<u>Additional Board Contribution</u>	<u>Required Board of Education Contribution<sup>(2)</sup></u>	<u>Total Actuarial Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Percentage</u>
2039	\$314.7	\$1,272.5	\$227.9	\$19.0	\$20.3	\$1,005.3	\$34,182.0	\$20,287.3	\$13,894.7	59.35%
2040	318.5	1,287.9	219.4	19.3	20.5	1,028.7	34,767.6	20,941.2	13,826.4	60.23%
2041	322.2	1,302.9	210.3	19.5	20.8	1,052.3	35,325.5	21,596.5	13,729.0	61.14%
2042	325.8	1,317.3	200.1	19.7	21.0	1,076.4	35,848.6	22,248.8	13,599.8	62.06%
2043	329.2	1,331.0	190.3	19.9	21.2	1,099.6	36,333.8	22,896.4	13,437.4	63.02%
2044	332.6	1,344.9	180.6	20.1	21.4	1,122.7	36,777.9	23,538.5	13,239.4	64.00%
2045	336.0	1,358.7	171.7	20.3	21.7	1,145.1	37,178.2	24,174.2	13,004.0	65.02%
2046	339.6	1,373.2	165.0	20.5	21.9	1,165.7	37,538.6	24,808.3	12,730.3	66.09%
2047	343.7	1,389.6	160.3	20.8	22.1	1,186.5	37,862.0	25,446.7	12,415.3	67.21%
2048	348.2	1,408.0	157.7	21.0	22.4	1,206.9	38,154.3	26,098.2	12,056.1	68.40%
2049	353.3	1,428.6	156.2	21.4	22.8	1,228.3	38,417.9	26,769.1	11,648.8	69.68%
2050	358.7	1,450.4	156.2	21.7	23.1	1,249.4	38,656.5	27,466.7	11,189.8	71.05%
2051	364.5	1,473.8	157.2	22.0	23.5	1,271.0	38,870.9	28,196.1	10,674.8	72.54%
2052	370.5	1,498.1	159.4	22.4	23.9	1,292.3	39,064.5	28,964.4	10,100.1	74.15%
2053	376.8	1,523.6	163.0	22.8	24.3	1,313.5	39,238.4	29,776.8	9,461.6	75.89%
2054	383.5	1,550.5	166.0	23.2	24.7	1,336.6	39,386.1	30,633.5	8,752.6	77.78%
2055	390.1	1,577.4	170.1	23.6	25.1	1,358.6	39,506.0	31,537.0	7,969.0	79.83%
2056	397.0	1,605.2	175.2	24.0	25.6	1,380.5	39,596.9	32,491.3	7,105.6	82.06%
2057	404.2	1,634.3	181.2	24.4	26.0	1,402.6	39,661.5	33,505.3	6,156.2	84.48%
2058	411.6	1,664.5	188.0	24.9	26.5	1,425.1	39,705.3	34,591.1	5,114.2	87.12%
2059	419.4	1,695.9	194.4	25.4	27.0	1,449.1	39,723.7	35,752.4	3,971.3	90.00%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2017.

<sup>(1)</sup> Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2017 actuarial valuation, including the 7.25% assumed rate of investment return, are exactly realized each year.

<sup>(2)</sup> Any discretionary contributions by the State of Illinois (other than the State "Normal Cost" and Additional State Contributions shown above) will replace amounts otherwise that are required to be contributed by the Board.



The projections in Table 4 rely on information produced by the Pension Fund's Actuaries (based on the actuarial assumptions employed by the Pension Fund) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results (including results of Fiscal Year 2017), and readers are cautioned not to place undue reliance on the prospective financial information. Neither the Board nor the Board's independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

*Investment Authority, Performance and Valuation of Assets.* Investment authority for the Pension Fund is found in the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 17. A discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is available in the Pension Fund 2017 CAFR. The Pension Fund maintains a highly diversified portfolio of investments among U.S. stocks, real estate, fixed income, private equity, and international investments.

*Investment Return.* The 2017 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund of 7.25%. The investment return assumption was reduced from 7.75% to 7.25% beginning with the 2017 Actuarial Valuation Report. Previously, the 7.75% investment return assumption had been used for the three prior Fiscal Year's ending from June 30, 2016 through June 30, 2014. Whereas, in the ten Fiscal Years prior to the Fiscal Year ending June 30, 2014, the Pension Fund had assumed an investment return rate of 8.0%. Due to the volatility of the market, however, the actual rate of return earned by the Pension Fund on its assets may be higher or lower than the assumed rate. The actual rate of return on an actuarial basis for the year ending June 30, 2017, was 8.3%. Since the actual return on an actuarial basis was greater than the assumed return, the Pension Fund experienced an actuarial gain with regard to its investments during the year ended June 30, 2017. The following table summarizes the actuarial and market investment returns on the assets in the Pension Fund for its Fiscal Years 2007-2017.

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Table 5

**Investment Returns for Past 10 Years**

<u>Fiscal Year</u>	<u>Market Value</u>	<u>Actuarial Value</u>
<b>2008</b>	-5.3%	7.9%
<b>2009</b>	-22.4%	0.2%
<b>2010</b>	13.6%	-0.4%
<b>2011</b>	24.8%	-0.5%
<b>2012</b>	-0.4%	1.0%
<b>2013</b>	13.1%	11.2%
<b>2014</b>	17.9%	12.7%
<b>2015</b>	3.6%	8.2%
<b>2016</b>	-0.3%	8.6%
<b>2017</b>	12.5%	8.3%
<b>Average Returns</b>		
<b>Last 10 years:</b>	4.9%	5.6%

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Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2017

*Asset Smoothing.* See “– Actuarial Methods – Actuarial Value of Assets” below for a discussion of the impact of Asset Smoothing on the valuation of investment returns.

*Risks and Uncertainties.* The Pension Fund invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Pension Fund's assets and impact required contributions.

### **The Actuarial Valuation**

*General.* In addition to the process outlined herein, the Pension Code requires that the Pension Fund annually submit to the Board a report containing a detailed statement of the affairs of the Pension Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the funded status of the plan and establishes the statutorily required contribution amount. To calculate these amounts, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. Overall experience that is more favorable than anticipated (an actuarial gain), will have a decreasing effect on the contribution requirement. On the other hand, overall experience that is less favorable than expected (an actuarial loss) will have an increasing effect. A description of the statistics generated by the Pension Fund actuaries in the Actuarial Valuations follows in the next few paragraphs. The Governmental Accounting Standards Board (“GASB”), which is part of a private non-profit entity known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These GASB principles impact financial reporting by the Pension Fund and the employer but have no legal effect and do not impose any legal liability on the Board. Moreover, these GASB principles have no effect on the Pension Fund's statutorily

required contribution amount. The references to GASB principles in this section do not suggest any legal effect or legal liability and should not be construed to suggest otherwise.

*Actuarial Process.* Under the Pension Code, the required employer contributions to fund the Pension Fund are determined by independent actuaries on an annual basis within nine months of the end of the Pension Fund's Fiscal Year. To meet the requirements of the Pension Code, the actuaries use demographic and other data (such as employee age, salary and service credits) and various assumptions (such as assumed investment return, estimated salary increases, interest rates, employee turnover, mortality and disability rates) to determine the amount that must be contributed in a given year. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates are made about the future. On an annual basis, the Pension Fund's actuary then produces a report called the "Actuarial Valuation," in which the actuary reports on the Pension Fund's assets, liabilities and the Required Annual Statutory Contribution for the following fiscal year.

### **Actuarial Methods**

Pension Fund actuaries can employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

*Actuarial Value of Assets.* The Pension Fund calculates the respective Actuarial Value of Assets by smoothing investment gains and losses over a period of four years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 25% of the investment gain or loss realized in that year and each of the previous three years. "Asset Smoothing" is an allowable method of determining the actuarial contribution and expense levels according to GASB; however, note that GASB No. 67 reporting now uses the market value of plan assets in order to calculate the NPL. As a result of the use of the Asset Smoothing Method, only a portion of investment gains or losses will be recognized in the year when realized. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. The smoothing of unexpected gains and losses occurs over a period of 4 years. The gain or loss for a year is calculated as the total investment income on the market value of assets, minus expected investment return on the prior actuarial value of assets. The final actuarial value is equal to the expected actuarial value plus (or minus) 25% of the calculated gain (or loss) in the prior 4 years. "Asset Smoothing" lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the Unfunded Actuarial Accrued Liability ("UAAL") and the Funded Ratio that may otherwise occur as a result of market volatility. However, "Asset Smoothing" delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true market value of pension plan assets at the time of the measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually (e.g., GASB No. 67 for reporting of the NPL).

### **Actuarial Assumptions**

*Use of Estimates and Assumptions.* The Actuarial Valuations of the Pension Fund use a variety of estimates and assumptions to calculate the Actuarial Liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Pension Fund. Actual results almost always differ from those estimates and assumptions. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Liability, the Unfunded Actuarial Liability, the

Funded Ratio or the actuarially calculated contributions and expense levels. Certain of these assumptions include the assumed rate of return on investments, mortality rates, termination rates, disability rates, retirement rates, salary progression, other interest rates used in the valuation, marital status, spouse's age and total service credit at retirement. The 2017 Actuarial Valuation Report, a copy of which may be viewed as described in "– Introduction" above, contains additional information on these assumptions.

The Pension Code requires the Pension Fund to conduct an actuarial experience review every five years. The purpose of the experience review is to determine the adequacy of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Pension Fund. Based upon the results of this review, the Pension Fund may change the actuarial assumptions as it deems appropriate.

*Actuarial Valuation.* The primary purpose of the Actuarial Valuation is to determine the amount the Board must contribute to the Pension Fund in a given fiscal year as provided in the Pension Code (the "Required Annual Statutory Contribution"). To determine the Required Annual Statutory Contribution, the actuary calculates both the "Actuarial Liability" and the "Actuarial Value of Assets." The Actuarial Liability is an estimate of the portion of the present value of the benefits that is attributable to the past service of the current employees and the retired members, which the Pension Fund is obligated to pay over time as those benefits become due. The Actuarial Liability is calculated by use of the Projected Unit Credit cost method and a variety of demographic assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). See Table 4, "Projection of Contributions, Liabilities and Assets" herein.

Any shortfall between the Actuarial Value of Assets and the Actuarial Liability is referred to as the "Unfunded Actuarial Liability" and represents the excess of the portion of the present value of benefits that is attributed to past service over the actuarial value of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Liability and is expressed as a percentage. An increasing Unfunded Actuarial Liability and a decreasing Funded Ratio from year to year signals a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing Unfunded Actuarial Liability and an increasing Funded Ratio indicates an improvement in the financial health of a pension plan because such change reflects a closing gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

The Actuaries use the Actuarial Liability, the Actuarial Value of Assets and the Unfunded Actuarial Liability to compute the Required Annual Statutory Contribution for the Pension Fund in accordance with the Pension Code. See "– State and Board Required Payroll Contributions" herein.

### **GASB Statements 67, 68 and 71**

On June 25, 2012, GASB approved two new standards for employee pension accounting and financial reporting by state and local governments. The two new GASB statements, Nos. 67 and 68 ("GASB 67" and "GASB 68" and collectively, the "Statements"), replace some of the requirements of previous GASB statements (Nos. 25, 27, and 50) related to pension plans. Some of the key changes imposed by the Statements include: (1) requiring governments for the first time to recognize a Net Pension Liability ("NPL"), which is the difference between the Total Pension Liability ("TPL"; i.e., the portion of the present value of projected benefit payments to employees that is attributed to their past service under the level percentage of payroll Entry Age Normal cost method and the blended discount rate as described in GASB 67 and 68) and pension assets (mostly investments reported at fair market value) as a liability of the employer; (2) immediate recognition of annual service cost (net of employee

contributions), interest on the Total Pension Liability, expected return on assets (a negative component of expense), and immediate recognition of the effect on net pension liability of changes in benefit terms, and amortization of gains and losses (including changes in assumptions); (3) the effects on net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the Statements will have an impact on the Unfunded Actuarial Liability. However, because the Board contributes to the Pension Fund pursuant to methods established by the Pension Code, the Statements would not impact the contributions made by the Board without legislative action. GASB 67 went into effect for Fiscal Year 2014 and GASB 68 became effective for Fiscal Year 2015.

*GASB 68, Accounting and Financial Reporting for Pensions*, was effective for the Board beginning with its Fiscal Year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this standard will result in an unfunded pension liability to be recognized on the Statement of Net Position.

*GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*, was effective for the Board with Fiscal Year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

*Actuaries, the Actuarial Process and GASB*. GASB standards are completely independent from the Pension Code's requirements. GASB No. 67, which became effective for plan reporting for the Fiscal Year ending June 30, 2014 and is discussed in more detail below, relates to the reporting of an NPL and an Actuarially Determined Contribution ("ADC"). The NPL reported is equal to the difference between the TPL, as calculated using the level percentage of payroll Entry Age Normal Cost actuarial cost method and the blended discount rate as described in GASB 67, and the Plan's Fiduciary Net Position ("FNP", i.e., the market value of plan assets). The amount of the GASB No. 67 ADC reported is the employer's Normal Cost plus a 30-year fixed-period amortization payment on the UAAL beginning July 1, 2013 as a level percentage of payroll. Starting in Fiscal Years that begin after June 15, 2014, GASB Statement No. 68 changes the way that an employer's accounting expense is determined for a pension plan. Under the new method, the annual expense reported is determined on an actuarial basis (using the level percentage of payroll Entry Age Normal actuarial cost method and the blended discount rate as described in GASB 68) and by amortizing any unfunded liability over a period no longer than the average remaining service period of covered employees (actives and inactive employees combined).

*Required Annual Statutory Contributions Not Related to GASB Standards*. The Required Annual Statutory contributions to the Pension Fund are not based on the standards promulgated by GASB for reporting purposes. Instead, the Required Annual Statutory contributions are based on the requirements

of the Pension Code. While both the GASB and the Pension Code calculations are determined utilizing actuarial techniques, there are many differences between these two calculations. Thus, the Annual Statutory contribution amount required by the Pension Code is different than the GASB No. 67 ADC or the GASB No. 68 accounting expense amount. One primary difference is that the goal of the Pension Code's statutorily-required contribution amounts is to reach a Funded Percentage in the Pension Fund of 90% by 2059 via contribution amounts that remain a level percentage of salary over a 42-year period from FY 2018 to FY 2059; whereas, GASB's financial reporting standards require the calculation of an ADC or annual expense amount that amortizes the plan's entire UAAL over a shorter time period (i.e., over the 26-years that remain from the 30-year fixed-period that began on June 30, 2013) and which is designed to recognize 100% of the total plan liability, rather than just 90% of the total plan liability. Also, the GASB ADC excludes the annual amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs (i.e., the annual retiree healthcare reimbursement subsidy), which was \$65 million for FY 2017.

### **Overlapping Taxing Bodies**

The Board's tax base overlaps with numerous other units of government, including the Overlapping Taxing Districts and the State of Illinois. Certain of the Overlapping Taxing Districts and the State maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion of the contributions to such plans. Additional information regarding each of the Overlapping Taxing Districts and the State (including with respect to their pension plans) may be obtained on their respective websites. None of the information on such websites is incorporated by reference into this Disclosure and the Board takes no responsibility for the information contained therein nor has the Board attempted to verify the accuracy of such information.

### **Recent Reports Regarding the Pension Fund**

For more information on the Pension Fund and the retirement funds of the overlapping taxing bodies, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website. None of the information on such website is incorporated by reference into this Disclosure and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

The COGFA is a bipartisan, joint legislative commission intended to provide the State General Assembly with information relevant to the State's economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long-range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State. As a result of these responsibilities, COGFA issues several reports on an annual basis which provide an overview of the financial condition of various Illinois pension funds, including the Pension Fund. The COGFA reports provide significant information on the funded status, historical and projected information with respect to pensions and a history of pension legislation. COGFA does not make findings in the COGFA Report.

### **Pensions for Other Board Personnel**

*Overview.* Employees of the School District that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. Except

as described below in the section captioned “– *Members and Member Contributions*,” the Board makes no direct contributions to the Annuity Fund. The Annuity Fund receives its income from three primary sources: a City tax levy; income from investments; and deductions from participating employees’ salaries.

The Annuity Fund is administered under the direction of a five-member retirement board (the “Retirement Board”) comprised of three elected members and the City Treasurer and the City Comptroller serving ex-officio. The Retirement Board sets investment policies and objectives, hires investment managers and investment consultants, reviews investment performance and makes the final decision in granting or denying rights, credits and benefits to members.

The Annuity Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, death, and health benefits for certain employees of the City and the Board. It is administered in accordance with the Pension Code and has a Fiscal Year ending December 31.

*Legal Authority and Funding.* Article 8 of the Pension Code governs the retirement, survivor and disability benefits provided by the Annuity Fund and establishes the statutorily required contributions from participating employers and employees. Current Tier 1 and Tier 2 active members (totaling 28,935 active members as of December 31, 2017) contribute 8.5% of their salary. Under P.A. 100-0023 effective July 7, 2017, active members whose contributions for age and service annuities are governed by 40 ILCS 5/8-174(a-10) will contribute the lesser of 11.5% of their salary or the normal cost accrual rate but at least 8.5% of their salary (see “- Legislation and Litigation Relevant to the Retirement Funds” herein). The Pension Code (40 ILCS 5/8-173; P.A. 100-0023) provides for fixed-dollar Statutory Required employer funding in payment years 2018 to 2022 followed by a Statutory Required actuarially based funding ramp beginning in payment year 2023 which is intended to accumulate the actuarial assets of the Annuity Fund at a level equal to 90% of the actuarial liabilities of the Annuity Fund by the beginning of the 2058 Fiscal Year and to maintain the actuarial assets of the Annuity Fund equal to 90% of the actuarial liabilities in Fiscal Years after 2058. However, the Pension Code does not require that the Annuity Fund Statutory Required Contributions be sufficient to cover the actuarially determined contribution requirement (the “Annual Determined Contribution”). For the past ten years the Annuity Fund Statutory Required Contribution has been less than the Annual Determined Contribution and does not conform to the requirements of GASB No. 25 as superseded by GASB No. 67 beginning in FY 2014.

*Members.* As of December 31, 2017, the Annuity Fund had 73,854 total members including 25,383 retirees and beneficiaries, 17,549 inactive members entitled to benefits and 30,922 active members (of which 15,320 were vested and 15,602 were non-vested). As of December 31, 2017, the most recently available information, CPS employees comprised about 54% of the Annuity Fund’s active participants.

*Experience Study.* The Annuity Fund Actuaries, prepared an experience study based on census information provided by the Annuity Fund for the period from January 1, 2012 through December 31, 2016. The primary purpose of the study was to evaluate actuarial assumptions to be used in the annual actuarial valuation. Based on the results of the experience study, the Annuity Fund Actuaries recommended modifying some of the actuarial assumptions. For the year ended December 31, 2017 the Annuity Fund adopted recommendations in the demographic assumptions and economic assumptions, and in regards to investment rate of return, the Annuity Fund adopted a change of investment rate of return from 7.5% to 7.0% per year (collectively, the “New Assumptions”). The total impact of the New Assumptions was an increase in the actuarial accrued liability of \$862 million, a decrease in the funded ratio of 150 basis points and an increase in the actuarially determined contribution of 1.0%.

*Funded Status of Annuity Fund.* As of the end of its' Fiscal Year 2017, based on the New Assumptions, the Annuity Fund had actuarial accrued liabilities of \$16,282,396,195, compared to \$15,055,348,696 as of the end of Fiscal Year 2016, and assets of: (i) \$4,456,771,744 as of the end of Fiscal Year 2017, compared to \$4,590,366,241 as of the end of Fiscal Year 2016, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) \$4,554,018,287 as of the end of Fiscal Year 2017, compared to \$4,436,227,596 as of the end of Fiscal Year 2016, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately \$11,825,624,451 as of the end of Fiscal Year 2017, compared to \$10,464,982,455 as of the end of Fiscal Year 2016, on an actuarial basis (using the Asset Smoothing Method), and \$11,728,377,908 as of the end of Fiscal Year 2017, compared to \$10,619,121,100 as of the end of Fiscal Year 2016, on a market value basis; and Funded Percentages of 27.37% as of the end of Fiscal Year 2017 compared to 30.49% as of the end of Fiscal Year 2016, on an actuarial basis (using the Asset Smoothing Method) and 27.97% as of the end of Fiscal Year 2017 compared to 29.47% as of the end of Fiscal Year 2016, on a market value basis. As of the date of this Disclosure, there has not been a reassessment of the funding status of the Annuity Fund in light of the provisions of P.A. 100-0023 (see, “– Legislation and Litigation Relevant to the Retirement Funds” herein). However, P.A. 100-0023 will require higher future Required Statutory contributions to the Annuity Fund beginning in the 2018 payment year than those that were based on the prior law; therefore, the Annuity Fund is projected to have assets sufficient to pay future benefits as those amounts become due.

#### **Other Post-Employment Benefits and Other Board Liabilities**

*Retiree Health Insurance Program.* Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the “Health Insurance Program”). A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in the Health Insurance Program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient’s final pension system prior to retirement. The purpose of this program is to help defray the retired member’s premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund’s providers or other outside providers.

For financial reporting purposes, the assets of the Health Insurance Program are maintained in a separate fund (the “Health Insurance Fund”). The Health Insurance Fund consists of benefits to subsidize healthcare premiums for members receiving pension benefits. No direct contributions are currently being made by the Pension Fund for other post-employment benefits (“OPEB”). Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The Pension Fund then makes transfers into the Health Insurance Fund equal to the amount of OPEB expenses for that year. The rebate percentage for fiscal year 2017 was 50%. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed \$65.0 million plus any previous year amounts authorized but not yet expended (carryover). This spending limit has changed several times within the last twenty years and is subject to further change if new legislation is passed. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB Statement No. 45, *Accounting and Financial Reporting of Employers for Postemployment Benefits Other than Pension*.

The Pension Fund has total discretion over the program. Beginning with fiscal years on and after 2018, as a result of the implementation of P.A. 100-0465, the State will pay the Pension Fund’s certification of the projected normal cost contribution and any required healthcare contributions (i.e., the annual retiree healthcare reimbursement subsidies) which have historically been capped at \$65 million annually. See, “– Legislation and Litigation Relevant to the Retirement Funds” herein. Although the



Board does not contribute directly to retirees' health care premiums, the impact of the annual retiree healthcare payments from the Pension Fund does require increased contributions to the Pension Fund in order to build assets to the 90% funded percentage requirement since the annual amounts diverted from the Pension Fund to the Health Insurance Program reduce the available assets of the Pension Fund and require subsequently increased Required Statutory contributions to build assets to the 90% funded percentage requirement in FY 2059 for the Pension Fund.

*Sick Pay Benefits.* In addition to the Pension and Health Insurance benefits noted above, as of June 30, 2017, the Board had \$289,818,000 in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. Additional information regarding sick pay benefits is included within Note 12 of the Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2017.

### **Legislation and Litigation Relevant to the Retirement Funds**

From time to time, legislation has been introduced in the State General Assembly that would reform the Retirement Funds and the formula for State funding of school districts generally. Certain of such proposed legislation in the past has addressed changes to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions and benefits (including cost of living adjustments and retirement ages). The Board cannot predict if any such legislation if enacted, including particularly pension reform legislation, would withstand any legal challenges. Following is a discussion of recent legislation and certain pending legislation as of the date of the Disclosure.

*Public Act 96-0889.* On April 14, 2010, Public Act 96-0889 ("P.A. 96-0889") became effective. P.A. 96-0889 was designed in part to provide relief to the Board from its pension funding obligations by extending the statutory deadline for the Board to bring the ratio of the actuarially determined value of the assets of the Pension Fund to its actuarially determined accrued liabilities to 90% and substantially reducing the Board's contribution requirements for Fiscal Years 2011, 2012 and 2013. In addition it provided reduced retirement benefits for future employees who become members of the Pension Fund after January 1, 2011. P.A. 96-0889 established a "two-tier" benefit system with less generous benefits for future employees who become members of the Pension Fund after January 1, 2011, as compared to those provided to current Board employees. Among other reforms, P.A. 96-0889:

- Increased the minimum age at which an employee may retire with unreduced benefits to age 67, from age 60 (or even younger based on a formula combining the age of the employee and the number of years of service);
- Reduced the Automatic Annual Increase adjustment for beneficiaries in retirement to the lower of 3% or 50% of the change in the Consumer Price Index for all urban consumers, whichever is lower, for employees hired after January 1, 2011;
- Increased the minimum age for eligibility of the Automatic Annual Increase adjustment stated above from age 61 to age 67
- Calculated benefits based on the highest continuous eight years of compensation in the employee's last 10 years of employment for employees hired after January 1, 2011;
- Capped the salary on which a pension may be calculated at \$106,800 in 2011 (subject to certain adjustments for future inflation); and
- Suspended retirement annuities if the annuitant accepts another public sector job covered by a public retirement system.

*Public Act 099-0521.* On June 1, 2016, Public Act 099-0521 (“P.A. 099-0521”) became effective and authorized the Board to annually levy a new property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% (the “Pension Property Tax Levy”). The proceeds from this additional Pension Property Tax Levy are paid directly to the Pension Fund. They are credited toward the Board’s annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. P.A. 099–0521 became effective June 1, 2017. The Board first authorized the levy of this additional tax for tax year 2016 and applied a credit of \$250 million toward the Fiscal Year 2017 required contribution.

*Public Act 100-0023.* On July 7, 2017, Public Act 100-0023 (P.A. 100-0023”) became effective. It provides for a new third tier of benefits (“Tier 3”) under most Illinois pension systems, including the Pension Fund and the Annuity Fund. The Tier 3 benefit plan applicable to the Pension Fund is a hybrid plan comprised of a defined benefit and defined contribution plan, which would apply to new hires and any Tier 2 member who irrevocably elects to be subject to the Tier 3 benefit structure. The availability of the Pension Fund to offer a Tier 3 benefit plan relies on the adoption of a resolution by the Board to opt into the Tier 3 benefit plans structure. As of the date of the Disclosure, the Board has not passed such a resolution and the Pension Fund has not valued the benefits provided under P.A. 100-0023, and currently, members hired on or after the approval of P.A. 100-0023 continue to be valued under P.A. 96-0889 Tier 2 benefit provisions by the Pension Fund. The availability of the Annuity Fund to offer a Tier 3 benefit defined benefit plan relies on the adoption of an ordinance by the City of Chicago to opt into the Tier 3 benefit plans structure. The City passed such an ordinance, and any person who becomes a contributing member to the Annuity Fund on or after July 6, 2017; or any Tier 2 member who irrevocably elected, between October 1, 2017 and November 15, 2017, to be subject to the Tier 3 benefit structure will now be part of the Tier 3 benefit structure. As of December 31, 2017, the Annuity Fund had 1,987 active Tier 3 members.

*Public Act 100-465.* On August 31, 2017, Public Act 100-465 (“P.A. 100-465”) became effective and authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in tax year 2017 and thereafter from 0.383% in tax year 2016. The Board increased such levy to the maximum rate for tax year 2017 which is expected to increase revenues by approximately \$130 million in collection year 2018 specifically as a result of the 0.184% increase. In addition to the increase as a result of the additional Pension Property Tax Levy approved under P.A. 100-465, the Board expects a \$24 million increase in revenue from the 0.383% component of the Pension Property Tax Levy for an aggregate of a \$154 million increase in the Pension Property Tax Levy. P.A. 100-465 also provides for an increase in the required annual contribution by the State to the Pension Fund in the amount of approximately \$221 million in Fiscal Year 2018 to cover the “normal pension costs” of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers’ pensions. When combined with the existing \$12 million State Pension Fund normal cost contribution, this increase is expected to bring the total contributions by the State to the Pension Fund for Fiscal Year 2018 to \$233 million. The \$221 million is expected to increase annually based on the Pension Fund’s certification of the projected normal cost contribution and any required healthcare contributions (i.e., the annual retiree healthcare reimbursement subsidies) which have historically been capped at \$65 million. See Table 1 for historical contributions by the State to the Pension Fund.

As of the date of this Disclosure, there is no litigation relevant to the Board’s statutorily-required contribution formula, required State pension contributions, employee contributions or benefits (including cost of living adjustments and retirement ages) related to the Retirement Funds.

## APPENDIX F

### FORMS OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEGGED CAPITAL IMPROVEMENT TAXES

The Board will direct the County Treasurers of each county in which the School District is located, acting as the collectors of property taxes in such counties (the “**County Collectors**” and each a “**County Collector**”) to segregate from each distribution of property tax collections to the Board the amount of total tax collections attributable to the Capital Improvement Tax extended and collected and to directly deposit the amount so segregated with the Trustee under the Indenture (each a “**Deposit Direction**”). On the following pages are the forms of Deposit Direction to be executed by the Board and delivered to the County Collectors, one each for the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy.

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**Form of Deposit Direction Regarding Bond Resolution Series Levy**

**DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES  
EXTENDED AND COLLECTED FOR THE PAYMENT OF  
DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2018  
OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO**

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

To:     The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution 18-0725-RS7 adopted by the Board of Education of the City of Chicago (the “*Board*”) on July 25, 2018, and being entitled:

RESOLUTION Providing for the issue of One or More Series of Dedicated Capital Improvement Tax Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to Exceed \$125,000,000

(the “*Bond Resolution*”), a certified copy of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of \$125,000,000 in one or more series (the “*Bonds*”) and levied a direct annual capital improvement tax on all taxable property within the school district governed by the Board (the “*School District*”) pursuant to Section 34-53.5 of the Illinois School Code (the “*Capital Improvement Tax*”) for each of the years 2019 to 2044, inclusive, sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution (the “*Pledged Capital Improvement Taxes*”).

The Bond Resolution further authorized the direct deposit of such direct annual capital improvement tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual capital improvement tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its \$86,000,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2018 (the “*Series 2018 Bonds*”). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Capital Improvement Taxes to pay the principal of and interest on the Series 2018 Bonds (the “*Series 2018 Pledged Capital Improvement Taxes*”).

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2018 Pledged Capital Improvement Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to that certain Master Trust Indenture dated as of December 1, 2016 (the “*Master Indenture*”) by and between the Board and Amalgamated Bank of Chicago, as Trustee (the “*Trustee*”), as

supplemented by the Third Supplemental Indenture dated as of December 1, 2018 (the “*Third Supplemental Indenture*”) the Master Indenture, as supplemented by the Third Supplemental Indenture, is referred to as the “*Indenture*”) by and between the Board and the Trustee.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2018 Pledged Capital Improvement Taxes are to be extended, commencing with the taxes levied for the year 2019 (collectible in 2020), the Board shall file in your office (i) evidence of the abatement in full of the Series 2018 Pledged Capital Improvement Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution of the Capital Improvement Tax to be received during such year which is attributable to the Series 2018 Pledged Capital Improvement Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2018 Pledged Capital Improvement Taxes subject to such Segregation Order.

If in any year for which any of the Series 2018 Pledged Capital Improvement Taxes have been levied (as set out in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2018 Pledged Capital Improvement Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2018 Pledged Capital Improvement Taxes levied for such year bears to the total tax extension for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2018 Pledged Capital Improvement Taxes specified for such year in *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2018 Pledged Capital Improvement Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago  
ABA # 071 003 405  
Further Credit to: \_\_\_\_\_  
For Final Credit to: \_\_\_\_\_  
Reference: \_\_\_\_\_  
Attention: \_\_\_\_\_

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2018 Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification

below you agree that the owners of the Series 2018 Bonds have the right to specifically enforce this Direction.

*[Signature Page follows]*

Respectfully submitted this \_\_\_\_\_ day of December, 2018.

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Senior Vice President of Finance  
Board of Education of the City of Chicago



**EXHIBIT A**

**SERIES 2018 PLEDGED CAPITAL IMPROVEMENT TAXES**

LEVY YEAR	TAX LEVY
2019	\$4,300,000
2020	4,300,000
2021	4,300,000
2022	4,300,000
2023	4,300,000
2024	4,300,000
2025	4,300,000
2026	4,300,000
2027	4,300,000
2028	4,300,000
2029	4,300,000
2030	4,300,000
2031	8,690,000
2032	8,685,500
2033	8,690,250
2034	8,688,250
2035	8,689,250
2036	8,687,500
2037	8,687,500
2038	8,688,500
2039	8,689,750
2040	8,685,500
2041	8,685,250
2042	8,688,000
2043	8,687,750
2044	8,688,750

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2016, with the Board of Education of the City of Chicago (the “*Board*”), as supplemented by the Third Supplemental Indenture, dated as of December 1, 2018 (collectively, the “*Indenture*”), with the Board, providing for the issuance of \$86,000,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2018, of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2018 Bonds described in said Direction and will apply all collections of the Series 2018 Pledged Capital Improvement Taxes as provided in the Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: \_\_\_\_\_  
Authorized Officer

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this \_\_\_\_\_ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the “Board”), entitled:

Direction Regarding the Direct Deposit of Taxes Extended and Collected  
for the Payment of Dedicated Capital Improvement Tax Bonds, Series  
2018, of the Board of Education of the City of Chicago

(the “*Direction*”), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2044, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this \_\_\_\_\_ day of December, 2018.

\_\_\_\_\_  
County Collector,  
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF DUPAGE         )

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this \_\_\_\_\_ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the “Board”), entitled:

Direction Regarding the Direct Deposit of Taxes Extended and Collected  
for the Payment of Dedicated Capital Improvement Tax Bonds, Series  
2018, of the Board of Education of the City of Chicago

(the “*Direction*”), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2044, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this \_\_\_\_\_ day of December, 2018.

\_\_\_\_\_  
County Collector,  
The County of DuPage, Illinois

(SEAL)

**Form of Deposit Direction Regarding Annual Coverage CIT Tax Levy**

**DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES  
EXTENDED AND COLLECTED FOR THE PAYMENT OF  
ANNUAL DEBT SERVICE COVERAGE FOR THE  
DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2018  
OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO**

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

To:     The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution 18-0725-RS7 adopted by the Board of Education of the City of Chicago (the “*Board*”) on July 25, 2018, and being entitled:

RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF  
DEDICATED CAPITAL IMPROVEMENT TAX BONDS OF THE BOARD OF  
EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL  
AMOUNT NOT TO EXCEED \$125,000,000

(the “*Bond Resolution*”), a certified copy of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of \$125,000,000 in one or more series (the “*Bonds*”) and levied a direct annual capital improvement tax on all taxable property within the school district governed by the Board (the “*School District*”) pursuant to Section 34-53.5 of the Illinois School Code (the “*Capital Improvement Tax*”) for each of the years 2019 to 2044, inclusive, sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution (the “*Pledged Capital Improvement Taxes*”).

The Bond Resolution further authorized the direct deposit of such direct annual Capital Improvement Tax, if and when extended for collection, with the Amalgamated Bank of Chicago, as trustee (the “*Trustee*”), and the undersigned has designated the Trustee as escrow agent for application of collections of such direct annual capital improvement tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended and Section 10 of the Local Government Debt Reform Act.

The Board has entered into that certain Master Trust Indenture dated as of December 1, 2016 (the “*Master Indenture*”) by and between the Board and Amalgamated Bank of Chicago, as Trustee (the “*Trustee*”), and pursuant to the authority granted in the Bond Resolution, the Board has authorized the execution and delivery of a certain Third Supplemental Indenture dated as of December 1, 2018 (the “*Third Supplemental Indenture*” and together with the Master Indenture, the “*Indenture*”) by and between the Board and the Trustee, and (ii) the issuance and delivery, pursuant to the Indenture, of its \$86,000,000 aggregate principal amount Dedicated Capital Improvement Tax Bonds, Series 2018 (the “*Series 2018 Bonds*”).

Pursuant to the Master Indenture, the Board has issued its (i) Dedicated Capital Improvement Tax Bonds, Series 2016 and (ii) Dedicated Capital Improvement Tax Bonds, Series 2017 (collectively, the “*Outstanding Bonds*”).

In the Master Indenture, the Board has covenanted to levy the Capital Improvement Tax, as required and in sufficient amounts such that, for each year that Capital Improvement Taxes are levied for the payment of bonds issued pursuant to the Master Indenture, including the Outstanding Bonds and the Series 2018 Bonds, the amount of Capital Improvement Taxes levied in such year will not be less than 110% of the debt service coming due on such Outstanding Bonds and Series 2018 Bonds during the annual period commencing on April 2 of each calendar year (the “*Annual Debt Service Coverage Taxes*”).

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Annual Debt Service Coverage Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to the Indenture.

In each year for which Annual Debt Service Coverage Taxes are to be extended, prior to February 15 of the succeeding calendar year the Board shall file in your office a copy of the ordinance authorizing the levy of such Annual Debt Service Coverage Taxes and specifying the amounts to be so levied. Promptly upon receipt of the first distribution of collections of property taxes in each year for which Annual Debt Service Coverage Taxes are to be extended, you are to segregate and pay directly to the Trustee for deposit to the account identified below the amount specified in such ordinance.

As of the date of filing of this Direction, the Annual Debt Service Coverage Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago  
ABA # 071 003 405  
Further Credit to: \_\_\_\_\_  
For Final Credit to: \_\_\_\_\_  
Reference: \_\_\_\_\_  
Attention: \_\_\_\_\_

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2018 Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Series 2018 Bonds have the right to specifically enforce this Direction.

*[Signature Page follows]*

Respectfully submitted this \_\_\_\_\_ day of December, 2018.

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Senior Vice President of Finance  
Board of Education of the City of Chicago



AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2018, with the Board of Education of the City of Chicago (the “Board”), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2018 and will apply all collections of the Annual Debt Service Coverage Taxes as provided in the Master Trust Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: \_\_\_\_\_  
Authorized Officer

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this \_\_\_\_\_ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the “*Board*”), entitled:

Direction Regarding the Direct Deposit of Taxes Extended and Collected  
for Payment of Annual Debt Service Coverage for the Dedicated Capital  
Improvement Tax Bonds, Series 2018, of the Board of Education of the  
City of Chicago

(the “*Direction*”), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2044, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this \_\_\_\_\_ day of December, 2018.

\_\_\_\_\_  
County Collector,  
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF DUPAGE         )

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this \_\_\_\_\_ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the “Board”), entitled:

Direction Regarding the Direct Deposit of Taxes Extended and Collected  
for the Payment of Annual Debt Service Coverage for the Dedicated  
Capital Improvement Tax Bonds, Series 2018, of the Board of Education  
of the City of Chicago

(the “Direction”), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2044, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this \_\_\_\_\_ day of December, 2018.

\_\_\_\_\_  
County Collector,  
The County of DuPage, Illinois

(SEAL)

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**APPENDIX G**

**FORM OF OPINIONS OF CO-BOND COUNSEL**

December 13, 2018

The Board of Education  
of the City of Chicago

Dear Members:

We have examined a record of proceedings relating to the issuance of \$86,000,000 principal amount of Dedicated Capital Improvement Tax Bonds, Series 2018 (the “2018 Bonds”) of the Board of Education of the City of Chicago, a school district of the State of Illinois (the “Board”) duly organized and existing under Article 34 of the School Code, 105 Illinois Compiled Statutes 5 (the “School Code”). The 2018 Bonds are authorized and issued under and pursuant to the Section 34-53.5 of the School Code and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the “Debt Reform Act”), and by virtue of Resolution 18-0725-RS7 adopted by the Chicago Board of Education on July 25, 2018 (the “Bond Resolution”). The 2018 Bonds are issued and secured under the Master Trust Indenture dated as of December 1, 2016 (the “Indenture”) by and between the Board and Amalgamated Bank of Chicago, as trustee (the “Trustee”), as supplemented by the Third Supplemental Indenture dated as of December 1, 2018 (the “Third Supplemental Indenture”) by and between the Board and the Trustee. The 2018 Bonds are a Series of Additional Bonds and a Series of Consolidated Reserve Fund Bonds under the Indenture. Terms used herein that are defined in the Indenture and the Third Supplemental Indenture shall have the meaning set forth therein unless otherwise defined herein.

The 2018 Bonds are issuable in the form of fully registered bonds in the denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000. The 2018 Bonds are dated December 13, 2018 and bear interest from their date at the rate of five per centum (5.00%) per annum, payable on April 1, 2019 and semiannually thereafter on each April 1 and October 1. The 2018 Bonds mature on April 1 in each of the following years in the respective principal amount set opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2033	\$ 4,390,000
2034	4,605,000
2035	4,840,000
2036	5,080,000
2037	5,335,000
2038	5,600,000
2042	25,345,000
2046	30,805,000

The 2018 Bonds are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a single

maturity, on April 1, 2028 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The 2018 Bonds maturing on April 1, 2042 and April 1, 2046 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the Third Supplemental Indenture, in part and by lot, at a redemption price equal to the principal amount thereof to be redeemed, by the application of annual sinking fund installments on April 1 of the years and in the principal amounts set forth in the following tables:

2042 Term Bonds		2046 Term Bonds	
Year	Principal Amount	Year	Principal Amount
2039	\$5,880,000	2043	\$7,145,000
2040	6,175,000	2044	7,505,000
2041	6,485,000	2045	7,880,000

Pursuant to the Indenture the Board has heretofore issued and there are currently outstanding \$794,480,000 aggregate principal amount of Dedicated Capital Improvement Tax Bonds (the “Outstanding Bonds”). Pursuant to the Indenture, the Outstanding Bonds, the 2018 Bonds and all other Bonds hereafter issued under the Indenture are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes without limitation (i) the Capital Improvement Taxes, (ii) the Escrow Fund held by the Trustee under the Indenture; (iii) the Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Debt Service Fund into dedicated sub-funds, including the Series 2018 Dedicated Sub-Fund established and maintained for the benefit of the 2018 Bonds under the Third Supplemental Indenture and (iv) the Consolidated Debt Service Reserve Fund for Consolidated Reserve Fund Bonds issued under the Indenture.

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be provided to the purchasers of the 2018 Bonds.

The 2018 Bonds are issued for the purpose of financing Permitted Expenditures allowed under Section 34-53.5 of the School Code. The revenues collected from the Capital Improvement Tax may only be used for the capital improvement purposes allowed under Section 34-53.5 of the School Code and as security for the payment of bonds, including the 2018 Bonds, issued pursuant to Section 34-53.5 of the School Code and the Debt Reform Act.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Capital Improvement Taxes are the property of the Board. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to levy the Capital Improvement Tax, to pledge the Capital Improvement Taxes as security for the payment of the 2018 Bonds, to adopt the Bond Resolution, to enter into the Indenture and the Third Supplemental Indenture, and to issue the 2018 Bonds thereunder.

2. The Bond Resolution has been duly adopted by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable against the Board in accordance with its terms.

3. The Indenture and the Third Supplemental Indenture have been duly authorized, executed and delivered by the Board and constitute valid and binding contractual obligations of the Board enforceable in accordance with their terms.

4. The 2018 Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Board payable from the Series 2018 Dedicated Sub-Fund and the Consolidated Debt Service Reserve Fund, are entitled to the benefits and security of the Indenture and the Third Supplemental Indenture, and are enforceable against the Board in accordance with their terms. The 2018 Bonds are not general obligations of the Board. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for the payment of the principal of or interest on the 2018 Bonds.

5. All Bonds, including the 2018 Bonds, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of, lien on and security interest in the Trust Estate for the benefit and security of all Bonds, subject to application of the Trust Estate in accordance with the terms of the Indenture, including periodic withdrawals of moneys free from the lien of the Indenture.

6. Interest on the 2018 Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the 2018 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Interest on the 2018 Bonds does not constitute an item of tax preference for purposes of computing alternative minimum taxable income. The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the 2018 Bonds. These requirements relate to the use and investment of the proceeds of the 2018 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2018 Bonds and the use and tax ownership of the property financed with the proceeds of the 2018 Bonds. The Board has covenanted in the Third Supplemental Indenture to comply with these requirements.

Interest on the 2018 Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2018 Bonds, the Bond Resolution, the Indenture and the Third Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

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## APPENDIX H

### FORM OF SPECIAL REVENUES OPINION

December 13, 2018

Board of Education of the City of Chicago  
42 West Madison Street  
Chicago, Illinois 60602

**Re: Dedicated Capital Improvement Tax Bonds,  
Series 2018 – Special Revenues Opinion**

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the “Board”) in connection with the Board’s issuance of its Dedicated Capital Improvement Tax Bonds, Series 2018, in the aggregate principal amount of \$86,000,000 (the “2018 CIT Bonds”), issued pursuant to that certain Master Trust Indenture, dated December 1, 2016 (the “Master Indenture”), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as trustee (the “Trustee”) and that certain Third Supplemental Indenture, dated December 1, 2018 (the “Supplemental Indenture”), by and between the Board and the Trustee.

The Board authorized its issuance of the 2018 CIT Bonds pursuant to the following resolutions: (i) Resolution No. 16-1026-RS1, adopted by the Board on October 26, 2016, as restated and supplemented by Resolution No. 16-1207-RS2, adopted by the Board on December 7, 2016 (the “Bond Resolution”) and (ii) Resolution No. 18-0725-RS7, adopted by the Board on July 25, 2018 (the “Third Supplemental Bond Resolution”) and together with the Bond Resolution, the “Resolutions”). The Board’s issuance of the 2018 CIT Bonds pursuant to the Master Indenture, the Supplemental Indenture and the Resolutions is referred to herein as the “Financing.” The Board has previously issued its Dedicated Capital Improvement Tax Bonds, Series 2016 (the “2016 CIT Bonds”) which were authorized by the Bond Resolution and Resolution No. 16-1207- RS2, adopted by the Board on December 7, 2016, and its Dedicated Capital Improvement Tax Bonds, Series 2017 (the “2017 CIT Bonds”) which were authorized by the Bond Resolution and Resolution No. 17-1025-RS4, adopted by the Board on October 25, 2017.

In preparing this opinion letter, we have reviewed the Master Indenture, the Supplemental Indenture, the Resolutions, that certain Tax Regulatory Certificate, executed by the Board on December 13, 2018 (the “Tax Certificate”), the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2018 of the Board of Education of the City of Chicago (the “Debt Service Direction”), the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2018 of the Board of Education of the City of Chicago (the “Coverage Direction,” and together with the Debt Service Direction, the “Deposit Directions”) and applicable statutes of the State of Illinois and the United States, as referenced herein. The Master Indenture, the Supplemental Indenture, the Resolutions, the Tax Certificate and the Deposit Directions are referred to herein, collectively, as the “Bond Documents.”

The Financing will be used to fund (i) the costs to acquire, construct and equip school buildings, perform site improvements and acquire and improve other real and personal property in and for the public

school district of the City of Chicago, Illinois (the “School District”) as permitted by Section 34-53.5 of the School Code, 105 Illinois Compiled Statutes 5 (the “School Code”) and in accordance with the Board’s list of capital projects approved by the Third Supplemental Bond Resolution and annexed thereto as Exhibit A (the “Project List”), (ii) capitalized interest on the 2018 CIT Bonds, (iii) a deposit to the Consolidated Debt Service Reserve Fund maintained under the Master Indenture, and (iv) the costs of issuance of the 2018 CIT Bonds.

Payment of the 2018 CIT Bonds is secured by the Board’s pledge of and its granting of liens on revenues resulting from the Board’s levy of the capital improvement tax (the “Capital Improvement Tax”) authorized pursuant to Section 34-53.5 of the School Code on all taxable property within the School District for the levy years 2018 through 2044, inclusive. The 2018 CIT Bonds are secured exclusively by the Pledged Capital Improvement Taxes and any interest or other income generated therefrom and are not the general obligations or backed by the full faith and credit of the Board.

Capitalized terms used but not defined herein have the meanings assigned to them in the Master Indenture, the Supplemental Indenture and the Resolutions.

## **I. OPINIONS REQUESTED**

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a “bankruptcy court”) and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the “Bankruptcy Code”), would determine that the pledged Capital Improvement Tax revenues that secure payment of the 2018 CIT Bonds (the “Pledged CIT Revenues”) are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2018 CIT Bonds, under Illinois law and (ii) “special revenues” as that term is defined in Section 902(2)(E) of the Bankruptcy Code and, consequently, that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2018 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture.

In connection with the Financing, you have also requested our opinion as to whether the Board’s revocation or modification of the Deposit Directions in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due on the 2018 CIT Bonds would violate the Board’s covenants under the Bond Documents and Illinois law, including Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the “Act”).

## **II. ASSUMPTIONS**

We have examined the Bond Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Bond Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Bond Documents and that the Bond Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Bond Documents submitted to us as originals; (d) the conformity of the Bond Documents submitted to us as copies of the executed and delivered originals thereof; (e) the genuineness of all signatures on all Bond Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Bond Documents or otherwise in connection with the transactions contemplated by the Bond Documents; (g) the representations and warranties of the Board set forth in the Bond Documents are true as of the date

hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee, the County Clerks and County Collectors (each, as defined below) will perform its obligations under applicable Illinois law and the Bond Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Bond Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the 2018 CIT Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Bond Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

### **Summary of Financing**

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

On July 25, 2018, the Board adopted the Third Supplemental Bond Resolution for the purpose of, *inter alia*, approving the Project List – a list of capital projects to be financed with the proceeds of the 2018 CIT Bonds – and authorizing the use of the proceeds of the 2018 CIT Bonds to fund a debt service reserve (including the funding of the Consolidated Debt Service Reserve Fund to the Consolidated Reserve Requirement) and a capitalized interest account for the 2018 CIT Bonds. A copy of the Project List is annexed to the Third Supplemental Bond Resolution as Exhibit A.

### **Capital Projects**

The capital projects set forth on the Project List consist of various projects to construct, renovate and/or equip school buildings and other facilities within the School District. The estimated costs of such projects aggregate approximately \$125,000,000. Pursuant to the terms of the Supplemental Indenture, except to the extent the proceeds of the 2018 CIT Bonds will be used to pay capitalized interest, fund a deposit to the Consolidated Debt Service Reserve Fund and pay the costs of issuance of the 2018 CIT Bonds, such proceeds will be used exclusively to fund the costs of completing the capital projects set forth on the Project List, as further limited by the Supplemental Indenture and as may be modified or supplemented by subsequent resolutions of the Board, including, the costs of acquisition, construction and equipping of school buildings and facilities (including financing charges related to such costs), the costs of design, engineering and legal expenses, plans, specifications, surveys, as well as administrative expenses and other expenses necessary or incident to completing or determining the feasibility of completing particular projects on the Project List (collectively, “Costs of Construction”). Pursuant to Section 405 of the Supplemental Indenture, the Board has covenanted to include the construction of the projects set forth in the Project List, as further limited by the Supplemental Indenture, in each of its annual capital improvement programs until such time as the projects are completed. The Board approves by resolution and publishes its capital improvement program at least once a year and retains a copy on file with the Secretary of the Board. Accordingly, any changes to the capital projects permitted by the Supplemental Indenture must be included in the Board’s capital improvement program and approved by resolution of the Board.

### **Pledged CIT Revenues**

The 2018 CIT Bonds are payable from and secured by a valid lien upon and pledge of the Pledged CIT Revenues. As discussed below, the Pledged CIT Revenues will serve as the sole source for the payment of the 2018 CIT Bonds.

Under Section 3 of the Third Supplemental Bond Resolution, the Board has levied the Capital Improvement Tax for the years 2018 through 2047, inclusive, on all taxable property within the School District for the purpose of providing sufficient funds to pay all principal of and interest on the 2018 CIT Bonds for each of the years that the 2018 CIT Bonds are outstanding.<sup>1</sup> The Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the “County Clerks”) shall ascertain the tax rate required to produce, for each year of the levy, the amount of Capital Improvement Tax revenues set forth in a table in Section 4 of the Bond Resolution, and shall extend the Capital Improvement Tax for collection at such rates on behalf of the Board. Pursuant to Section 705 of the Master Indenture, for each year the 2018 CIT Bonds are outstanding, the Capital Improvement Tax is to be set at a rate so as to produce Pledged CIT Revenues equal to not less than 110% of all interest and principal payments due on the 2018 CIT Bonds during the next bond year.

### **Deposit and Application of Pledged CIT Revenues**

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200 (the “Property Tax Code”) and Sections 6 and 7 of the Bond Resolution, in order to secure the payment of the 2018 CIT Bonds, the Board is authorized to establish an escrow fund to hold and segregate the Pledged CIT Revenues and to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the “County Collectors”) to deposit the collections of the Capital Improvement Tax levied under the Bond Resolution directly into such escrow fund.

Pursuant to the Master Indenture, all of the revenues received from the collection of the Capital Improvement Tax must be paid directly by the County Collectors to the Trustee and deposited into an escrow fund created under the Master Indenture (the “Escrow Fund”). The Escrow Fund shall be an account separate and segregated from all other accounts of the Board. Prior to the issuance of the 2018 CIT Bonds, the Board’s Senior Vice President of Finance (who is a Designated Official under the Bond Resolution) issued the Deposit Directions to the County Collectors, pursuant to which the Board has irrevocably directed the County Collectors to transfer all collections of the Pledged Capital Improvement Taxes directly to the Trustee for deposit into the Escrow Fund. Section 709 of the Master Indenture provides that, as long as any of the 2018 CIT Bonds remain outstanding, the Board will not modify or amend the Deposit Directions in any way that would result in the deposit with the Trustee of less than all of the Capital Improvement Tax revenues collected on behalf of the Board in any year. Any modification of the Deposit Directions in a manner not permitted by the Master Indenture is an Event of Default thereunder.

Pursuant to Section 504(A) of the Master Indenture, the Trustee is required to allocate moneys in the Escrow Fund as follows: First, to the Debt Service Fund established under the Supplemental Indenture

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<sup>1</sup> This opinion addresses only whether the Pledged CIT Revenues collected from the levy of the Capital Improvement Tax under the Third Supplemental Bond Resolution would be regarded as special revenues in a hypothetical chapter 9 case filed by the Board. Under the terms of the Supplemental Indenture, the Board has elected to capitalize interest payments due on the 2018 CIT Bonds in 2019 and April 1, 2020. Accordingly, the payments to be made to holders of the 2018 CIT Bonds from Capital Improvement Tax revenues collected from the levy imposed by the Third Supplemental Bond Resolution will begin October 1, 2020.

until the amount deposited in that fund is sufficient to pay all interest and principal payments due on the 2018 CIT Bonds (and any other Bonds issued and outstanding under the Master Indenture) during the next bond year;<sup>2</sup> second, to the Consolidated Debt Service Reserve Fund until the amount deposited in that fund is equal to 14% of the maximum amount of principal and interest payable on the 2018 CIT Bonds (and any other Bonds issued and outstanding under the Master Indenture) in any bond year that such bonds are outstanding; third, to the debt service fund again to fund any other obligations required under the Supplemental Indenture; fourth, to pay any tax anticipation notes issued by the Board in anticipation of the collection of Capital Improvement Taxes;<sup>3</sup> fifth, for the payment of indebtedness of the Board secured by Capital Improvement Tax revenues other than bonds issued under the Master Indenture (but which indebtedness must be subordinate to all bonds issued under the Master Indenture); and sixth, to fund a “Permitted Expenditures Account” (a subaccount of the Escrow Fund) for the purpose of paying expenses for capital projects as permitted by Section 504(B) of the Master Indenture.

Accordingly, under the terms of the Master Indenture, all of the Capital Improvement Tax revenues collected on behalf of the Board in any year are deposited directly into the Escrow Fund and then promptly transferred to fund debt service on bonds secured by such revenues, including the 2018 CIT Bonds, through the next bond year (*i.e.*, all payments due through April 1<sup>st</sup> of the year following the year of collection). After the Debt Service Fund and the Consolidated Debt Service Reserve Fund are fully funded to their requirements, and, further, after the payment of any tax anticipation notes and subordinated indebtedness permitted by the Master Indenture, the Pledged CIT Revenues are then deposited into a separate account – the Permitted Expenditures Account – used for funding other capital improvement projects.

Pursuant to Section 504(B) of the Master Indenture, amounts held in the Permitted Expenditures Account may be paid by the Trustee to the Board or its contractors from time to time “for the payment or reimbursement of Permitted Expenditures that are Capital Expenditures....”<sup>4</sup> The Master Indenture defines Capital Expenditures to mean the following:

an authorized expenditure of the Board that is or may be capitalized under generally accepted accounting practices applicable to the Board and is made with respect to a project or system of the Board. This

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<sup>2</sup> The Master Indenture contemplates the issuance of additional dedicated capital improvement tax bonds secured by a lien of equal priority to the lien securing the 2016 CIT Bonds, the 2017 CIT Bonds and the 2018 CIT Bonds against the Capital Improvement Tax revenues collected on behalf of the Board. To the extent such additional bonds are issued, the Trustee will allocate the Capital Improvement Tax revenues deposited into the Escrow Fund to the annual debt service due on all outstanding series of such bonds on a *pro rata* basis.

<sup>3</sup> Pursuant to Section 402 of the Master Indenture, all proceeds of sale of tax anticipation notes are required to be paid to the Trustee for deposit into the Escrow Fund and allocated pursuant to Section 504(A) of the Master Indenture. Thus, the tax anticipation notes have no material impact on the application of funds under the Master Indenture.

<sup>4</sup> As further described below, proceeds of the 2018 CIT Bonds not used to pay certain costs of financing will be used to pay Costs of Construction, *i.e.*, the costs of capital projects set forth on the Project List, as further limited by the Supplemental Indenture. Pledged CIT Revenues that are ultimately deposited into the Permitted Expenditures Account and are, therefore, in excess of the debt service requirements of the 2018 CIT Bonds (and any other bonds issued under the Master Indenture), must be used for the payment of “Permitted Expenditures that are Capital Expenditures,” which will necessarily be capital improvement costs of the Board, but will not necessarily be costs associated with projects on the Project List.

definition may be revised to reflect the requisites of “projects and systems” as such term is used in Section 902 of the United States Bankruptcy Code (11 U.S. Code 902).

The Master Indenture defines Permitted Expenditures by adopting the text of Section 34-53.5(a) of the School Code, which governs the permissible uses of the Capital Improvement Tax under Illinois law. In particular, the Master Indenture defines Permitted Expenditures to mean the following:

expenditures for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this definition, or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings. This definition may be revised to reflect any amendment of Illinois law pertaining to permitted uses of the Capital Improvement Taxes.

Payments from the Permitted Expenditures Account pursuant to Section 504(B) of the Master Indenture may only be made after the Board provides the Trustee with a detailed requisition, identifying the person to whom payment should be made and the purpose of the expense incurred, and a certificate from the Board certifying, among other things, that the expense is a proper Permitted Expenditure and Capital Expenditure and has not been previously paid.

In addition, under Section 504(C) of the Master Indenture, the Board is entitled to request access to a revolving fund of not more \$5,000,000 payable from the Permitted Expenditures Account and exclusive of any payments made by the Trustee to the Board’s vendors under Section 504(B) of the Master Indenture. As with the procedures for the direct payment of vendors by the Trustee, the Board may use the revolving fund only for the payment of Permitted Expenditures that are Capital Expenditures. Further, the revolving fund must be held separate from all other funds and accounts of the Board, expressly including its general fund. The revolving fund is designed to enable the Board to pay certain vendor expenses that could not be conveniently paid under the requisition procedures of Section 504(B) of the Master Indenture. However, the Board is required to provide the same detailed requisitions and certifications to the Trustee (only, in these cases, after payment is made by the Board) before the Trustee will reimburse the revolving fund, and the Board may only make a payment from the revolving fund after it confirms that such payment matches invoiced amounts for Capital Expenditures that are Permitted Expenditures. (Master Indenture § 504(C).)

#### **Application of Proceeds of 2018 CIT Bonds**

Under Section 203(F) of the Supplemental Indenture, the net proceeds of the 2018 CIT Bonds in the aggregate amount of \$90,167,102.67 will be deposited into (i) the consolidated debt service reserve fund described above in the amount of \$1,377,089.57, (ii) a capitalized interest account in the amount of \$5,590,000.00, and (iii) the “2018 Project Account” in the amount of \$82,670,013.10, including the costs of issuance of the 2018 CIT Bonds. Moneys deposited into the 2018 Project Account will be used to pay for the costs of issuance of the 2018 CIT Bonds and Costs of Construction that are both Capital Expenditures and Permitted Expenditures. (Supplemental Indenture § 307(B).) Similar to Section 504(C) of the Master Indenture, Section 307(D) of the Supplemental Indenture provides for a \$5,000,000 revolving fund payable by the Trustee from the 2018 Project Account to the Board, which the Board may use to pay its vendors directly subject to substantially the same requirements applicable to the Board’s use

of the revolving fund under the Master Indenture, provided that such disbursements of proceeds of the 2018 CIT Bonds must be for Costs of Construction in addition to being Capital Expenditures and Permitted Expenditures. Also, similar to Section 504(B) of the Master Indenture, under Section 307(E) of the Supplemental Indenture, moneys on deposit in the 2018 Project Account may be paid by the Trustee directly to the Board's vendors for the payment of Costs of Construction that are Permitted Expenditures and Capital Expenditures, but only upon the filing by the Board with the Trustee of requisitions and certifications similar to those required under Section 504(B) of the Master Indenture. Finally, under Section 307(F) of the Supplemental Indenture, upon completion of the projects set forth on the Project List, as further limited by the Supplemental Indenture, the Trustee shall pay to the Board any remaining moneys on deposit in the 2018 Project Account, which (i) may be applied for payment, purchase or redemption of 2018 CIT Bonds, or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by Section 34-53.5 of the School Code and will not adversely affect the exclusion from gross income under the Internal Revenue Code of interest on the 2018 CIT Bonds.

Accordingly, all of the proceeds of the 2018 CIT Bonds not used to pay certain financing costs associated with the 2018 CIT Bonds will be used to pay for the costs of completing capital projects identified on the Project List, as further limited by the Supplemental Indenture, except in the event that all such projects are completed before the bond proceeds are exhausted, in which case, such surplus bond proceeds will be used to pay for other capital projects. Significantly, however, none of the proceeds of the 2018 CIT Bonds may be used by the Board for general operating expenses or for anything other than capital improvement projects. Likewise, all of the Pledged CIT Revenues will be used to pay debt service due on the 2018 CIT Bonds (and any other bonds issued under the Master Indenture) or, to the extent additional Pledged CIT Revenues are available in excess of debt service and reserve requirements under the Master Indenture, to pay for capital improvement costs that meet the definitions of both Permitted Expenditures and Capital Expenditures under the Master Indenture. Here, as well, none of the Pledged CIT Revenues may be used by the Board for general operating expenses or for anything other than capital improvement projects.

### **Additional Assumptions**

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and its compliance with the covenants and procedures set forth in Articles V and VII of the Master Indenture and Article III and Section 404 of the Supplemental Indenture. We further assume the following:

(a) the Board has not, and as long as the 2018 CIT Bonds remain outstanding, will not amend or modify the Master Indenture or the Supplemental Indenture in any manner that violates the covenants set forth in Sections 705 or 709 of the Master Indenture or Section 404 of the Supplemental Indenture;

(b) the Board has not and, as long as the 2018 CIT Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions and the facts and assumptions in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the 2018 CIT Bonds, the Master Indenture and the Supplemental Indenture shall be the valid, binding and legal obligations of the Board;

(d) as long as any of the 2018 CIT Bonds remain outstanding, no statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the 2018 CIT Bonds, to levy Capital Improvement Tax and to direct the transfer and application of the Capital Improvement Tax revenues as contemplated and required by the Bond Documents, including, without limitation, Sections 8 and 13 of the Act, Section 34.5 of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the 2018 CIT Bonds, and the holders of the 2018 CIT Bonds;

(e) the Board is duly authorized under Illinois law to levy the Capital Improvement Tax for each year the 2018 CIT Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Capital Improvement Tax under the Bond Resolution;

(f) the Board will not use or claim the right to use the collections of the Capital Improvement Tax except as expressly permitted by the Master Indenture and the Board will not use or claim the right to use the proceeds of the 2018 CIT Bonds except as expressly permitted by the Supplemental Indenture;

(g) the Board will comply with the requisition and certification requirements of Section 504 of the Master Indenture and Section 307 of the Supplemental Indenture regarding the Board's use of Pledged CIT Revenues and the proceeds of the 2018 CIT Bonds for the payment or reimbursement of Costs of Construction that are Capital Expenditures and Permitted Expenditures;

(h) the Costs of Construction will be limited to the costs of such projects and improvements and related expenses identified and described in the Project List annexed to the Third Supplemental Bond Resolution as Exhibit A, as may be amended with approval of the Board;

(i) to the extent the Costs of Construction include administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses are or will be directly related to the capital projects identified on the Project List; and

(j) the Pledged CIT Revenues are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the 2018 CIT Bonds, except any liens that have been or may be granted to holders of the 2016 CIT Bonds, the 2017 CIT Bonds or any additional bonds that have been or may be authenticated and issued under the Master Indenture, which may be of equal priority to the lien granted to the Trustee with respect to the 2018 CIT Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board or the 2018 CIT Bonds and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Bond Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested regarding the Financing, we



believe that our reliance on the representations, covenants and other provisions in the Bond Documents relating to the purposes and permitted uses of the Pledged CIT Revenues and the proceeds of the 2018 CIT Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

### **III. DISCUSSION OF APPLICABLE LAW**

#### **Illinois Statutes**

The Board's authority to levy the Capital Improvement Tax is derived from Section 34-53.5 of the School Code. Section 34-53.5(a) provides, in relevant part, as follows:

*For the purpose of providing a reliable source of revenue for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this subsection (a), or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings, the board may levy, upon all taxable property of the school district, in calendar year 2003, a capital improvement tax to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted by (2) \$142,500,000.*

105 ILCS 5/34-53.5(a) (emphasis added). Section 34-53.5(b) sets forth a formula for calculating the maximum amount of Capital Improvement Tax that may be levied during calendar years 2004 to 2030 and subsequent subsections set forth the applicable formula for later years. Pursuant to Section 34-53.5(f) of the School Code, the Board is authorized to issue bonds in accordance with the Act, "against any revenues to be collected from the capital improvement tax in any year or years."

Pursuant to Section 13 of the Act, the Board may pledge as security for the payment of bonds issued pursuant to Section 34-53.5(f) of the School Code and the Act, *inter alia*, (i) moneys deposited or to be deposited into any special fund of the Board and (ii) "revenues or taxes expected to be received by the [Board] ... including taxes imposed by the [Board] pursuant to [a] grant of authority by the State." 30 ILCS 350/13. Here, the Pledged CIT Revenues deposited into the Escrow Fund fall within both of these categories and, accordingly, the Pledged CIT Revenues are a revenue source that may be validly pledged to secure bonds issued by the Board, including the 2018 CIT Bonds.

Section 13 of the Act further provides that –

*Any such pledge [of qualified revenues] made by a governmental unit shall be valid and binding from the time such pledge is made. The revenues, moneys and other funds so pledged and thereafter received by*

the governmental unit *shall immediately be subject to the lien of such pledge* without any physical delivery thereof or further act; and, subject only to the provisions of prior agreements, the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the governmental unit irrespective of whether such parties have notice thereof. *Pursuant to any such pledge, a governmental unit may bind itself to impose rates, charges or taxes to the fullest extent permitted by applicable law.* No ordinance, resolution, trust agreement or other instrument by which such pledge is created need be filed or recorded except in the records of the governmental unit.

*Id.* (emphasis added). In accordance with Section 34-53.5(f) of the School Code and Section 13 of the Act, under the Master Indenture and the Supplemental Indenture, the Board has granted a lien in favor of the Trustee, for the benefit of the holders of the 2018 CIT Bonds, against all Capital Improvement Tax revenues collected on behalf of the Board and deposited into the Escrow Fund or any other funds or accounts established under such indentures, as well as all other moneys and revenues maintained under such indentures. Under Section 13 of the Act, the Board's pledge of the Pledged CIT Revenues to the payment of the 2018 CIT Bonds is valid and binding on the Board at the time the Board enters into the Master Indenture and the Supplemental Indenture. In addition, the Trustee's lien against the Pledged CIT Revenues is perfected against third parties immediately upon the deposit of the Pledged CIT Revenues into the Escrow Fund at which point they may be deemed "received" by the Board for purposes of the statute.

The Deposit Directions will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated Escrow Fund* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Directions, the County Collectors are required by statute to deposit the Capital Improvement Tax revenues into the Escrow Fund. The Board, in turn, has covenanted under Section 709 of the Master Indenture not to modify or terminate the Deposit Directions so long as the 2018 CIT Bonds are outstanding in any way that would result in less than all of the Capital Improvement Tax revenues collected by the County Collectors being deposited into the Escrow Fund.

### **Bankruptcy Law**

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Under the Bankruptcy Code, a municipality, such as the Board, cannot file for a bankruptcy case under chapter 9 unless such municipality is specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy case. 11 U.S.C. § 109(c)(2). Presently, Illinois law does not permit the Board to be a debtor in a bankruptcy case. From time to time, however, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois units of local government to be a debtor in bankruptcy cases under the Bankruptcy Code. We cannot predict and express no opinion concerning whether the Illinois General Assembly may adopt any such legislation or the impact that such legislation would have on the Board.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

### **The Automatic Stay**

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

[A] petition filed under section 301, 302, or 303 of this title ... operates as a stay, applicable to all entities, of—

(1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ....

(3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate; ....

(6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title....

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.<sup>5</sup> However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the “1988 Amendments”)) “to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law.” S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988) (the “*Senate Report*”). The 1988 Amendments included Section 902(2)

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<sup>5</sup> Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

of the Bankruptcy Code, which defined the term “special revenues,”<sup>6</sup> and Section 922(d), which created a limited exception to the automatic stay with respect to “pledged special revenues.” In particular, Section 922(d) provides that “[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues.” 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of “special revenues” pledged to the holder of bonds free of the automatic stay. <sup>6</sup> *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy (“Collier”) ¶ 922.05[2], at 922-10 (16<sup>th</sup> Ed. Rev. 2013).*

In one of only two decisions interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama’s chapter 9 case held that “pledged special revenues” as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term “pledged special revenues” as used in Section 922(d) “encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County’s chapter 9.” *Id.* (emphasis added). Accordingly, the court held, “[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these ‘pledged special revenues’ to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a).” *Id.*

As noted in *Collier*, however, “because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality.” *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Moreover, Section 904 of the Bankruptcy Code provides that “[n]otwithstanding any power of the court, unless the debtor consents or the plan [of debt adjustment] so provides, the court may not, by any stay, order, or decree, in the case or otherwise, interfere with (1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor’s use or enjoyment of any income-producing property.”

Thus, while Section 922(d) should permit the Trustee to apply Pledged CIT Revenues in its possession to payment of the Bonds and permit the Board to *voluntarily* continue to honor its obligations with respect to Pledged CIT Revenues without interference from the bankruptcy stay, if the Board countermands the Deposit Directions or the County Collectors otherwise refuse to deposit collected Pledged CIT Revenues with the Trustee, the court in a chapter 9 case of the Board may be powerless to compel the turnover or payment of Pledged CIT Revenues to the Trustee for application to payment of the Bonds. While the court, as a condition to maintaining the stay against non-consensual enforcement of the lien against the Pledged CIT Revenues, could require the Board to provide additional adequate protection if the bondholders are in danger of becoming undersecured,<sup>7</sup> if the Board refused or was unable to do so

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<sup>6</sup> A discussion of what constitutes “special revenues” under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

<sup>7</sup> If a creditor is oversecured and the debtor therefore has equity in the surplus collateral, the “equity cushion” itself may constitute adequate protection.

and the stay was lifted, the bondholders' recourse with respect to the Pledged CIT Revenues may be limited to pursuit of their remedies under state law.

Certain of these issues have arisen most recently in the debt adjustment case of the Commonwealth of Puerto Rico under the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”). In *In re The Financial Oversight and Management Board for Puerto Rico (Assured Guaranty Corp., et al v. Commonwealth of Puerto Rico, et al.)*, 582 B.R. 579 (D.P.R. 2018) (“Assured Guaranty”), plaintiffs were financial guarantee insurers of various bonds issued by certain public corporations of the Commonwealth, including the Puerto Rico Highway and Transportation Authority (“PHRTA”), and secured by a lien on what the plaintiffs contended were special revenues. The Commonwealth and, subsequently, the Commonwealth's Oversight Board, had ceased making payments on the bonds and also controlled the proceeds of pledged revenues held in a reserve account. The plaintiffs brought an action to compel payment of the bonds from pledged revenues and sought turnover of the revenues in the reserve account. The plaintiffs alleged that the failure of PHRTA to continue to make payments on its bonds as they come due violates Sections 922(d) and 928(a) of the Bankruptcy Code, made applicable in the PROMESA case by Section 301 of PROMESA. *Id.* at 590. They further contended, pleading in the alternative, that the proceeds in the reserve account were (i) the bondholders' property, (ii) held in trust for the bondholders, or (iii) subject to the lien of the bondholders. *Id.* at 597. The court held that Section 922(d) only exempts from the automatic stay the consensual application of special revenues by municipalities and others in control of special revenues, and does not impose a payment obligation on the municipality, address actions to enforce liens, or sanction the court's non-consensual interference with governmental properties or revenues which, the court believed, would violate constraints on its power under Section 305 of PROMESA (the counterpart to Section 904 of the Bankruptcy Code discussed above). *Id.* at 594-96. The court further held that Section 928(a) merely provides that a prepetition lien on special revenues continued during the post-petition period notwithstanding Section 552(a) of the Bankruptcy Code – it does not require payment or turnover of special revenues. *Id.* at 596. With respect to the proceeds in the reserve account, the court held that it lacked subject matter jurisdiction on justiciability grounds as to the lien claim alternatively pled by the plaintiffs, and held that with respect to the ownership and trust claims asserted by the plaintiffs, PRHTA had a sufficient interest in the reserve account proceeds to preclude a holding that the proceeds were property of or had to be turned over to the plaintiffs. *Id.* at 596-99.<sup>8</sup>

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay. Notably, the plaintiffs in *Assured Guaranty* did not seek stay relief.<sup>9</sup>

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Sections 362 or 922 is entitled to “adequate protection” of its interest in its collateral. 11 U.S.C. §§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶

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<sup>8</sup> Plaintiffs have appealed the court's decision to the United States Court of Appeals for the First Circuit (Docket No. 18-1166). The appeal remains pending as of the date hereof.

<sup>9</sup> Because the lien granted on collateral under bond Indenture is in favor of the bond trustee for the benefit of all bondholders, it may be that no party other than the bond trustee can seek stay relief to exercise remedies as to the collateral.

922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

If the debtor provides ... adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title ... *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see Senate Report*, at 11. Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

- (1) ... cause, including the lack of adequate protection of an interest in property of such party in interest;
- (2) with respect to a stay of an act against property under subsection (a) of this section, if—
  - (A) the debtor does not have an equity in such property; and
  - (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

### **Continuation of Liens During Chapter 9 Case**

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any

security agreement entered into by the debtor before the commencement of the case.” 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) “would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy.” *In re Jefferson County, Alabama*, 474 B.R. at 267. “[E]liminating the potential loss of a creditor’s lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments].” *Id.* at 268-69.

Accordingly, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy “special revenues” of the debtor. Specifically, Section 928(a) provides that “[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case.” 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of Section 552(a).<sup>10</sup> *Collier* ¶ 928.02, at 928-3.

### **Special Revenues**

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of “special revenues.” With respect to the Pledged CIT Revenues, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that “special revenues” mean “taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor.” 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. First, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the “*NBC Report*”)<sup>11</sup> contains the following discussion:

Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in*

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<sup>10</sup> Section 552(a) applies by its terms only to “any lien resulting from any *security agreement* entered into by the debtor.” 11 U.S.C. § 552(a) (emphasis added). Accordingly, Section 552(a) does not terminate statutory liens granted to bondholders against revenues of the debtor arising after the commencement of a chapter 9 case. A “statutory lien” is “a lien arising solely by force of a statute on specified circumstances or conditions....” 11 U.S.C. § 101(53); *see In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995). We express no opinion regarding whether the liens granted in favor of the Trustee against the Pledged CIT Revenues or any other moneys, funds or accounts held in trust under the Master Indenture or the Supplemental Indenture may be regarded as statutory liens under the Bankruptcy Code.

<sup>11</sup> Richard B. Levin and Lawrence P. King, “Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments,” included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

*conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute “special revenues.” Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

*NBC Report*, at 19 (emphasis added).

Second, the Senate Report, which accompanied the Senate’s version of the relevant bill (S. 1863) leading to the 1988 Amendments, contains the following statements:

Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

*Senate Report*, at 14 (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that “the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy*, where such revenues are meant to serve as security to the bondholders.” H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer’s general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that “[t]o meet the requirement of a ‘special revenue’ under this provision, taxes must be restricted in use to a specific project or system.... In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute ‘special revenues.’” *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds “is not available for general municipal purposes in this case.... [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders.” *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax “specifically required the net proceeds of the tax be used exclusively for the District.” *Id.* at 148, n.1.



*Heffernan* is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. See *Alexander D. Flachsbarth, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of “Special Revenues” in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy “a continuing and direct ad valorem tax” on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at \*6, 9-10. The debtor’s resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at \*10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as “supported by sound business judgment” of the debtor and “in the best interest of creditors,” but was not called upon to decide, and did not decide, whether the parties’ stipulations were legally correct. *Id.* at \*1.

#### IV. ANALYSIS

##### The Pledged CIT Revenues’ Qualification as Special Revenues

In the case of the 2018 CIT Bonds, the Bond Documents and applicable Illinois statutory law provide a reasonable basis to conclude that, in a properly litigated case, the Pledged CIT Revenues would be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer’s general operating expenses or for purposes unrelated to the specified projects.<sup>12</sup>

With respect to the first requirement, the Resolutions, the Master Indenture and the Supplemental Indenture provide a reasonable basis to conclude that the Pledged CIT Revenues have been specifically levied to finance one or more projects. Section 4 of the Bond Resolution provides that the Capital

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<sup>12</sup> As a threshold matter, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the Pledged CIT Revenues are property of the Board. Section 20-90 of the Property Tax Code refers to the tax proceeds “of any taxing district” while Section 34-53.5 of the School Code states that “the board may levy ... a capital improvement tax.” (Emphasis added.) Such provisions indicate that the Board and not the County Collectors are granted the right to levy and use the Capital Improvement Tax. Similarly, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the lien granted to the Trustee for the benefit of the holders of the 2018 CIT Bonds upon the Pledged CIT Revenues under the Master Indenture and the Supplemental Indenture is valid and binding pursuant to Section 34-53.5(f) of the School Code and Section 13 of the Act.

Improvement Tax is “*hereby levied*,” “[f]or the purpose of providing funds ... to pay the principal of and interest on the Dedicated Tax Bonds ...” (Emphasis added.) As defined by the Bond Resolution, Dedicated Tax Bonds include bonds issued by the Board pursuant to Section 34-53.5(f) of the School Code. Presently, the only “Dedicated Tax Bonds” for purposes of the Bond Resolution are the 2016 CIT Bonds, the 2017 CIT Bonds and the 2018 CIT Bonds. Section 4 of the Bond Resolution further describes the Capital Improvement Tax as a “direct annual tax” levied at a rate sufficient to achieve specified amounts of revenue for each year the 2018 CIT Bonds are outstanding as set forth in a table in the Bond Resolution. Therefore, it is reasonably clear that the Capital Improvement Tax, insofar as it is levied pursuant to the Third Supplemental Bond Resolution, has been “specifically levied” to repay the 2018 CIT Bonds. Moreover, the Third Supplemental Bond Resolution, which imposes the levy of the Pledged CIT Revenues, was adopted for the additional purpose of authorizing the issuance of Dedicated Tax Bonds, including the 2018 CIT Bonds. Thus, consistent with the description in the *NBC Report*, the Pledged CIT Revenues have been levied and will be collected “for the specific purpose of paying principal and interest coming due on bonds *issued in conjunction with the levy of the property tax.*” *NBC Report*, at 19 (emphasis added).

Consideration must then be given to the purpose of the 2018 CIT Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, the Supplemental Indenture provides, and we assume, that the proceeds of the 2018 CIT Bonds will be used only to fund (i) a capitalized interest account for the 2018 CIT Bonds, (ii) a reserve for debt service due on the 2018 CIT Bonds (as well as additional bonds that may be issued under the Master Indenture) in the event of any deficiency of Pledged CIT Revenues at the time any bond payment is due, (iii) the costs of issuance of the 2018 CIT Bonds and (iv) the Costs of Construction that are also Permitted Expenditures and Capital Expenditures. (Supplemental Indenture § 203(F).)

As discussed above, the Costs of Construction consist of the costs of undertaking and completing the capital projects set forth on the Project List, as further limited by the Supplemental Indenture. The Project List has been approved by the Board through its adoption of the Third Supplemental Bond Resolution and the Board has pledged to include the Project List, as limited by the Supplemental Indenture and as may be modified by the Board from time to time, in its annual capital improvement program, which is also approved by resolution of the Board, until the capital projects set forth on the Project List, as limited by the Supplemental Indenture, are complete. We believe that the Project List provides a reasonably identifiable and appropriate list of capital improvement projects that is consistent with the requirement under Section 902(2)(E) of the Bankruptcy Code that the subject taxes be levied to finance one or more projects.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the capital improvement costs of their respective hospital districts. Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the Costs of Construction constitute costs of “one or more projects” for purposes of Section 902(2)(E) of the Bankruptcy Code. The Costs of Construction may include certain administrative expenses, including employee salaries appropriately allocated to capital projects set forth on the Project List or professional fees and expenses, but we assume that all such costs are or will be directly related to the Project List and that the Board will not use the proceeds of the 2018 CIT Bonds to pay its general operating expenses.

In addition, the underlying statute authorizing the levy of the Capital Improvement Tax – Section 34-53.5 of the School Code – expressly limits the permitted uses of the Capital Improvement Tax to capital improvement purposes, including the construction and equipping of new school buildings, the purchase of school grounds or the rehabilitation, renovation, and equipping of existing school buildings.

Consistent with these statutory requirements, the Supplemental Indenture limits the Board's use of proceeds of the 2018 CIT Bonds deposited into the 2016 Project Account to "Permitted Expenditures," which definition adopts the language of Section 34-53.5 of the School Code, and further requires that such expenditures be "Capital Expenditures," such that they may be capitalized by the Board under GAAP. These contractual requirements exceed (but remain consistent with) the statutory requirements and appear sufficient to satisfy the requirement of Section 902(2)(E) of the Bankruptcy Code that the Capital Improvement Tax is levied to finance one or more projects of the Board.

In addition to funding the Costs of Construction, the proceeds of the 2018 CIT Bonds will be used to pay certain financing costs associated with the 2018 CIT Bonds, including payment of the costs of issuance, funding of a capitalized interest account and funding of a debt service reserve. Section 902(2)(E) of the Bankruptcy Code refers to taxes that are specifically levied to "finance" one or more projects or systems and the legislative history of the statute clearly reflects Congress' understanding that such projects would be financed with municipal bonds. We view these additional uses of the proceeds of the 2018 CIT Bonds as typical and customary in municipal finance transactions of this type and, thus, reasonably within the scope of financing a municipal project through the issuance of bonds.

As discussed above, the Pledged CIT Revenues deposited into the Escrow Fund under the Master Indenture will be used for several purposes in addition to funding debt service due on the 2018 CIT Bonds and other bonds issued under the Master Indenture. (Master Indenture § 504(A).) In addition to funding debt service, the Pledged CIT Revenues will be used (i) to make payments due on tax anticipation notes issued by the Board in anticipation of collections of the Capital Improvement Tax, (ii) to make payments due on any subordinated indebtedness incurred by the Board that is secured by the Capital Improvement Tax revenues and (iii) to pay the Board's vendors directly for expenses that are both Permitted Expenditures and Capital Expenditures. Although none of these items will necessarily be limited to funding capital projects identified on the Project List, because of the restrictions of Section 34-53.5 of the School Code regarding the permissible uses of the Capital Improvement Tax, each of these applications may ultimately be used only for the payment or reimbursement of capital improvement projects of the Board as further limited by that statute. Moreover, although Section 902(2)(E) requires that the subject tax be levied to finance one or more projects of the debtor, it does not prohibit the use of the tax revenues for additional purposes provided that the tax revenues are not used to fund the general operating expenses of the debtor. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1005 (Spring 2015) ("The Senate Report notes that the entire amount collected by the new tax does not need to be dedicated exclusively to debt service. However, the portion of the tax that is dedicated to debt service cannot be made available for any other general municipal function."); Senate Report, at 21 ("Likewise, any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.") (emphasis added). Here, the Capital Improvement Tax revenues collected and deposited into the Escrow Fund are required to be used for financing indebtedness incurred to pay capital improvement costs or to pay such capital improvement costs directly and all of the Capital Improvement Tax dedicated to the payment of the 2018 CIT Bonds are required to be used to finance the Costs of Construction associated with the Project List, as further limited by the Supplemental Indenture, and certain other costs of the 2018 CIT Bonds. Accordingly, we do not believe the use of the Capital Improvement Tax under the Master Indenture for purposes other than the payment of debt service on the 2018 CIT Bonds diminishes or alters the validity of our opinions that the Pledged CIT Revenues would be held to be special revenues in a chapter 9 case of the Board.

With respect to the second requirement under Section 902(2)(E) of the Bankruptcy Code, the Bond Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged CIT Revenues may not be used to finance the general operating expenses of the Board.

Most importantly, the Board is authorized to levy the Capital Improvement Tax pursuant to Section 34-53.5 of the School Code solely for the payment of capital improvement projects of the Board. No other purposes are authorized by the statute. Accordingly, the use of Capital Improvement Tax revenues to pay the general operating expenses of the Board would violate the terms of the authorizing statute as well as the Resolutions. Consistent with these limitations, the Master Indenture and the Supplemental Indenture provide for the application of *all* Capital Improvement Tax revenues to either finance indebtedness, including the 2018 CIT Bonds, incurred to pay capital improvement costs or to pay capital improvement costs directly. Any Capital Improvement Tax revenues in excess of debt service requirements may be used only to pay for expenses that are both Permitted Expenditures and Capital Expenditures and any excess proceeds of the 2018 CIT Bonds after completion of all projects on the Project List, as further limited by the Supplemental Indenture, may be transferred to the Board but then used only to pay for capital improvement projects permitted by Section 34-53.5 of the School Code. Thus, the Bond Documents require that no funds may be used for any purposes other than capital improvement purposes and related financing costs.

In addition, pursuant to Section 6 and 7 of the Bond Resolution, Section 5 of the Third Supplemental Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Directions directing the County Collectors to deposit all collections of the Capital Improvement Tax into the Escrow Fund maintained by the Trustee under the Master Indenture. Section 20-90 of the Property Tax Code, provides that County Collectors “*shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, directly into a designated Escrow Fund established by the district.” 35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Directions, the County Collectors are statutorily required to deposit the Capital Improvement Tax revenues into the Escrow Fund. On each business day funds are held in the Escrow Fund, such funds will be deposited or applied in accordance with the waterfall of Section 504(A) of the Master Indenture. The Deposit Directions and the Escrow Fund prevent the Board from receiving the collections of the Capital Improvement Tax and the waterfall provisions of Section 504(A) of the Master Indenture ensure that all debt service requirements for the 2018 CIT Bonds through the bond year ending after the year of collection may be satisfied with funds deposited in a segregated account and available to the Trustee. Only after the Pledged CIT Revenues flow through the waterfall of the Master Indenture will they become available to the Board for the direct payment of Permitted Expenditures that are Capital Expenditures (subject to the requisition and certification requirements discussed above). The application of the proceeds of the 2018 CIT Bonds under the Supplemental Indenture works similarly in that the Board may obtain access to the bond proceeds only to pay the Costs of Construction, which must also be Permitted Expenditures and Capital Expenditures and are subject to the same requisition and certification requirements applicable to the Pledged CIT Revenues. To the extent there are any surplus proceeds of the 2018 CIT Bonds after completing all projects on the Project List, as further limited by the Supplemental Indenture (which is an unlikely event given the estimated costs of such projects), the proceeds may be turned over to the Board but then may be used only to fund capital improvement projects within the scope of Section 34-53.5 of the School Code.

The direct deposit of Pledged CIT Revenues by the County Collectors into the Escrow Fund pursuant to the Master Indenture and the Deposit Directions is not necessary for the Pledged CIT Revenues to be regarded as special revenues under the Bankruptcy Code. Section 902(2)(E) of the Bankruptcy Code requires only that the Capital Improvement Tax be specifically levied to finance one or more projects of the Board and that the Pledged CIT Revenues not be used to fund the general operating expenses of the Board. Nonetheless, by preventing the Board from accessing the Pledged CIT Revenues, except to the limited extent that all debt service and other obligations under the Master Indenture are satisfied, the direct deposit pursuant to the Deposit Directions provides greater certainty to bondholders that the Pledged CIT Revenues will be applied properly and in a timely manner as required by the Bond Documents.

Pursuant to the Bond Resolutions, the Board has provided that the Deposit Directions shall be irrevocable. In the event that the Board nevertheless attempted to revoke the Deposit Directions and divert the Pledged CIT Revenues to the Board for applications other than payment of the 2018 CIT Bonds, the Board would be in violation of its covenants under the Master Indenture and Supplemental Indenture and applicable provisions of Illinois law. Pursuant to Section 13 of the Act, the Board is authorized to pledge the Pledged CIT Revenues for the payment of the 2018 CIT Bonds and, under the express language of the statute, the Board's pledge "is valid and **binding** from the time such pledge is made." 30 ILCS 350/13 (emphasis added). Similarly, Section 13 of the Act provides that "[p]ursuant to any such pledge, **a governmental unit may bind itself to impose** rates, charges or **taxes** to the fullest extent permitted by applicable law. To avail itself of these provisions, the Board has adopted the Bond Resolution, which provides in Section 5 that "[p]ursuant to the authority granted in Section 13 of the Act, the Board [] binds itself irrevocably for the term of the Dedicated Tax Bonds to impose the Pledged Capital Improvement Taxes to the fullest extent permitted by law ...." Accordingly, the Board's pledge of the Pledged CIT Revenues to the payment of the 2018 CIT Bonds is binding on the Board pursuant to Section 13 of the Act. Any use of the Pledged CIT Revenues by the Board in violation of the Board's pledge to apply the Pledged CIT Revenues to the payment of the 2018 CIT Bonds under the Master Indenture and Supplemental Indenture, would be not only a breach of such indentures but a violation of Section 13 of the Act. Furthermore, any use of the Pledged CIT Revenues by the Board for purposes other than capital improvement projects of the Board would be a direct violation of Section 34-53.5 of the School Code. We express no opinion regarding the remedies that may be available to any party based on such violations of Section 13 of the Act and Section 34-53.5 of the School Code.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged CIT Revenues or the proceeds of the 2018 CIT Bonds for any purpose other than to finance indebtedness authorized by the Master Indenture, including the 2018 CIT Bonds, and to pay for capital improvement costs. Thus, assuming the Bond Documents are complied with, the Pledged CIT Revenues cannot be used to pay the general operating expenses of the Board.

### **Exemption from the Automatic Stay**

As we conclude that the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, if the Board commenced a chapter 9 case, the County Collectors would be authorized to continue to transfer the collections of the Capital Improvement Tax to the Escrow Fund in accordance with the terms of the Deposit Directions and the Trustee would be authorized to continue to apply the Pledged CIT Revenues to the payment of the 2018 CIT Bonds, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged CIT Revenues in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged CIT Revenues that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Directions, the Board obtains possession of the Pledged CIT Revenues (other than amounts permitted by the Master Indenture in excess of debt service requirements) or otherwise blocks their deposit with the Trustee, there is a risk that actions to compel the payment of the 2018 CIT Bonds will be stayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. Section 922(d) creates an exception to the automatic stay and thereby authorizes the continued application of pledged special revenues to the payment of bonds, but it does not compel an unwilling debtor or another party to take such action. We express no opinion regarding the Board's power to revoke the Deposit Directions or the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief, or, because of Section 904 of the Bankruptcy Code, the power of the bankruptcy court to grant the Trustee or bondholders any relief other

than lifting the bankruptcy stay to permit the Trustee to pursue its state law and contractual remedies with respect to the Pledged CIT Revenues.

### **Continuation of Lien on Pledged CIT Revenues**

Again, as we conclude that the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, pursuant to Section 928(a) of the Bankruptcy Code, the liens granted to the Trustee under the Master Indenture and the Supplemental Indenture upon the Pledged CIT Revenues should remain valid and enforceable against any Pledged CIT Revenues collected during the bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged CIT Revenues collected prior to the commencement of such case.

As a result, even if application of the Pledged CIT Revenues to the payment of the 2018 CIT Bonds is stayed, the Trustee, on behalf of the holders of the 2018 CIT Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged CIT Revenues, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged CIT Revenues, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the 2018 CIT Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged CIT Revenues. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.<sup>13</sup>

## **V. OPINIONS**

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that the Pledged CIT Revenues are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2018 CIT Bonds, under Illinois law and (ii) "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code. Consequently, a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2018 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture.

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<sup>13</sup> Because the 2018 CIT Bonds are dedicated tax bonds secured only by the Board's pledge of Capital Improvement Tax Revenues and are not backed by the full faith and credit of the Board, pursuant to Section 927 of the Bankruptcy Code, the holders of the 2018 CIT Bonds will not be entitled to assert a general unsecured claim against the Board in the event the Pledged CIT Revenues prove insufficient to fully satisfy their claims.

Our opinion that the Pledged CIT Revenues would be determined to be “special revenues” as that term is defined in Section 902(2)(E) of the Bankruptcy Code by a federal bankruptcy court, under the conditions and subject to the qualifications articulated herein, is not altered by the possibility that the Board might revoke or modify the Deposit Directions, provided that the Pledged CIT Revenues would continue to be applied only to capital improvement projects permitted by Section 34-53.5 of the School Code and not used for the general operating expenses of the Board.

In addition, based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that in the event the Board revoked or modified the Deposit Directions in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due on the 2018 CIT Bonds, the Board’s actions would violate its covenants under the Bond Documents and Illinois law, including Section 13 of the Act.

## **VI. QUALIFICATIONS AND LIMITATIONS**

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms “finance” and “one or more projects” under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court’s analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court would reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a state’s authority to control its municipalities. These considerations may allow a bankruptcy court properly to, among other things, authorize the Board’s use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board’s property notwithstanding such property’s status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We express no opinion as to the availability of temporary relief by a court pending a final determination on the merits of a proceeding seeking to determine the parties’ rights with respect to the Pledged CIT Revenues.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion therein of limitations and uncertainties involved in opinions of this nature.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America and the State of Illinois or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion may be furnished to, but may not be relied upon by, the Board's professional advisors, municipal bond rating agencies engaged by the Board for the purpose of rating the 2018 CIT Bonds and the professional advisors of any such rating agencies. We further consent to the inclusion of a copy of this opinion in the appendices to the preliminary official statement and the official statement with respect to the public offering of the 2018 CIT Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP



## APPENDIX I

### BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York (“**DTC**”), has been furnished by DTC for use in this Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “*banking organization*” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “*clearing corporation*” within the meaning of the New York Uniform Commercial Code, and a “*clearing agency*” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the “**Exchange Act**”). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the “**SEC**”). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See “**THE BONDS - General.**”

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee under the Indenture securing such Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures ("**MMI Procedures**"). Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or its Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, the Board or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board, or the Trustee under the Indenture securing such bonds, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Bonds. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates are required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE UNDER THE INDENTURE SECURING A SERIES OF BONDS HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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