

# CHICAGO PUBLIC SCHOOLS

Office of School Financial Services

For the fiscal year ended June 30, 2007

# ANNUAL FINANCIAL REPORT



**Richard M. Daley**  
Mayor  
City of Chicago, Illinois



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## CHICAGO PUBLIC SCHOOLS

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# CHICAGO PUBLIC SCHOOLS DISTRICT MAP

The Chicago Public Schools' School Leadership Model consists of 23 Area Offices, structured by elementary and high school areas. CPS manages and guides the 17 elementary and 6 high school areas. In the following pages, CPS is proud to share a closer look into each area highlighting a list of schools and the area's accomplishments in the last year.

## CPS AREAS

Elementary School Instruction Areas:

1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18

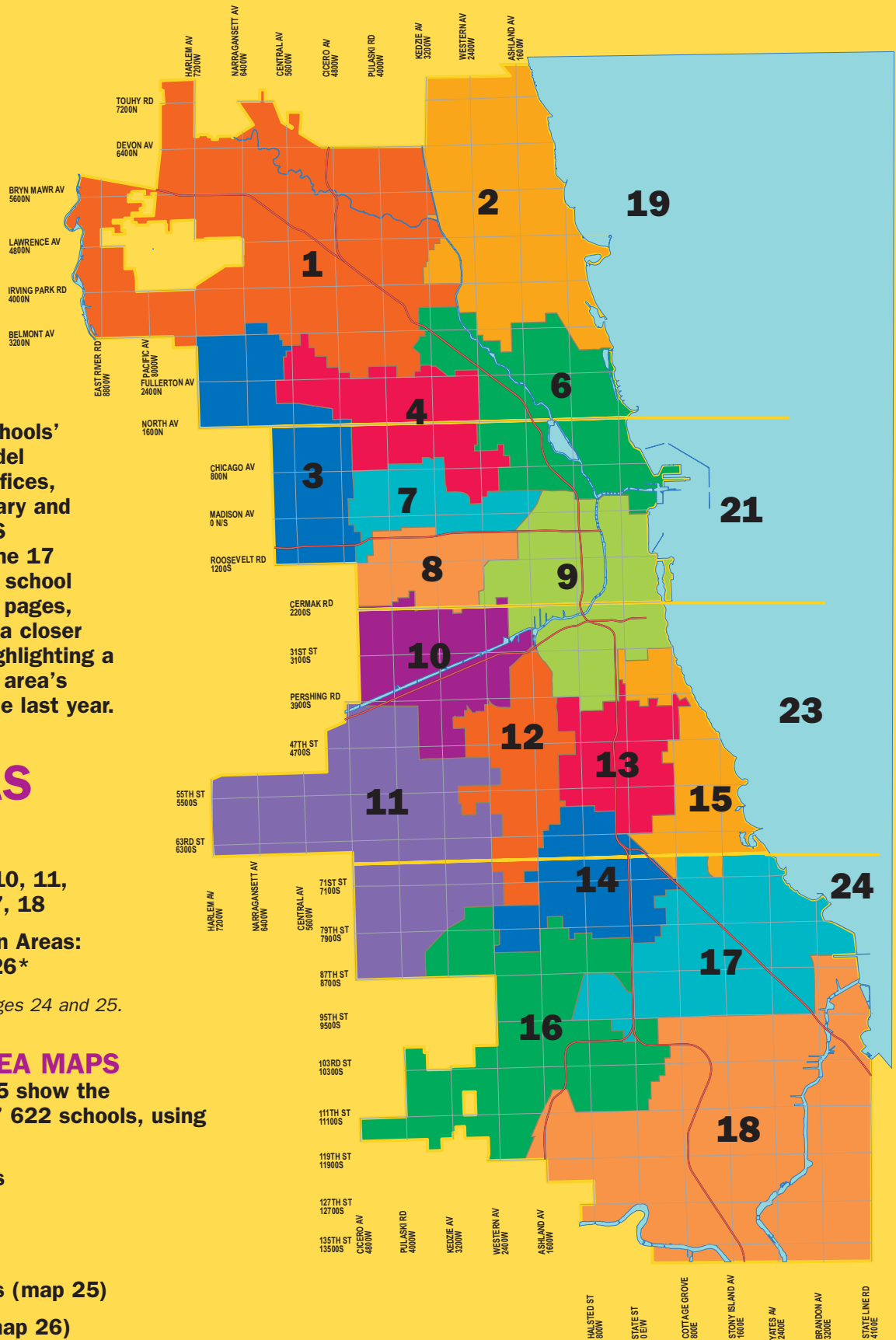
High School Instruction Areas:  
19, 21, 23, 24, 25\*, 26\*

\*Not shown. Please see pages 24 and 25.

## INSTRUCTION AREA MAPS

Maps on pages 3 to 25 show the locations of all of CPS' 622 schools, using the following key:

- Elementary schools
- AMP schools
- High schools
- Community schools (map 25)
- Military schools (map 26)
- JROTC programs in high schools (map 26)



December 14, 2007

**DEAR COLLEAGUES AND FRIENDS:**

Every school year is a challenging new chapter in the history of the Chicago Public Schools (CPS). We continue to take bold steps in our quest to improve every child's academic performance. As their current leaders and mentors, we have the opportunity and the responsibility to help them fulfill their goals and become productive citizens.

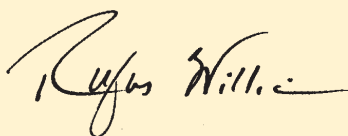
We continue to evaluate and foster outstanding educational programs through successful recruitment and retention of excellent teachers, enhanced teaching methods, effective professional development, and improved business services. Two investments in these key areas of infrastructure are the CPS@Work Human Resources system and the IMPACT student information system. While the 2007 start-up of these two major enterprise systems has presented significant challenges, we are starting to reap rewards.

We strive to provide effective educational approaches, giving our students a solid foundation for their lives inside and outside of the classroom. The Renaissance 2010 program is an example of how, with the assistance of outside partnerships, we researched and adopted a variety of cutting-edge educational programs that are already succeeding. Student test scores are up and demonstrate that Chicago has significantly increased the percentage of students meeting state standards.

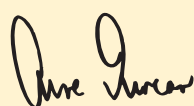
Our new school year brought forth many encouraging advancements. CPS reached a historic five-year agreement with the Chicago Teachers Union (CTU) and its other unions. In order to accomplish sound financial results, CPS had to make many hard decisions that affected our daily operations. As a result of our good financial performance, Moody's Investor Service and Standard and Poor's upgraded the debt ratings for CPS in the fall of 2007.

We are very proud of our accomplishments but we also recognize that there is still much work to be done. We cannot accomplish all of our goals with our existing funding resources. Our children are entitled to excellent academic programs and the highest quality instruction. Yet, as the third largest school district, we are one of the least funded school districts in the nation. As a parent, teacher, student, community, city and state, we need to focus our time and monetary investments on the most important assets in life: our children, our future. With your help, we can bring those dreams into reality.

Respectfully submitted,



Rufus Williams  
President  
Chicago Board of Education



Arne Duncan  
Chief Executive Officer  
Chicago Public Schools



**OUR CHILDREN,  
OUR FUTURE**



**“We strive to provide effective educational approaches, giving our students a solid foundation for their lives inside and outside of the classroom.”**

# PROFILE

## CHICAGO PUBLIC SCHOOLS

The Chicago Public Schools is a body politic and corporate as well as a school district of the State of Illinois. CPS boundaries are coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code and is not a home rule unit of government. The Chicago Board of Education operates a system of 622 schools primarily for grades kindergarten through twelve. As the third largest school district in the nation, we serve approximately 414,000 students; we employ over 44,000 dedicated individuals – 24,700 of which are teachers.

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

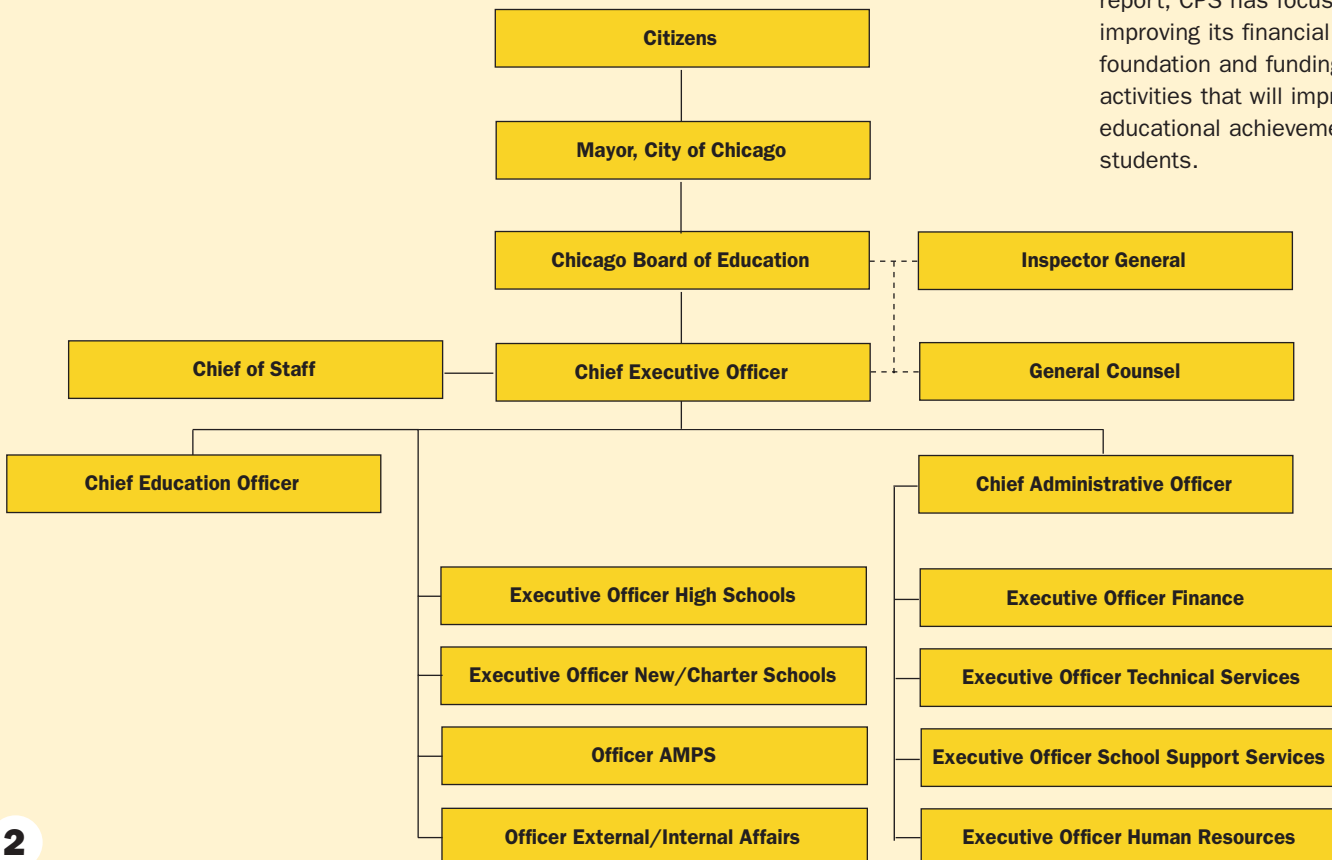
### INTRODUCTION

This popular version of our annual financial report is designed to give our readers a snapshot of Chicago Public Schools' (CPS) financial condition and to highlight information that our parents, teachers, supporters, and community and state leaders should find helpful for improving their understanding of our operations. This report does not provide all the detailed financial information that is contained in our Comprehensive Annual Financial Report (CAFR). The CAFR includes all of the audited financial statements and disclosures. For a detailed report, please visit our website

at [http://www.cps.k12.il.us/AboutCPS/Financial\\_Information/CAFR/cafr.html](http://www.cps.k12.il.us/AboutCPS/Financial_Information/CAFR/cafr.html). If you would like a copy of the CAFR, please contact us through one of the options located on the back cover of this report and we will gladly fulfill your request.

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

### CHICAGO PUBLIC SCHOOLS ORGANIZATIONAL CHART





## HOW DID WE DO LAST YEAR?

In general, CPS ended the fiscal year better than budgeted, primarily due to sustainable revenue increases in addition to strategically reduced expenditures. As in past years, CPS instituted strong fiscal discipline and budgeted prudently, reducing

administration costs by \$49.6 million, experiencing favorable trends in healthcare costs, thus coming in under budget in all categorical expenses. At the end of fiscal year 2007, CPS again maintained a strong cash position.

### NOTEWORTHY EVENTS INCLUDE:

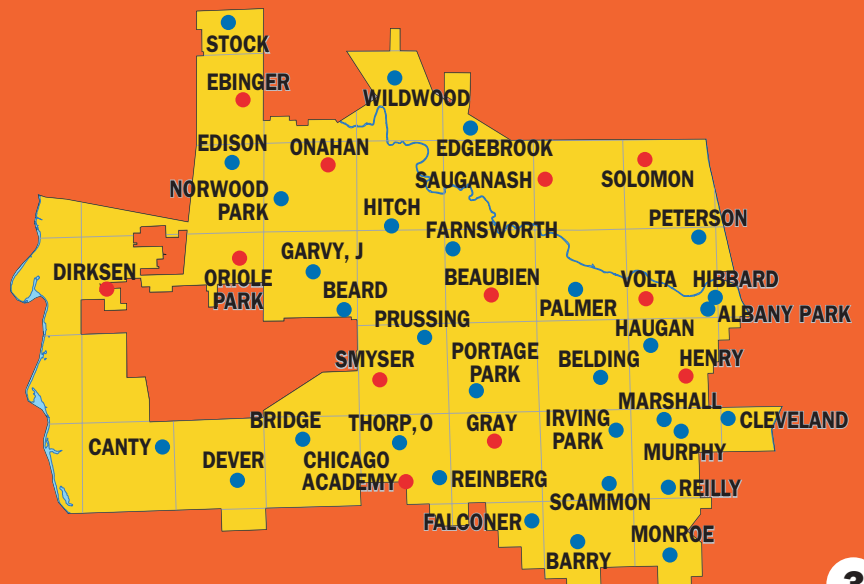
- **Fiscal year 2007 total budget** was \$5.3 billion with operating fund totaling \$4.4 billion. The capital improvement budget was \$626 million and \$264 million was appropriated for debt service.
- **CPS increased resources** by an additional \$298 million over FY06 from multiple sources including an additional \$50 million from property taxes, an additional \$99 million in state aid due to an increase in the foundation level, \$45 million in higher interest income due to higher interest rates and higher cash balances.
- During the fiscal year, **CPS recorded net proceeds** of \$366.5 million in Unlimited Tax Obligation Bonds to fund the Capital Improvement Program. With upgrades in our outstanding debt ratings, CPS' trends show strong financial stability.
- **Looking forward**, CPS' fiscal year 2008 budget of \$5.78 billion represents a 9.3% increase or \$491.4 million over last year of which the General Operating Fund accounted for \$4.65 billion with a 5.5% increase.

The United States Olympic Committee (USOC) selected Chicago as the U.S. Bid City. With a team of experts spotlighting our city, Chicago is in full pursuit of hosting the 2016 Olympic and Paralympic Games. CPS fully supports the course for winning the 2016 Olympic Bid because it would act as a catalyst toward countless opportunities for our students and city organizations. Hosting the Games would allow us to fast-track capital projects, witness urban revitalization, and expose us to such education benefits as diverse cultural events, athlete influences for healthier living, and true appreciation of the city in which we reside and flourish.



## AREA 1

Area 1 schools posted the highest percentage of students meeting or exceeding state standards, leading the city in composite score. Based on ISAT scores, Area 1 has three of the top 20 elementary schools in Chicago: Edison, Edgebrook, and Norwood Park.



# WHAT'S GOING ON IN FINANCE?

## WE BALANCED THE BUDGET

The 2007-2008 budget was the thirteenth consecutive balanced budget presented to the Chicago Board of Education. This balanced operating budget reflected total resources of \$4.6 billion which includes the use of \$109 million of unreserved fund balance.

## WE FUNDED THE CAPITAL IMPROVEMENT PROGRAM

Using new debt issues, refundings, and Tax Increment Financing (TIF) dollars, CPS continues to fund its necessary capital improvement program (CIP). In fiscal year 2007, CPS received approximately \$366.5 million in net proceeds from new bonds. The state has provided no funding in the past three

years for CIP needs. This year we have been working with the City of Chicago to fund the Modern Schools Across Chicago program, a joint effort to renovate and build 27 schools.

## WE IMPLEMENTED NEW ACCOUNTING STANDARDS

Once again during fiscal year 2007, CPS led the way with early adoption of the following Government Accounting Standards Board Statements:

- **GASBS 48**, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues
- **GASBS 50**, Pension Disclosures—an amendment of GASBS Statements No. 25 and No. 27

## WE PROVIDED ADEQUATE FUNDING FOR TEACHERS' PENSIONS

State statutes govern how CPS must fund the Chicago Teachers Pension Fund. Now that the funded ratio for the Chicago Teachers' Pension Fund is below 90%, CPS must allocate additional employer contributions totaling approximately \$26 million in FY2006, \$80 million in FY 2007 and \$132 million in FY2008.

## FINANCIAL REPORTING AWARDS

The Government Finance Officers Association (GFOA) awarded CPS with the Certificate of Achievement for Excellence in Financial Reporting since 1996 for its CAFR and since 2000 for the popular version. Since 1998 CPS also has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting.

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

PRESENTED TO

Chicago Public Schools  
Illinois

for the Fiscal Year Ended

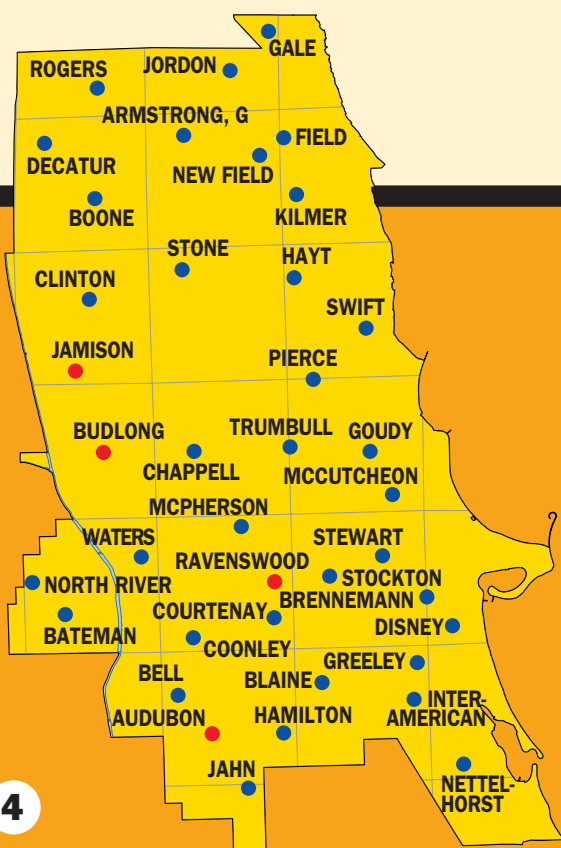
June 30, 2006



*Chas. S. Cox*  
President

*Jeffrey L. Evers*  
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award of Outstanding Achievement in Popular Annual Financial Reporting to Chicago Public Schools for its Popular Annual Financial Report for the fiscal year ended June 30, 2006. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.



## AREA 2

Named a National Blue Ribbon School of Excellence by the U.S. Department of Education, Horace Greeley School was one of 12 Illinois schools that received this highly acclaimed recognition. The award recognizes schools that are models of excellence, demonstrate a strong commitment to educational excellence for all students, and achieve high academic standards. Also, a State Pre-K teacher at Peirce School was selected as one Chicago's finest educators.

# NEW PROCESSES

## WE'VE REVAMPED OUR HUMAN RESOURCES/ PAYROLL PROCESSES

**CPS@Work**, an integrated Human Resources system, had its Phase I completed in 2007, dealing with core business functions of Human Resources, Payroll and Benefits. Phase II began in November 2007, allowing employees to update their benefits information on-line during annual open enrollment via the CPS@Work website. It will be completed in 2008 giving full access to human resources, benefits, and payroll self-services for employees and managers with a more paperless system and improved work flow.

## CONSOLIDATED BANKING

Consolidated banking is a district-wide school checking account and banking services solution for all CPS schools. Previously, CPS schools used more than 70 different banks, 95% of our schools received little or no interest on their checking account, fees and statements were inconsistent and services varied. Under Consolidated banking, all CPS school checking accounts will be consolidated at a single bank with lower fees and higher interest, standardized services and reporting with internet access, and provided with secured weekly armored car pickups. As of June 30 2007, 40% of our schools were enrolled in the program with the expectation that enrollment would be completed by the end of 2007.

## IMPACT

Chicago Public Schools' Instructional Management Program and Academic Communication Tool (IMPACT) is a comprehensive, district-wide initiative to build and implement a centralized student information solution to replace the existing repository of student records. CPS is the first large, urban school district to attempt a comprehensive technology solution that makes student information more accessible, reduces paperwork, and allows teachers more instructional time with students.

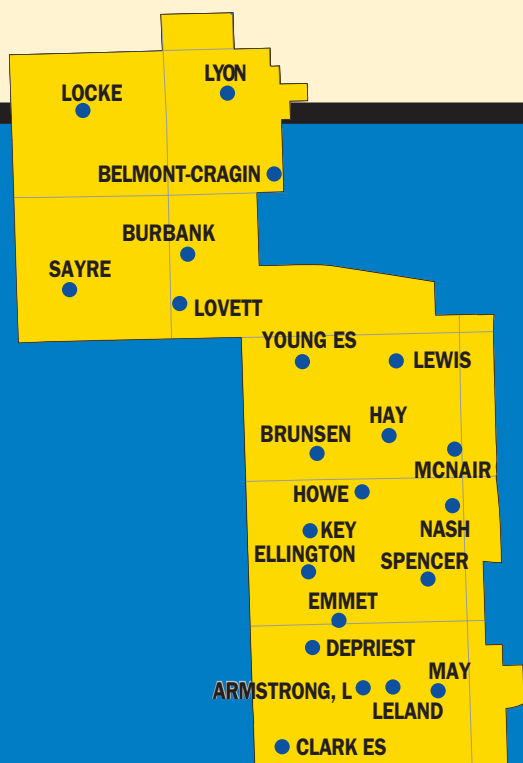
## "P-CARD"

CPS' Procurement Card ("P-Card") program provides added flexibility in the purchase of goods and services for schools and departments throughout CPS. This charge card has a single transaction credit limit of \$1,500 and efficiently tracks individual school internal account expenditures.

## FIRST CLASS EMAIL

Open Text™ Corporation's FirstClass messaging and collaboration software enables CPS to provide more than 400,000 students and faculty with the benefits of advanced email capabilities, comprehensive set of tools for online collaboration, document sharing and social networking services within a securely managed environment. CPS received funding support for this initiative from the U.S. federal government's Schools and Libraries Program of the Universal Service Fund (commonly known as "E-Rate").

## REVAMPED CONSOLIDATED COLLABORATIVE



## AREA 3

The dynamic team of principals in Area 3 is committed to providing quality learning experiences for our students in order to cultivate critical thinking. As instruction leaders, Area 3 Principals have a laser-like focus on improving teaching and learning. In alignment with our motto, "Planting Knowledge, Reaping Scholars," our efforts germinate into student success.





# FUNDING EDUCATION

CPS faces financial challenges in the year ahead as revenue struggles to keep pace with increasing costs and declining enrollments. In the next few years, pension funding will become a substantial expense for CPS, with expenditures expected to increase significantly each year.



## HOW DOES THE BUDGET FOCUS ON EDUCATIONAL PRIORITIES?

The budget for fiscal year 2008 increases total funding for the general operating fund by 5.5%. Revenue enhancements include \$74 million from increased property taxes, \$69 million in new state aid funds, and \$54 million from higher personal property replacement taxes compared to FY07 budget.

CPS executed several cost-saving initiatives in fiscal year 2007, which resulted in a \$63 million cost reduction in the fiscal year 2008 budget. Savings due to retirements combined with strategic reallocations allowed the district to invest an additional \$60 million in core education strategies.

## IS THERE AN OVER RELIANCE ON LOCAL REVENUES IN CHICAGO?

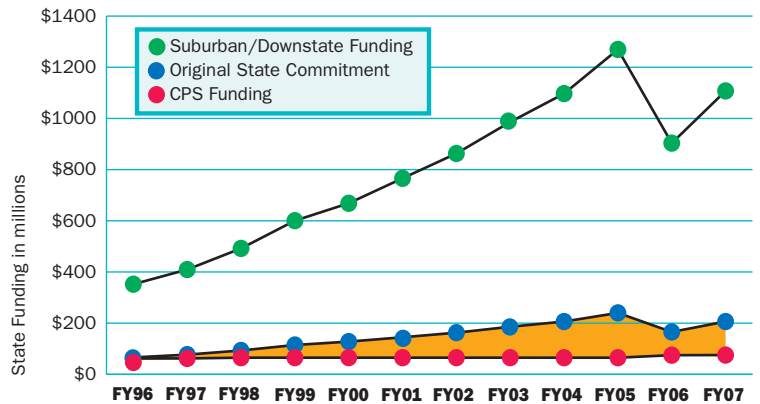
Chicago taxpayers fund a disproportionate amount of the costs of educating our students. Local property taxes have risen every year. Local resources have paid for 90% of the over \$5.1 billion capital program, with the state contributing no capital funding during the last three years. Education funding reform has had limited political support at the state and Federal levels and no significant change is imminent.

Chicago taxpayers contribute to the Chicago Teachers' Pension

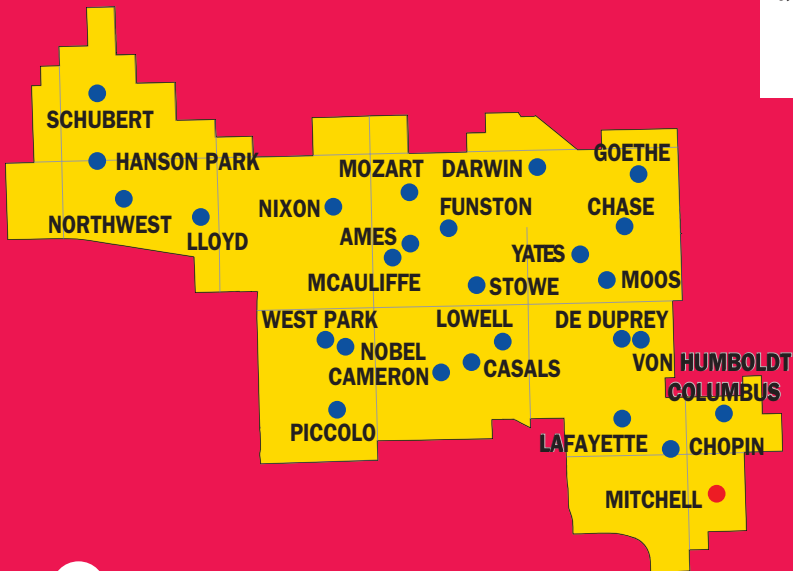
Fund (CTPF) through their property tax dollars and contribute to the downstate teachers' pension fund through their state income tax dollars. Prior to 2006, the state of Illinois provided only \$65 million per year to CTPF. As of FY06, the state increased their contribution to \$75 million, and CPS estimates an equal contribution in fiscal year 2008. In spite of the modest increase in state funding, it is still significantly below the state's original commitment to provide CTPF with between 20 and 30 percent of its annual contribution to the downstate teachers' pension fund.

### State Funding of Teachers Pension

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



Source: Chicago Public Schools



## AREA 4

Reaching beyond core academic subjects, students are immersed in fine arts and rich cultural globalization. Students gained an understanding and appreciation of themselves, their community and world through participation in programs such as Roque De Duprey School's experience of live performances by the Chicago Symphony Orchestra, Stowe School's involvement in the Video Club resulting in the Young Film Makers of the Year award presentation from the Chicago Cultural Center, and the participation of Darwin School's teacher and student exchange program.



## HOW DOES THE STATE HELP FUND EDUCATION?

In Illinois, the state provides funds to compensate for differences between the per-pupil foundation level and local property wealth, referred to as general state aid. While statewide K-12 education has received an increase in the foundation levels of school funding, rising from \$4,560 in FY2003 to \$5,734 in fiscal year 2008, the state share of funding is very low compared to other states. In Illinois, the state provided 31.8% of total K-12 funding while the national average was 46.9%. For CPS, the increase in GSA and other categorical state revenues resulted in an increase of \$95 million for the FY08 Budget.

The result in Illinois is significant inequity in school funding with some school districts spending more than \$20,000 per student while others spend less than \$5,000. The gap between well-funded schools and poorly funded schools continues to widen.

## WHAT ABOUT NO CHILD LEFT BEHIND ACT (NCLB)?

Enacted in 2002, the No Child Left Behind Act gives schools educational reform based on stronger accountability for results, encouragement of proven educational methods, and more choices for parents. Recent NCLB studies of state achievement data show that reading and mathematics scores are up, and achievement gaps among racial and ethnic groups have begun to narrow.



## INCREASING ATTENDANCE IMPROVES ACADEMIC PERFORMANCE AND INCREASES CPS' REVENUES

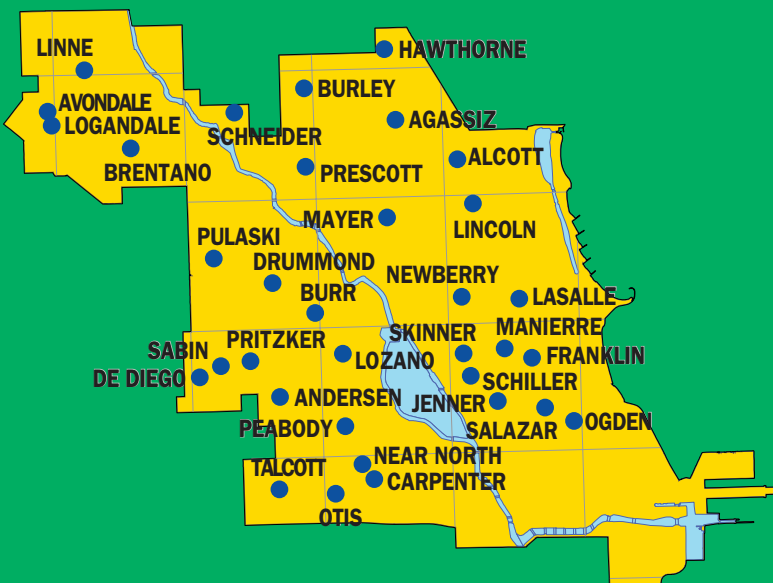
The goal of CPS' Attendance Improvement Initiative is to increase the district's year-long attendance rate by at least 1% annually until CPS reaches an overall attendance rate of 95%. This year, 91.9% of the 408,600 enrolled

students showed up on the first day. CPS is working with several community partners, athletes, and celebrities to spread the word to families that there is a clear connection between attendance and academic performance. CPS' back-to-school kickoffs and outreach efforts, which lead up to the first day of school, were much to credit for the attendance increase.

**STRONG  
FOCUSED  
DETERMINED**

## AREA 6

Partnerships with National Lewis, DePaul, and Roosevelt Universities provide professional development to our schools in literacy, math and writing, respectively. The Chicago Area Writing Project is dedicated to improving the instruction of writing and use of reading as well as writing in the content areas for classroom teachers in the Area 6 schools.



## BENEFIT PROGRAMS

Enrolling families in benefit programs improves children's health and increases CPS' resources.

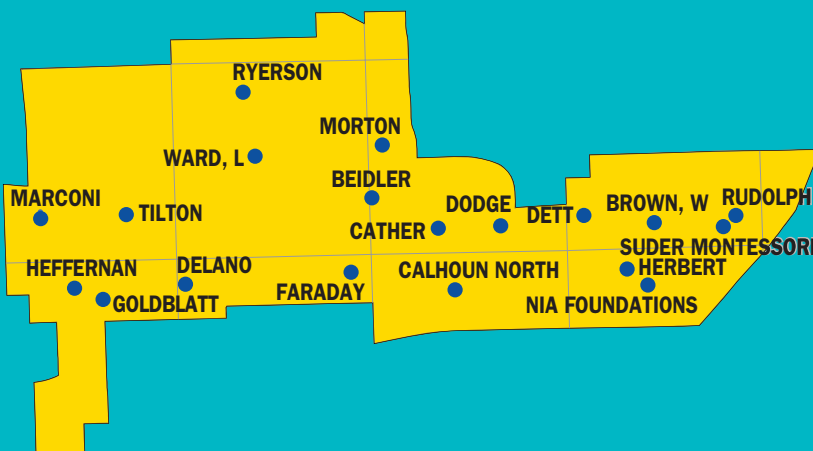
The Children and Family Benefits Unit (CFBU) promotes increased access, enrollment, and renewal of CPS students and families in food stamps, All Kids (formerly called Kid Care), Family Care, and TANF. In FY2007, liaisons completed over 4,000 applications for food stamps and/or All Kids. Liaisons also presented at over 200 parent meetings to educate CPS families about their potential eligibility, rights and responsibilities with regard to public benefit programs. Liaisons support all CPS schools, with a focus on 100 schools whose students are predominately under-enrolled in All Kids. By increasing enrollment of CPS' 90,000 potentially eligible students in these health and welfare programs, CPS receives increased state aid based on the Poverty Grant.



## WHAT WOULD CPS DO WITH ADDITIONAL FUNDING?

- **Improve teacher quality** – CPS wants to encourage more of our teachers to become Nationally Board Certified, a proven indicator of teacher excellence. CPS is also exploring merit pay for improved student performance, another proven method of increasing student achievement.
- **Smaller class sizes in the early grades** – CPS would like to reduce primary grade school classes to less than 28 students, which allows students to focus on learning the basics and developing good study habits.
- **Universal community schools** – Community schools are those that stay open evenings and weekends to provide both academic and social enrichment activities for students as well as classes for parents and neighborhood residents. By next September, CPS will have 150 active Community Schools; our goal is to make all of our schools Community Schools within five years.
- **More early childhood classrooms** – Last year, over 35,000 children participated in early childhood programs, about two-thirds of the eligible population of 50,000. There is still strong demand for more program availability, which is limited due to lack of space and funding.

**The Chicago Public Schools is the third largest school district in the nation. In school year 2006-2007, it served approximately 414,000 students in 622 attendance centers with a staff of over 44,000.**



## AREA 7

“Excellence is not the Goal. It’s the Standard” of the Area 7 school recipients of the Chicago Math and Science Initiative Grant. Merit distinctions include achievement of the highest ISAT Composite Score in the city of Chicago, winner of the 2007 Drive Award, and various partnerships with community organizations.

## WITH PENDING LOCAL TAX INCREASES, WHY DOES CPS NEED MORE FUNDS?

In spite of the assumed FY08 \$69.3 million increase in state revenues, the State of Illinois' funding is still insufficient to cover the cost increases in fiscal year 2008. Therefore, the burden of supporting public education rests increasingly on local taxpayers. CPS will require \$73 million from the fund-balance reserve and an increase in property taxes to the tax-cap limit, which translates to \$74 million - \$19 million from new construction and \$55 million from raising tax rates by 3.4%.



## SAVINGS THROUGH CPS' TEACHER RETIREMENT PLAN REALLOCATED TO CORE EDUCATION

Last year, CPS had approximately 1,400 employees retired due to our retirement incentive plan. The hiring of entry-level teachers into vacant positions resulted in net savings of \$28 million. Savings due to retirements combined with strategic planning resulted in an additional \$32 million in reallocations. This allowed CPS to invest \$60 million in core education strategies.

CPS was awarded two federal grants of \$22 million to transform 10 of the district's historically lowest performing elementary schools into magnet schools. Proposed are 5 new technology magnet schools, and the other schools will be dedicated towards a language academy, a Montessori school, 2 new baccalaureate programs, and the district's first-ever children's engineering program.

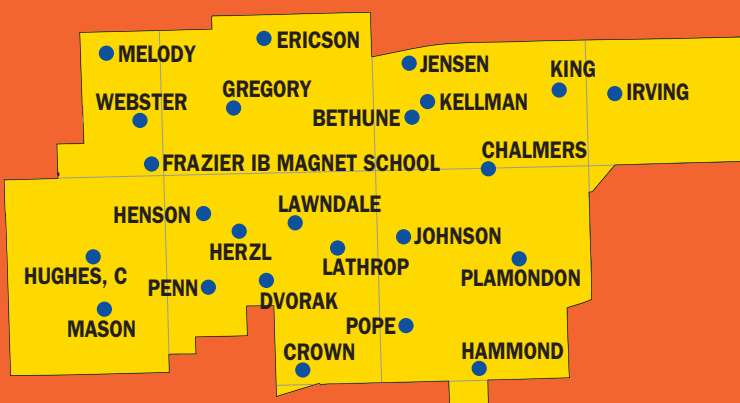
## EMERGENCY PREPAREDNESS

The Board of Education of the City of Chicago was awarded \$932,000 from the US Department of Education for its Readiness and Emergency Management for Schools (REMS) Grant. The grant funds will allow the Board to develop compliance and training programs to ensure all schools have Emergency Management Plans that meet national standards. Further, the grant award will allow for the development of training programs to ensure that school staff members are prepared to manage an emergency that develops in a school.



## AREA 8

Our unwavering commitment for improving teaching and learning is the basis for the development of partnerships with Polk Brothers Foundation and Chicago New Teachers Center (CNTC). The Foundation was coordinated by DePaul Center for Urban Education to expand the progress of Community Schools and build strong links with the community in extended learning opportunities. The CNTC leadership and coaches serve to increase beginning teacher retention as well as bring a new generation of dedicated educators to Chicago Public Schools.





# CORE STRATEGIES

The ultimate goal for Chicago Public Schools is to ensure that every child in every school is on track at every stage in his or her career to graduate prepared for success in postsecondary education and employment. To reach that goal, we're continuing to focus our work on the three core and two supporting strategies:

**Instructional Excellence**

**Talent Attraction and Development**

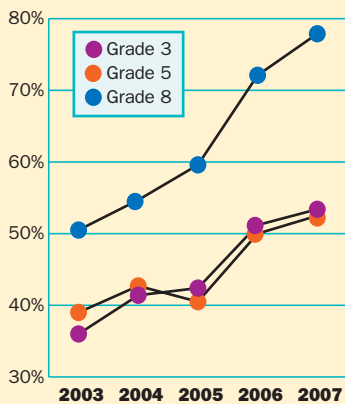
**Expanded Options and Opportunities**

**Performance Management**

**Resource Alignment**

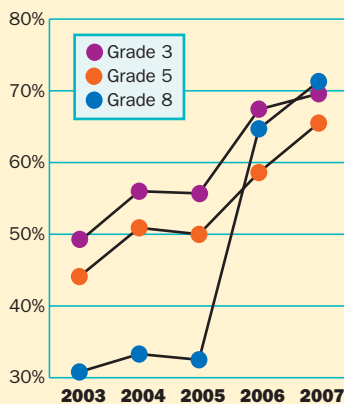
## ISAT Reading Scores

2007 — Percent Meeting or Exceeding Standards



## ISAT Math Scores

2007 — Percent Meeting or Exceeding Standards



Source: Chicago Public Schools, Research, Evaluation and Accountability

**“By putting the education of our children first, focusing on learning the basics in the classroom and staying the course year by year, we’re delivering on our commitment to give every child in every school the same opportunity for a good life.”**

**Mayor Richard M. Daley**



## INSTRUCTIONAL EXCELLENCE

Although many programs help support instructional excellence, four initiatives are at the core of the district’s instructional excellence strategy.

The **Chicago Reading Initiative framework**, established six years ago, offers increased support in several areas: a balanced literacy framework and high-quality core reading materials, extensive school- and classroom-level coaching, extended time, and additional student support.

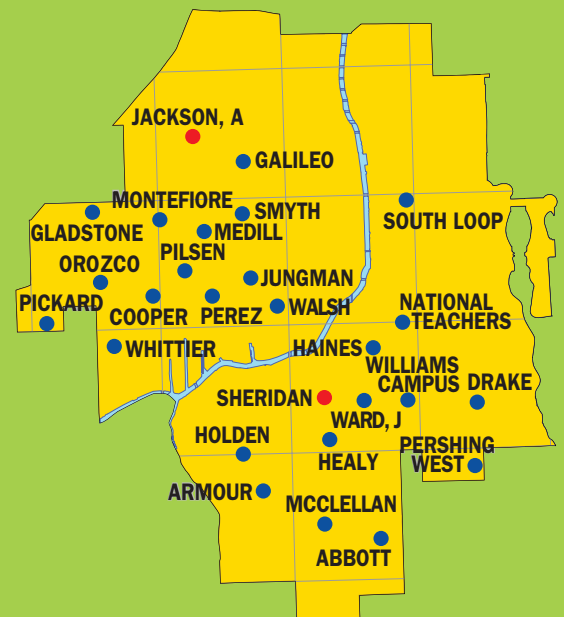
This year in grades 3–8, 145 schools have implemented one of two supported core reading programs (Harcourt: Storytown or Pearson Scott Foresman: Reading Street). Next year, we

will continue to expand the core reading programs into at least 150 more schools and introduce a third core reading program (Open Court: Imagine It).

Meanwhile, all students in grades K–2 will take the Dynamic Indicators of Basic Early Literacy Skills (DIBELS) assessment. More than 2,000 teachers received DIBELS training this summer. Literacy coaches and teachers are being trained this fall to use Reading 3D, the latest version of the DIBELS assessment. Furthermore, our district-wide writing initiative provides training for 3rd–8th grade teachers on the ISAT writing rules.

## AREA 9

Strong and innovative school-based partnerships support the needs of many of our schools — adoption of Medill School by the Union League Club of Chicago centered on supporting the strategic and financial needs of the business grounded process, Midwest Generation’s long standing financial support of Walsh School’s efforts to improve mathematics and science instruction through the Chicago Math and Science materials, and other significant partnerships including UBS, ING, CBOT and WITS.





The Chicago Math and Science Initiative (CMSI), now in its fifth year, offers supported curricula and materials, aligned teacher professional development, and school-based coaches. After four years of rapid expansion, more than half of all elementary schools use the math program and more than one-quarter use the science. Participating schools have improved more than nonparticipating schools on the ISAT. Recently, CMSI expanded efforts to help principals observe and supervise mathematics teachers and started a lending program to make high-quality science instructional materials more affordable and available to schools.

The 8th–9th grade transition is critical to ensuring continuous academic achievement, especially given the declines in student attendance and connectedness between 8th and 9th grade. Accordingly, CPS is helping middle grade students bolster their study skills — exposing them earlier to the high school curriculum — and offering after-school and Saturday programs. CPS is

creating a more rigorous middle school curriculum focusing specifically in the areas of math and writing. This year, 57 schools have agreed to offer 8th grade Algebra and the district promotion policy has been expanded to include writing proficiency at the 8th grade level.

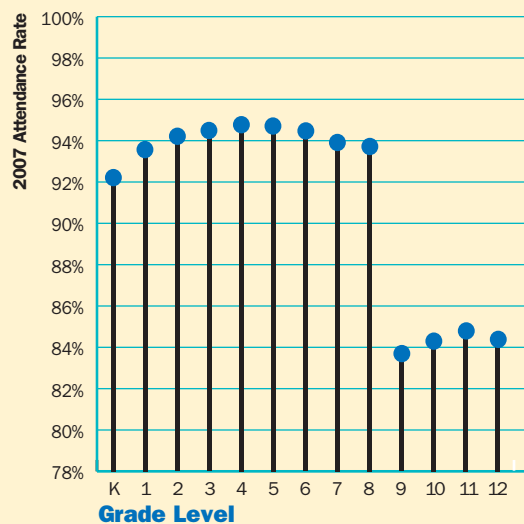
The High School Transformation effort is a comprehensive approach to strengthen our high

schools and raise expectations for students. A critical component of this effort is the Instructional Development Systems (IDS) strategy that works to align English, math and science curricula with focused teacher professional development and stronger assessments. This year, there are 25 IDS schools and 20 more schools are expected to be added in fall 2008.



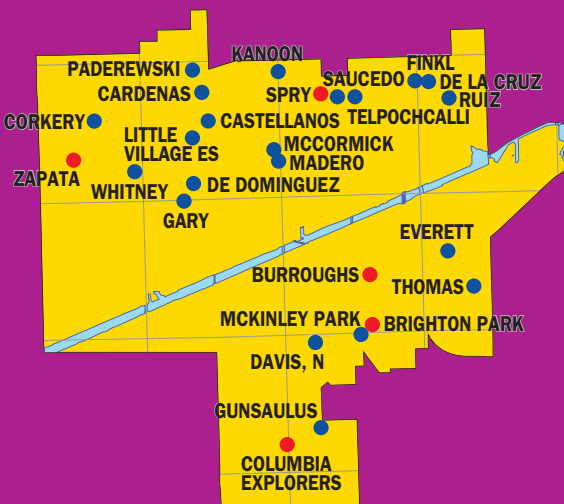
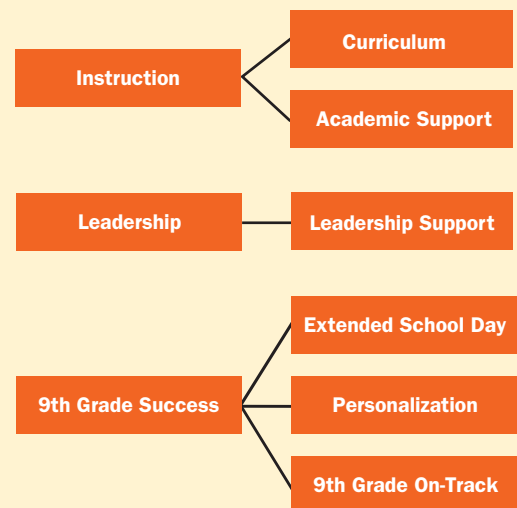
### Attendance Rate

2007



Source: Chicago Public Schools, Research, Evaluation and Accountability

### High School Transformation



## AREA 10

Located in the predominantly low-income, Spanish-speaking “Little Village Community,” Area 10 schools placed on the top of improving achievement city wide. In particular, Finkl School was featured in the Chicago Tribune newspaper as achieving the highest gains on the ISAT. Drawing on a wide variety of supplemental materials and resources, the collaborative effort between parents, students, teachers, and the community diligently designed an academic, social, and physical development program that reflects a nurturing environment and is the vision of parents and the community.

# TALENT ATTRACTION AND DEVELOPMENT

**“There is nothing more important to our schools than quality teachers.”**

**Mayor Richard M. Daley**

## HIRING MORE QUALIFIED NEW TEACHERS ... EARLIER

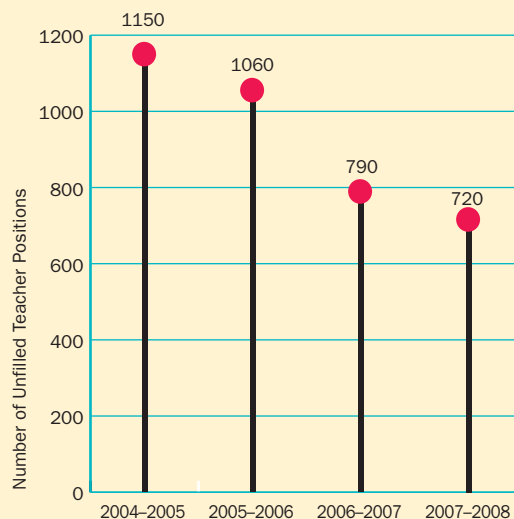
This year, we had our strongest pool of teacher candidates ever: 10 applicants for each position, five times as many as in 2001. Our teacher recruitment team is working to enhance university relationships and develop innovative teacher pipeline programs such as alternative certification programs, teacher housing resources, and the teaching residency and internship program.

In just two years, we have reduced teacher vacancies at the start of school to just 3 percent. And in 2007, we hired a record number of special education teachers. A priority going forward is to increase the number of elementary school teachers with content area endorsements, particularly in math and science. Furthermore, our partnership with The New

Teacher Project supports our work with several organizations to recruit and train new teachers. These certified teachers, who will make up nearly one in five new hires next year, also receive ongoing mentoring and support.



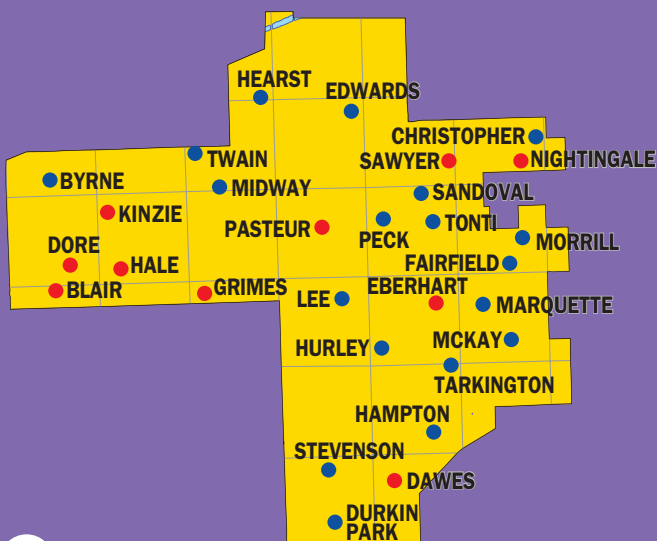
## Unfilled Teacher Positions



### School Year

Source: CPS Office of Human Resources

Note: Numbers are approximations and represent vacancies at the start of September.



## AREA 11

Critical involvement and resources from various school community partnerships resulted in funding for a school-based clinic, ability to provide backpacks for students and the implementation of various programs - tutorial services, after school programming, and college awareness and preparation for students in 5th through 8th grade.



## ADDITIONAL TEACHER SUPPORT

We are providing additional support to our new and veteran teachers.

At the start of this school year, CPS worked closely with the Chicago Teachers Union (CTU) to secure a historic new five-year teacher contract that will support teacher quality, development and recognition. A joint CPS-CTU committee is creating a new teacher evaluation process to be piloted in 2008–2009, building on the work in the eight Fresh Start schools.

Ensuring that new teachers receive the support they need is a high priority and the district is moving toward providing intensive induction for all new teachers. This year, new teachers in Areas 8, 13, 14 and 15 benefit from state-of-the-art intensive induction provided by the Chicago New Teacher Center (CNTC).

CPS is making large investments in instructional and leadership coaches. We have collaborated with the New Teacher Center–Santa Cruz to help our coaches be as effective as possible. Coaching is a core component of our major district instructional initiatives such as the Chicago Reading Initiative, the Chicago Math and Science Initiative, and the Instructional Development Systems strategy in our high schools.

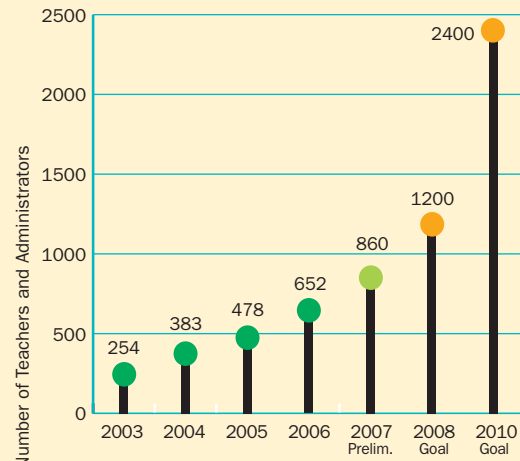
Additionally, thanks to the five-year, \$27 million federal Teacher Incentive Fund grant, this year teachers in 10 high-needs schools will receive additional professional development, career path opportunities, multiple observations and performance compensation through the Recognizing Excellence in Academic Leadership (R.E.A.L.) program. The program will expand to 40 schools over the next four years.

Meanwhile, preliminary data indicates the number of CPS teachers and administrators certified by the National Board

of Professional Teaching Standards has risen from fewer than 100 in 2001 to 860 today. An additional 415 enrolled in this rigorous professional development; our goal is to have 2,400 National Board Certified teachers in 2010. Having multiple National Board Certified teachers in schools is a key part of our school-wide improvement strategy.

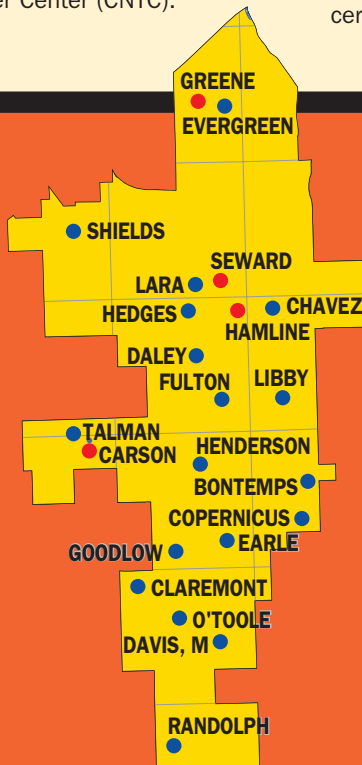
**CPS employs about 24,700 teachers at an average teacher salary of \$66,043.**

**National Board Certified Teachers and Administrators at CPS**



**School Year**

Source: CPS Office of Human Resources



## AREA 12

Through the use of administrative staff professional development, academic theme-based workshops, course work endorsements, and interventions, Area 12 delivers new approach strategies to address the needs of our schools. The promotion of a least restrictive environment, establishment of Writer's Workshop assessment, student attendance intervention, and connection with feeder high schools to increase high school graduation have contributed to the Area's academic success.

## STRENGTHENING PRINCIPAL LEADERSHIP

Between 2005 and 2009, we expect to hire more than 450 new principals, providing multiple opportunities to continuously strengthen the leadership of our schools. This year alone, 175 principal selections have been made, approximately 150 of which were new principals.



### How does coaching improve student learning?

- Use data to drive decisions
- Plan curriculum
- Observe classroom
- Model and co-teach



## PRINCIPAL PREPARATION AND DEVELOPMENT

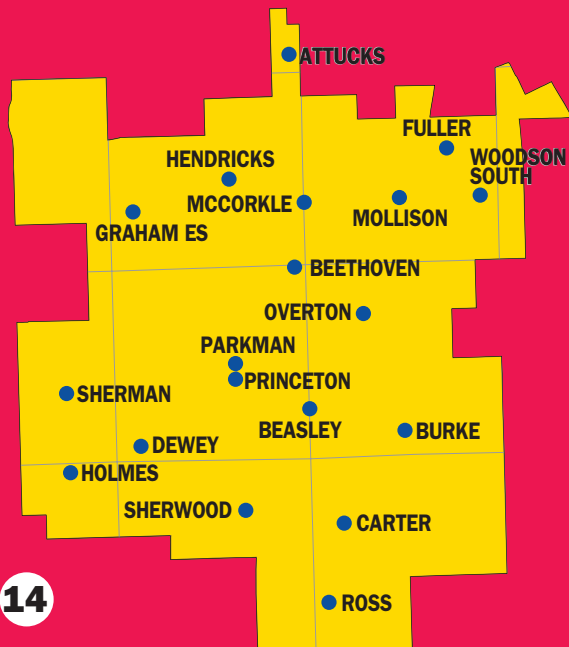
Effective leadership is at the core of improving and sustaining the quality of education for all CPS students. This improvement is guided by the CPS theory of change, which identifies the school as the unit of change and the principal as the leader of that change. The mission of the Office of Principal Preparation and Development (OPPD) is to develop and ensure high-quality principal leadership in every school.

### The scope of work involves four responsibilities:

- 1 Identify and develop aspiring principals to meet the challenges of a CPS principalship
- 2 Develop and support new principals
- 3 Provide continual development opportunities for experienced principals
- 4 Recruit principals in and out of Chicago

Because more than half of our principals have less than three years experience, we are targeting more resources than ever to support principals and ensure their success as school leaders. We have raised eligibility standards for new candidates and are supporting rigorous preparation programs — such as the University of Illinois at Chicago doctoral program and New Leaders for New Schools — so that more principals have the instructional and managerial know-how to create great environments for teaching and learning.

To ensure our new principals have strong support, we have selected some of our strongest retired principals to coach new principals. Through a redesigned principal evaluation system, we are identifying supports necessary from district, area and community resources to ensure all of our schools are led by well-supported, outstanding leaders.



## AREA 13

Area 13 obtained successful integration of literacy and science through the schools' participation in the Middle Grades Project, Experiencia, and Project NOAH with Lincoln Park Zoo providing a unique laboratory setting for students to interact with live animals, conduct experimental investigations and create critical thinking solutions to natural disaster scenarios.



# EXPANDED OPTIONS AND OPPORTUNITIES

Preparation for college and employment begins with strong preschool and kindergarten programs. Fifty-four percent of 3- and 4-year-olds are enrolled in early childhood education programs offered by the city and CPS. This year, we have added 5,000 additional full-day kindergarten slots. Our goal is for all kindergartners to participate in full-day programs.

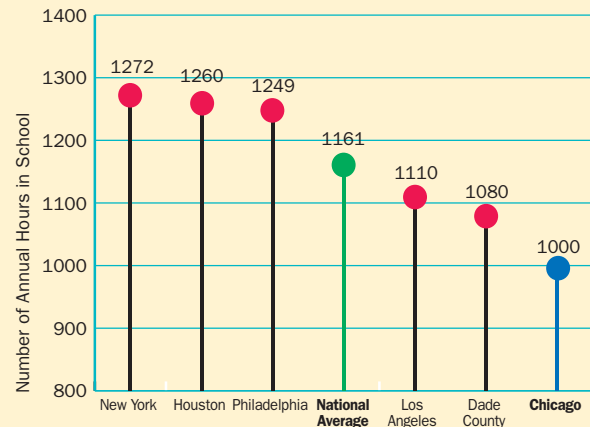
Because our school day and school year are comparatively short, we have a special responsibility to supplement regular instructional time. To that end, our after-school program continues to grow, now serving 200,000 students in 550 schools.

To be most effective in supporting student achievement, these programs should be part of a Community School, which works with public agencies and nonprofit organizations to offer comprehensive academic, enrichment, health and social services to students and their families. Thanks in part to our

corporate partners, CPS operated 110 Community Schools during 2006-2007 school year serving over 20,000 students. Since 2003 over 400 partner organizations concentrating in critical areas such as health and social services, youth development and community advocacy, arts and cultural education, and recreational services have been engaged in CPS Community Schools. An additional 40 Community Schools are slated to open in 2007-08.

Renaissance 2010 is a bold district initiative that is increasing the number of high-quality educational options in communities across Chicago. New schools are created through a competitive, community-based selection process, which gives schools increased autonomy in exchange for being held accountable to high standards. In the past three years, CPS has opened 79 new charter, contract and performance schools in high-priority communities.

## Student Hours in School



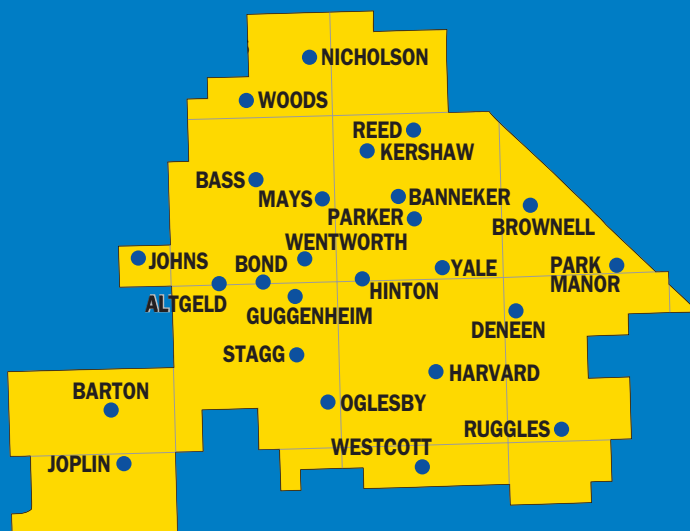
### School District

Source: CPS Office of Human Resources

Note: Numbers are approximations and represent vacancies at the start of September.

## Three Types of Schools

- **Charter Schools** are independent public schools. Free from many state laws, district initiatives, and Board policies, charter school teachers and staff are employees of the nonprofit governing board or an education management organization hired by the nonprofit. Charters have existed in Chicago since 1997.
- **Contract Schools** are a newly created public school model established as a part of Renaissance 2010. These schools are managed by independent nonprofit organizations in accordance with Performance Agreements. Contract School teachers and staff are employees of the nonprofit agency.
- **Performance Schools** are CPS-run schools with freedom from and flexibility on many district initiatives and policies. Teachers and school staff are employees of CPS.



## AREA 14

Area 14 schools embarked on several noteworthy projects – partnership with the Chicago New Teachers Center designed to inspire, assist, advise and provide intensive support to new teachers through professional development and on-site coaching; increased the number of year-round schools from two to 11; and implemented several school wide projects.

## PERFORMANCE MANAGEMENT

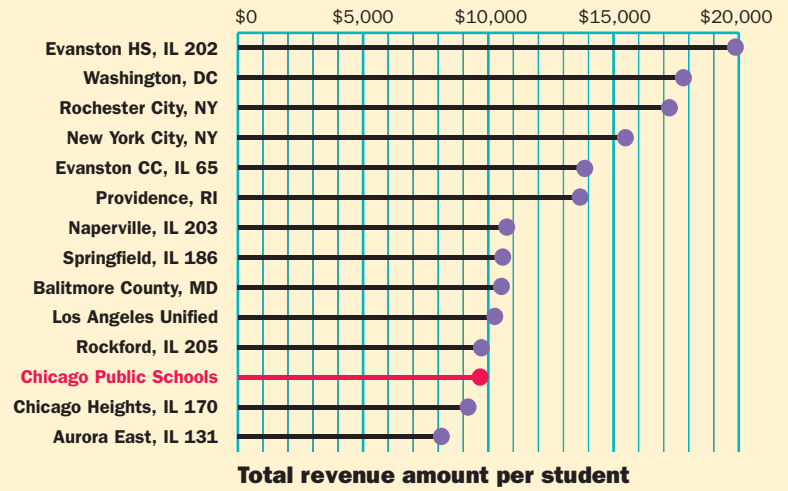
Our Autonomous Management and Performance Schools (AMPS) have greater control over budgets and increased freedom from Central Office mandates. We continue to grant schools increased autonomy because of their strong student performance and sound management. The district currently has 117 schools with AMPS status. School scorecards and regular surveys of students, parents, teachers and principals provide annual, easy-to-understand updates on school performance. Furthermore, technology enhancements

such as IMPACT, PeopleSoft and the upcoming Data Dashboard help all staff to identify and use data proactively, so that educators can spend more time on instruction and less on paperwork. IMPACT provides tools that track and report school- and district-level data for student attendance, grades, schedules, and special education and assessment information. In addition, the School Improvement Plan for Advancing Academic Achievement (SIPAAA) process has been streamlined and integrated with the online Oracle application.

For each major role in the district — teacher, principal, area instruction officer and central office employee — we are developing:

- A clear definition of **excellence**
- **Data** to track progress toward excellence
- **Opportunities** for discussions and decision-making about these measures
- Predictable **rewards** and consequences for performance

## Per-Pupil Funding



Source: National Center for Education Statistics, 2004-2005

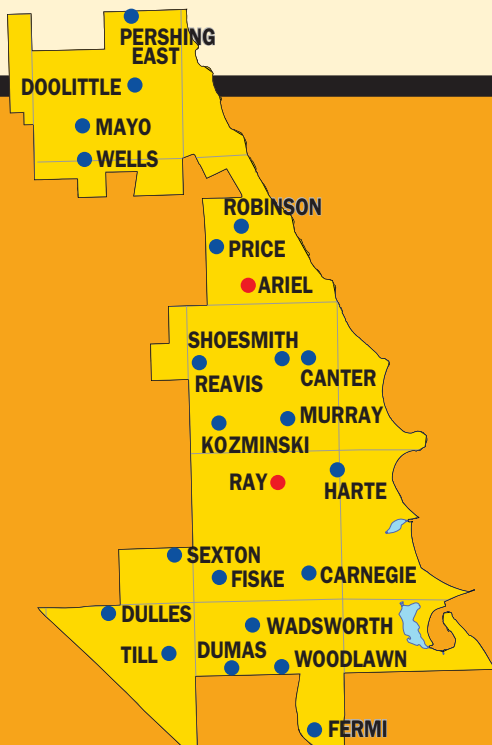
**CPS receives approximately \$9,700 per student per school year while many suburban schools receive \$20,000 per student per school year. Add that up over 12 years and the difference is almost \$125,000 per child.**

## RESOURCE ALIGNMENT

We cannot accomplish all this work with existing resources. Our government has again failed us. The state of Illinois ranks 48th in the country in the level of support provided for public schools. In 2007, only 33% of our school funding came from the state, whereas the national average is 47%. As a result, our per-pupil spending is very low compared to neighboring districts and other large urban systems. This spring, we will

increase the pressure on the governor and the legislature to take action on school funding.

State underfunding, combined with continued enrollment declines, makes it all the more important that we put the dollars we have where they will make the biggest difference for our children — in classrooms and schools. To that end, we have cut central administrative costs by 19 percent in the past five years and shifted those resources directly to schools.



## AREA 15

Instructional Area 15 serves approximately 10,000 students with an incredible diversity of school types ranging from neighborhood to magnet cluster, International Baccalaureate Diploma Programme (IB), city wide magnet and gifted schools. The area's diversity mirrors a range of recognitions: Pershing West School participated in the ballroom dance competition and a partnership with the Oriental Institute's interpretation of Nubian art are a few of many recognitions.

# EDUCATIONAL OUTCOMES

## 63.5% MEET STANDARDS

At CPS, 63.5% of all elementary students meet or exceed state standards.

Test results show the district's system wide composite score for reading, math and science rose to a new high of 63.5% of all students meeting or exceeding state standards. However, that is up only 1% from the 62.5% of all students meeting or exceeding state standards reached in 2005, whereas the test scores jumped 15.2% from 2005 to 2006. These minor gains were reflected across more than 500 elementary schools with 67.7% of all schools showing improvement.

## ACHIEVEMENT TESTS

CPS elementary students take the Illinois Standards Achievement Tests (ISAT). This was the second year that all students in grades 3-8 took the ISAT Reading and Math tests in March. Along with being a component of CPS' accountability system, the ISAT also determines sanctions under the Federal "No Child Left Behind Act."

### 2007 KEY STATISTICS

- In Math, 68.6% of all students met or exceeded state standards, up 3.9% from 2006
- In Science, 60.4% of all students met or exceeded state standards, down 2.9% from 2006
- Elementary school attendance rate remained steady at 94% in 2007
- Math scores for students with Individual Education Plans (IEPs) increased at all levels

## IMPROVEMENT STRATEGIES

The ISAT gains come after CPS put a high priority on reading by launching the Reading Initiative in 2001 and placing over 400 reading specialists in poorly performing schools. Significantly, the gains were reflected across the entire system with 81.3% of schools improving in Math and 60.5% improving in Reading and Science.

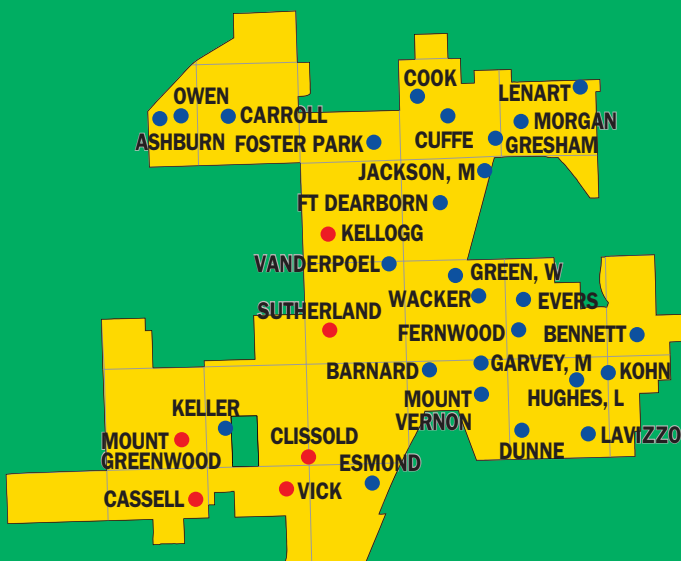
CPS has emphasized getting pre-schoolers ready to learn and providing support to older students in after-school settings. CPS also expanded a kindergarten reading assessment into 1st grade last year. All

kindergarteners were assessed at least twice and all first-graders were assessed three times. These assessments help identify learning issues at a much earlier stage.



## AREA 16

With a focus on student success through academic achievement and parental guidance, Area 16 held a Back to School Jam and an ISAT Parent Workshop. The focus of the Back to School Jam was to increase student attendance, while the workshop shared effective strategies with parents to assist their children. At a recent press conference with Mayor Daley and Dr. Barbara Eason-Watkins, Area 16 proudly announced 4 new full-day Kindergarten programs in conjunction to the district's expansion of the Early Childhood program.



# HOW ARE CPS' HIGH SCHOOLS PROGRESSING?

**“The focus on reading and classroom learning, investing to build new schools, providing after-school and summer-school learning opportunities and creating new education options are all making a difference.”**

**Arne Duncan, Chief Executive Officer**

**Five CPS high schools were selected from 19,000 high schools by US News & World Report in its annual list of the top 100 high schools in the nation for their exceptional academic performance and proven ability to prepare students for college: Northside College Preparatory, Walter Payton College Preparatory, Whitney Young, Lincoln Park and Jones College Preparatory.**

**M**ore students are taking Advanced Placement (AP) courses and more students are passing AP tests. In 2001, 4,126 students took an AP course, while 11,137 took one in 2007.

CPS is improving its ACT scores faster than the state and the nation.

ACT scores for graduating seniors are up slightly in English, Math and Science. Reading scores remained steady at 16.8, the same as 2006.

This year's CPS graduating class posted a composite ACT score of 17.2, up from last year's score of 17.0.

## WHAT CHALLENGES DOES CPS FACE?

While some progress has been made in reducing the percent of students in the lowest quartile, more efforts are needed to focus on this underachieving group, which consistently accounted for 24-28% of our students.

There are still significant gaps in achievement for African American and Hispanic students compared to white and Asian/Pacific students in both Reading and Math. This gap is most

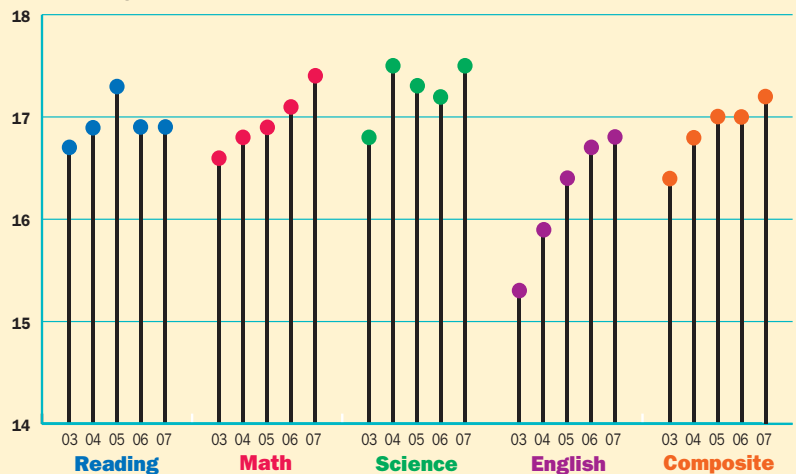


pronounced at the top test scores.

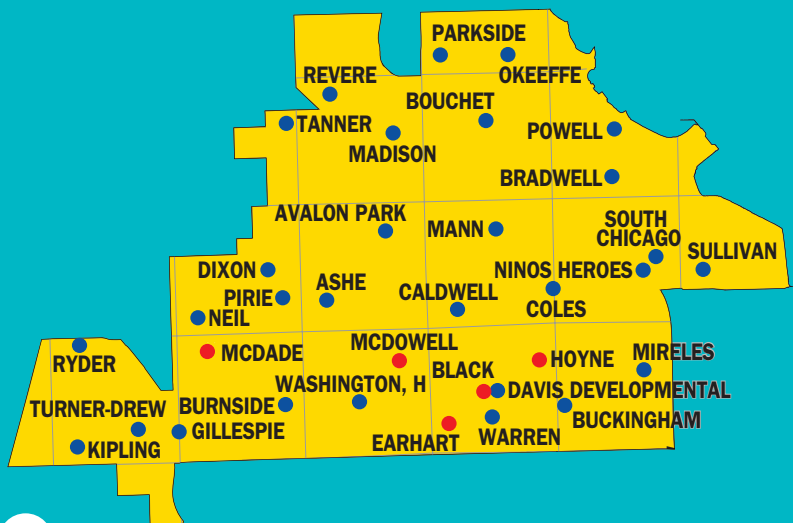
Last year we reduced the gap between CPS and statewide results, but we need more progress here as well.

To solve these gaps and meet our goals, we need to start in the early grades to make sure our students are ready for future success.

**ACT scores**  
2001 through 2007



Source: Chicago Public Schools, Research, Evaluation and Accountability; ACT.org



## AREA 17

Corporate, community and civic leaders across the city of Chicago served as Principal for a Day in 600 district wide schools. Engagement of the city's leaders helps broaden an understanding of the accomplishments and challenges faced by students, teachers, and principals. As a result of this initiative, Pirie School received generous donations to remodel the school's library, support technology plans, and purchase computers.



# FINANCIAL REPORT

## CPS ANNUAL REPORT AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

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

- Government-wide financial statements include the Statement of Net Assets and the Statement of Activities which provide a broad, long-term overview of CPS' finances
- Fund financial statements include the balance sheet and statement of revenue, expenditures, and net changes

in fund balances. They provide a greater level of detail of revenues and expenditures and focus on how well CPS has performed in the short term in the most significant funds

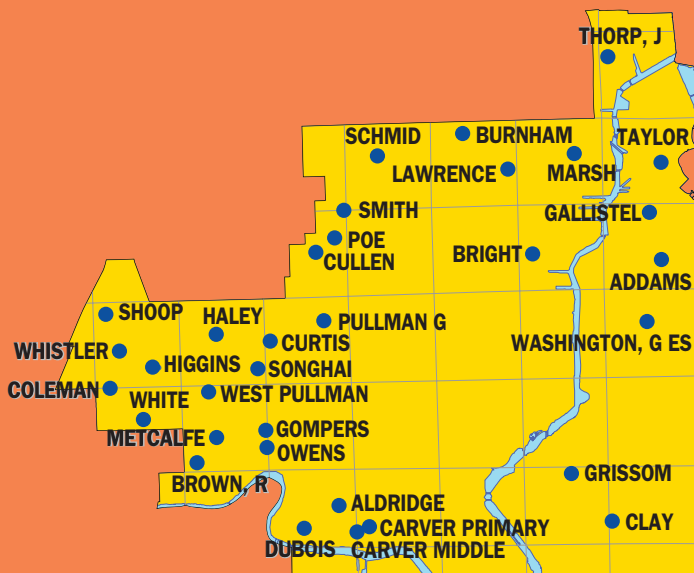
- Notes to the basic financial statements

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

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

### What's New This Year?

CPS has again led the way with early adoption of the following Government Accounting Standards Board Statements: GASBS 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue; GASBS 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.



## AREA 18

Area 18 was showcased by Chicago Magazine for having two of Chicago's top fifty performing elementary schools, Washington and Poe Classical. University of Chicago along with CPS Office of Math and Science support Pullman, West Pullman, Songhai and Smith Elementary Schools for the Math Restructuring project. This organization assists coaches and teachers with professional development for the Everyday Math Curriculum. Area 18 also had the highest number of 2006-2007 DRIVE Awards finalists.

## CPS ANNUAL REPORT AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Highlights from the Government-Wide Financial Statements

Total assets of \$8.3 billion increased due to larger year-end cash balances, new school construction, and other improvement projects as part of CPS' Capital Improvement Program.

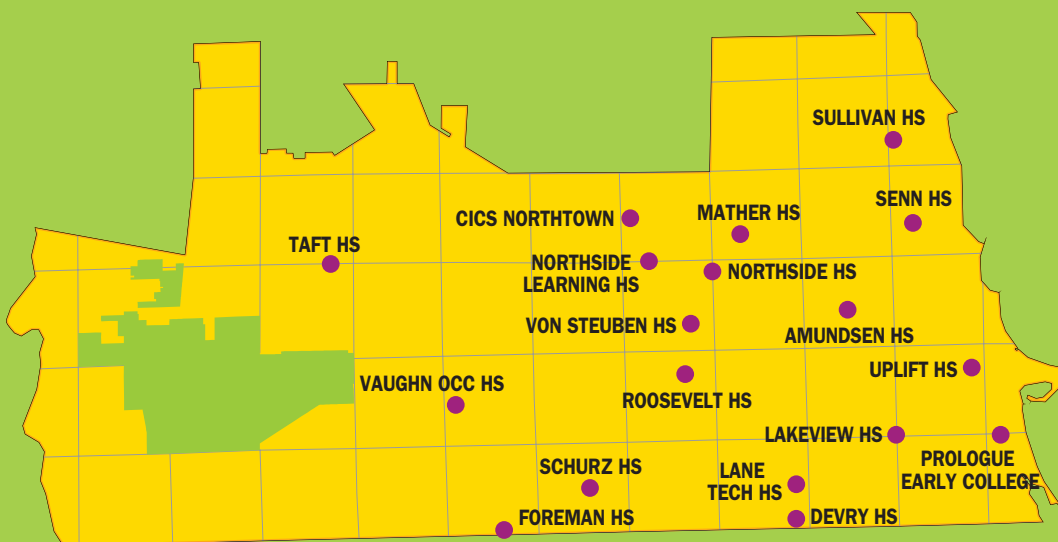
Capital assets, net of depreciation increased \$104 million or 2.4% over the prior fiscal year due to continued progress of the Capital Improvement Program. Capital assets, net of depreciation, for fiscal year 2006 totaled \$4.38 billion and \$4.48 billion in fiscal year 2007. In fiscal year 2007, CPS issued \$355.8 million in Unlimited Tax Obligation Bonds to fund the Capital Improvement Program with net proceeds of \$366.5 million including premium.

Long-term debt increased \$245.2 million, or 5.4%. The total long-term portion of debt outstanding and capitalized leases was \$4.58 billion in fiscal year 2006 and \$4.82 billion in fiscal year 2007.

Accrued pension increased to \$1.75 billion in fiscal year 2007 from \$1.51 billion in fiscal year 2006, an increase of \$238.4 million, or 15.8%. The year-end balance reflects the increase in the net pension obligation related to the Public School Teachers' Pension and Retirement Fund of Chicago.

Other post-employment benefit (OPEB) liabilities increased to \$425.1 million in fiscal year 2007 from \$213.3 million in fiscal year 2006, an increase of \$211.8 million, or 99.3%. This liability represents actuarially determined health care costs associated with the Public School Teachers' Pension and Retirement Fund of Chicago.

Other long-term liabilities including current portion decreased to \$343.9 million in fiscal year 2007 from \$366.9 million in fiscal year 2006, a decrease of \$23 million, or 6.3%. The year-end balance reflects decreases in accrued sick pay and vacation pay of \$30.9 and \$5 million respectively, and increases in accrued workers' compensation, accrued general and automobile and tort liabilities of \$5.9 million, \$5.8 million and \$1.2 million, respectively.



### AREA 19

Instructional Area 19's unique development of the Penguin Project encompasses ecological, biological, research, mathematical, social science, post-secondary, and artistic components for school use. The Area's excellence in education is exemplified by the presentation of the prestigious \$25,000 Milken Family Foundation National Educator award to a teacher at Schurz High School.

# NET ASSETS

## STATEMENT OF NET ASSETS

### As Reported in Government-Wide Financial Statements

This Statement of Net Assets is aimed at citizens who are interested in a government's finance, but do not have direct access to the detailed accounting data. The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. Government-Wide Financial Statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

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

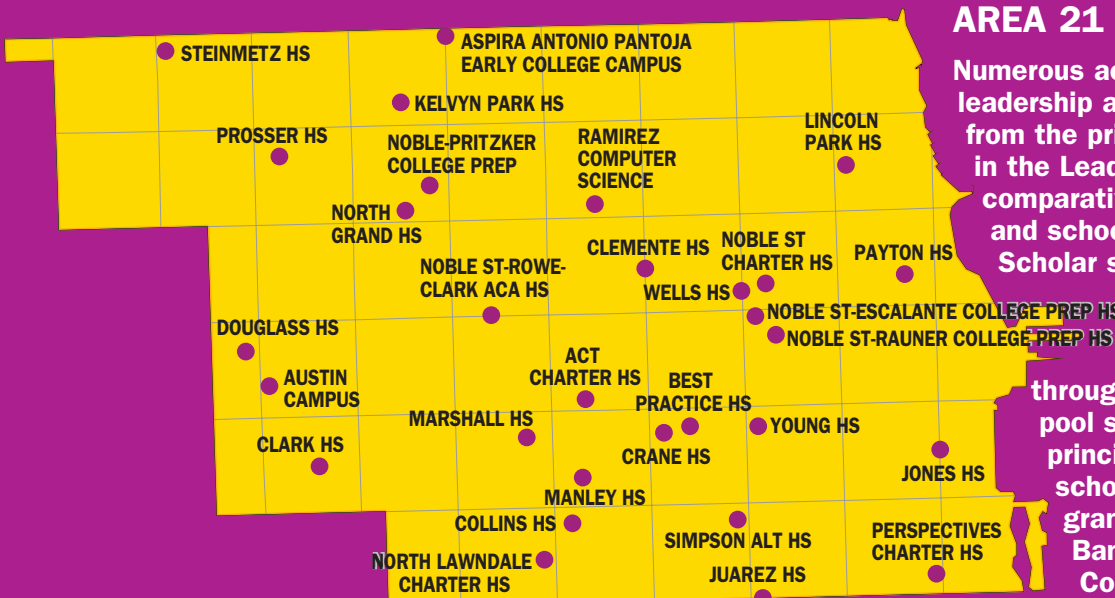
All of CPS' services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services and food services. Property taxes, replacement taxes, state aid, interest and investment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

## CONDENSED STATEMENT OF NET ASSETS

(Millions of dollars)

### GOVERNMENTAL ACTIVITIES

	2007	2006	Difference	% Change
Current Assets	\$3,848	\$3,288	\$ 560	17.0%
Capital Assets, Net	\$4,488	\$4,384	\$ 104	2.4%
<b>Total Assets</b>	<b>\$8,336</b>	<b>\$7,672</b>	<b>\$ 664</b>	<b>8.7%</b>
Current Liabilities	\$ 934	\$ 877	\$ 57	6.5%
Long-term Liabilities	\$7,288	\$6,622	\$ 666	10.1%
<b>Total Liabilities</b>	<b>\$8,222</b>	<b>\$7,499</b>	<b>\$ 723</b>	<b>9.6%</b>
Net Assets:				
Invested in Capital Assets				
Net of Related Debt	\$ 267	\$ 268	\$ (1)	-0.4%
Debt Service	\$ 414	\$ 357	\$ 57	16.0%
Specific Purposes	\$ 131	\$ 86	\$ 45	52.3%
Unrestricted	\$( 698)	\$( 538)	\$(160)	29.7%
<b>Total Net Assets</b>	<b>\$ 114</b>	<b>\$ 173</b>	<b>\$ (59)</b>	<b>-34.1%</b>



## AREA 21

Numerous accolades exemplify the schools' leadership and students' successful drive – from the principal's prominent participation in the Leadership and Ethics Conference comparative study of schools in England and schools in the U.S.; Collegiate Scholar student award by the University of Chicago; prestigious Gates Millennium Scholarship, a full academic student scholarship through a PH.D. program; nation-wide pool selection of three Area 21 principals' participation in a tour of schools in Beijing, China; to the grand prize of \$2,000 in TCF Bank's "Art in Your Community" contest.

# RESOURCES

As Reported in the Fund Financial Statements

## HOW ARE CHICAGO PUBLIC SCHOOLS FUNDED?

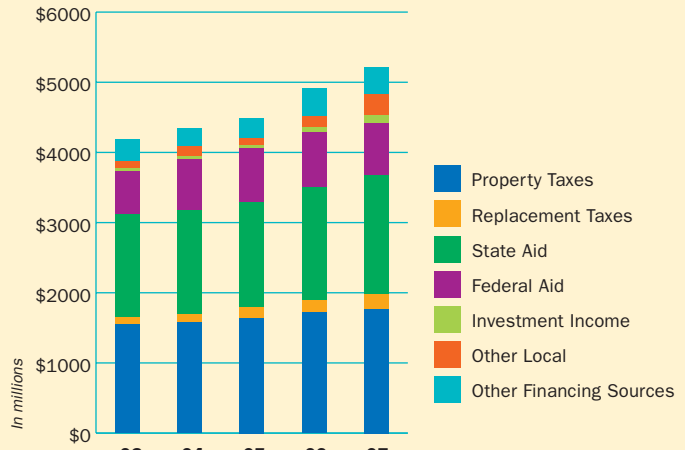
The Chicago Public Schools are financed through a combination of Local, State and Federal sources. CPS uses fund accounting to ensure and to demonstrate compliance with government accounting and legal requirements.

Resources from all sources totaled \$5,216 million for fiscal year 2007. The Federal government contributed 14.3% of all revenues for CPS in fiscal year 2007, while State aid was 32.6%. The remaining 53.1% of resources are raised locally and include property and replacement taxes as well as net proceeds from bonds issued for the Capital Improvement Program in the amount of \$366.5 million.

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

## Resources by Sources

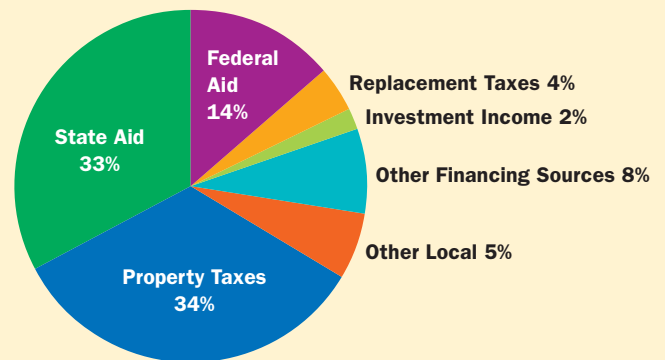
2007 — All Funds



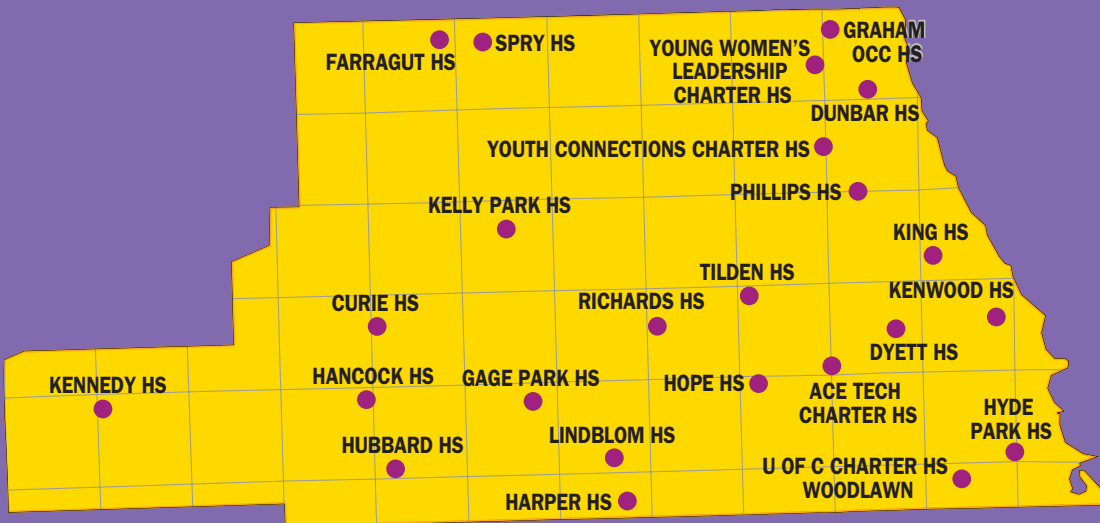
Source: Chicago Public Schools

## Resources by Sources

2007 — All Funds



Source: Chicago Public Schools



## AREA 23

Kennedy High School is preparing its students to succeed in today's intricate technological environment through a partnership with Wright College of the City Colleges of Chicago by offering free enrollment to A+ Networking and Software evening classes. As an incentive and upon successful completion of the course, students receive a stipend.



## RESOURCES BY TYPE

The following schedule presents a summary of revenues and other financing sources by type for the general operating fund, capital projects fund and debt service fund for the fiscal year ended June 30, 2007. It also depicts the amount and percentage changes in relation to prior year revenues and other financing resources.

Local property taxes provide approximately 34% of all revenues. The other local revenues come from personal property replacement taxes, interest income, lunchroom fees and miscellaneous items.

- **Property Taxes** increased by \$50 million from fiscal year 2006 due to increases in tax levies and new properties.
- **Personal Property Replacement Taxes** increased \$16 million from fiscal year 2006 as a result of higher corporate profits.
- **State Aid** increased by \$99 million due to a \$170 per pupil increase in foundation level, up to \$5,334 per student.
- **Federal Aid** decreased \$30 million due to decreased spending on E-rate projects and less federal grants funds.
- **Investment Income** increased \$45 million from fiscal year 2006 due to higher interest rates and higher cash balances.

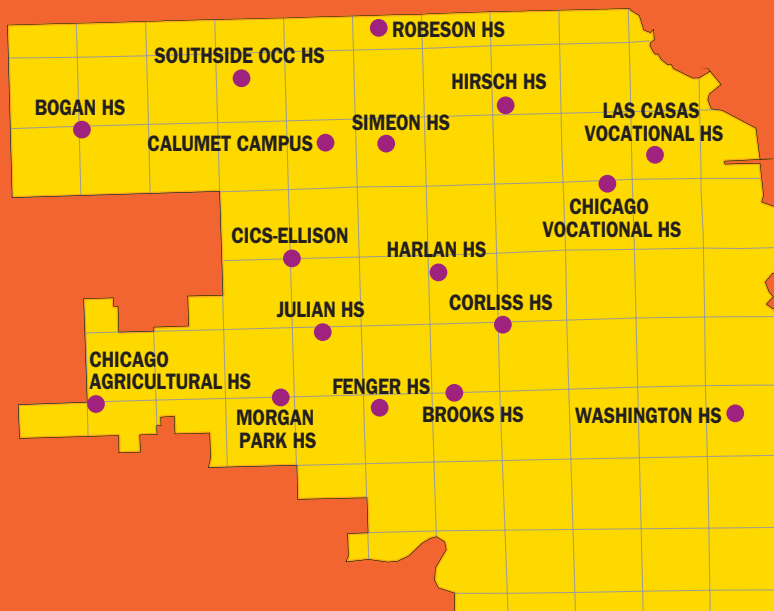
## RESOURCES AND OTHER FINANCING SOURCES

(Millions of dollars)

	2007	2006	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease) from 2006
Property Taxes	\$ 1,768	\$ 1,718	33.9%	\$ 50	2.9%
Replacement Taxes	201	185	3.9%	16	8.6%
State Aid	1,702	1,603	32.6%	99	6.2%
Federal Aid	746	776	14.3%	(30)	-3.9%
Investment Income	117	72	2.2%	45	62.5%
Other	286	163	5.5%	123	75.5%
Subtotal	\$ 4,820	\$ 4,517	92.4%	\$ 303	6.7%
Other Financing Sources	396	401	7.6%	(5)	-1.2%
<b>Total</b>	<b>\$ 5,216</b>	<b>\$ 4,918</b>	<b>100.0%</b>	<b>\$ 298</b>	<b>6.1%</b>

\* Minor differences in percentages occur due to rounding.

- **Other Income** increased \$123 million primarily due to debt service funding from the City of Chicago used to decrease some of CPS' general obligation bonds and the swap proceeds from fiscal year 2006.



## AREA 24

An unrelenting belief in its students through innovative programs and teaching methods, schools and teachers provide their students a unique opportunity to explore a world of possibilities. The nation's most prestigious teaching award—\$25,000 Milken National Educator award, was presented to a teacher from Las Casas High School while distinctive agricultural programs at Chicago High School for Agricultural Sciences offer students new experiences outside the classroom. The Ag School was a recipient of a \$50,000 grant as a result of the Steve Irwin fellowship awarded to one of its eco scientist students.

# EXPENDITURES

As Reported in the Fund Financial Statements

## WHERE DOES THE MONEY GO?

These graphs display fiscal year 2007 expenditures across specific program areas. Detailed Fund Financial Statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

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

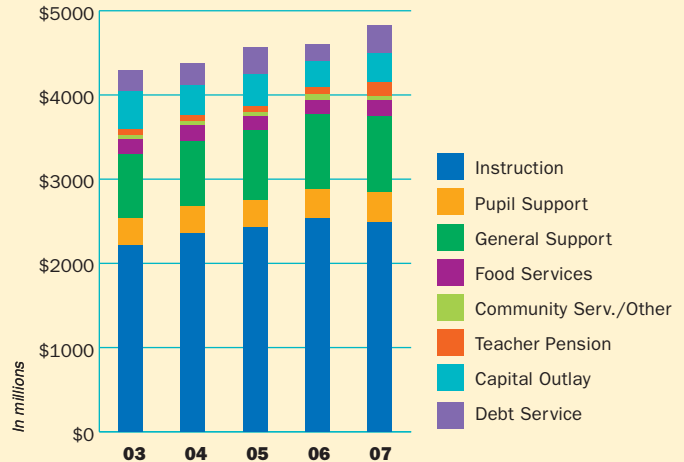
**Pupil Support Services** includes guidance counseling, social work, speech pathology, nursing, psychology, occupational and physical therapy services.

**General Support** includes:

- **Instructional Support** includes programs designed to enhance curriculum development, educational staff training and library services.

## Expenditures by Function

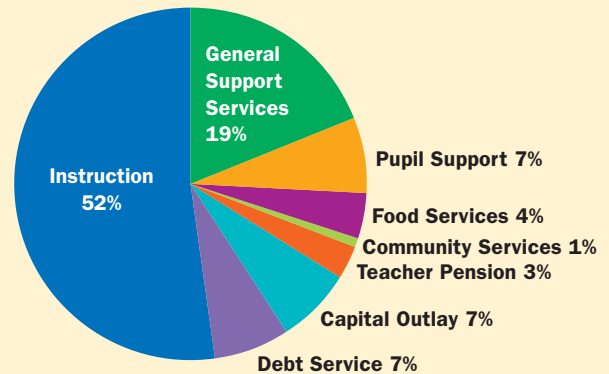
2007 — All Funds



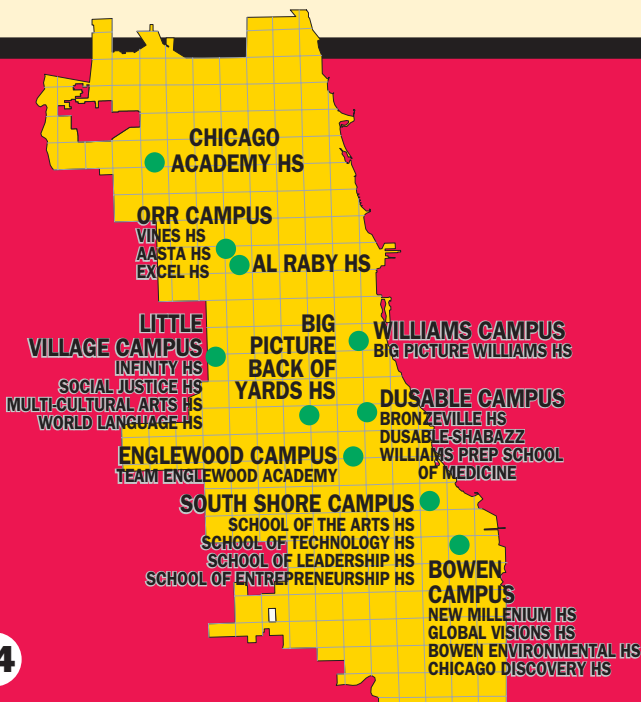
Source: Chicago Public Schools

## Expenditures by Function

2007 — All Funds



Source: Chicago Public Schools



## AREA 25—Instruction Office for Small Schools

Area 25 is successfully implementing Community School models as both a place and a set of partnerships between the school and other community resources. Its integrated focus on academics, community services and partnership opportunities leads to improved student learning, stronger families and healthier communities. Infinity, Math, Science and Technology Academy and World Language High School became the recent recipients of a Fry Foundation grant to improve reading across the curriculum in two small high schools. This is a program of reading and discussion activities to help high school students engage with reading and comprehend difficult text.

- **Facilities Services** includes operation and maintenance of plant and student transportation.
- **Administrative Support** includes school administration such as school principal and assistant principal compensation as well as central and area office administration.
- **Food Services** includes student lunches and breakfasts.
- **Community Services** includes after school programs and programs provided for non-public schools.
- **Teachers' Pension** includes CPS's employer share of teacher pension funding.
- **Capital Outlay** includes major new construction and renovation costs.
- **Debt Service** includes the payment of general long-term principal and interest.

## EXPENDITURES BY FUNCTION

The following schedule represents a summary of the general operating fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2007, as well as the percentage change in relation to prior year amounts.

## EXPENDITURES

(Millions of dollars)

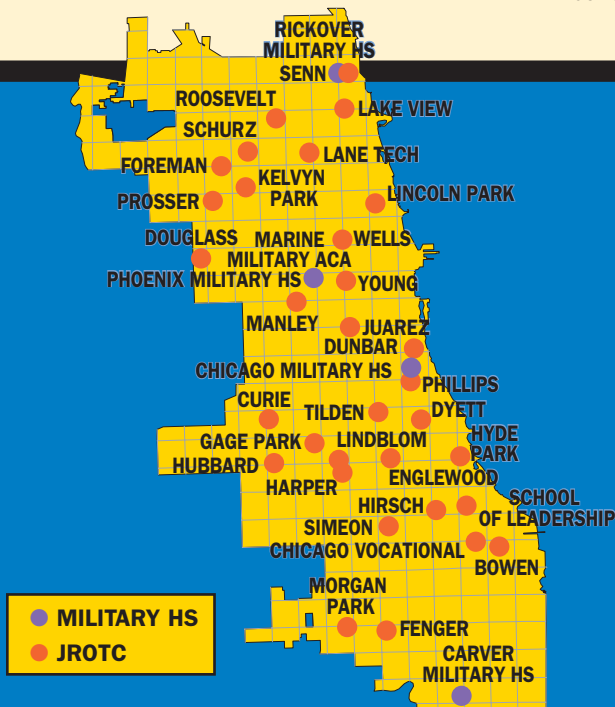
	2007	2006	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease) from 2006
Instruction	\$2,492	\$ 2,539	51.6%	\$ (47)	-1.9%
Pupil Support Services	349	334	7.2%	15	4.5%
General Support Services	914	895	18.9%	19	2.1%
Food Services	180	173	3.7%	7	4.0%
Community Services	45	46	0.9%	(1)	-2.2%
Teachers' Pension	156	75	3.2%	81	108.0%
Capital Outlay	346	311	7.2%	35	11.3%
Debt Service	342	213	7.1%	129	60.6%
Other	8	23	0.2%	(15)	-65.2%
<b>Total</b>	<b>\$ 4,832</b>	<b>\$ 4,609</b>	<b>100.0%</b>	<b>\$ 223</b>	<b>4.8%</b>

Operating expenditures increased by 1.4% or \$59 million. The expense by function in the accompanying table shows a decrease in Instruction, but is largely offset by the increase of \$81 million in Teachers' Pension as well as smaller increases in Pupil Support, General Support and Food Services. Capital Outlay increased by 11.3% or \$35 million due to the continuation of the Capital Improvement Program. Debt service expenditures have increased by 60.6% or by \$129 million due to defeasance of CPS' bonds series 2004F, 2004H and 2005C.



## AREA 26

Military Schools and JROTC met or exceeded projected enrollment! Cadets participated in numerous cadet competitions, leadership development programs, citywide support staff opportunities with monetary awards presented to 170 cadets to recognize exemplary achievement and service. With a generous \$92,000.00 grant, four Spring Break trips were provided for 225 cadets to Fort Knox, Kentucky, Gettysburg/Washington, DC, Springfield, Illinois and a multi-site trip to the United States Military Academy, United States Naval Academy, Norwich University and Antietam. Rickover Military School was included in the ACT QualityCore® pilot program.



# CAPITAL IMPROVEMENT PROGRAM



**“No other city in the nation is undertaking this major step to assure that our children learn in modern, up-to-date environments. Our taxpayers have been generous beyond words.”**

**Mayor Richard M. Daley**

**T**he Capital Improvement Program (CIP) is designed to relieve overcrowding and renovate school buildings to enhance the educational environment. Chicago Public School’s CIP uses a phased prototype renovation process that allows us to restore buildings while minimizing the impact on students and maximizing the benefit to the community. Since the inception of the CIP in 1995, the CIP has made a significant impact on the physical quality of our schools, which in turn has made a significant impact on our students’ learning environment.

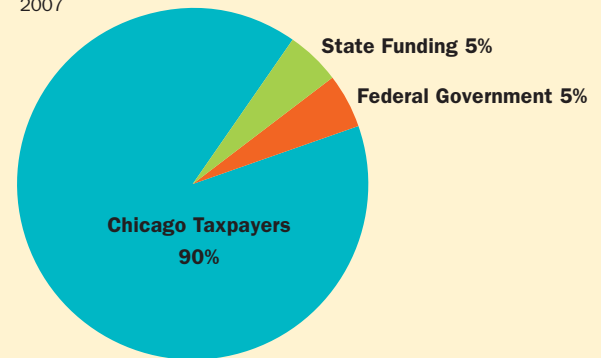
Finding resources to fund the CIP is an ongoing effort. To date, the program has grown in scope to over \$5.1 billion. Local resources have been the primary source of funds for this program. The State of Illinois and the Federal government also contribute funds toward CIP, but to a lesser extent.

## CAPITAL ASSETS

As of June 30, 2007, CPS had \$6.8 billion invested in a broad range of capital assets, including land, buildings, improvements, and equipment. Capital assets increased from last year by \$251 million before depreciation.

## Capital Improvement Program Funding

2007



Source: Chicago Public Schools

## NEW CONSTRUCTION AND RENOVATIONS

In fiscal year 2007, CPS completed the following projects in partnership with the Public Building Commission of Chicago:

- 14** ADA Projects
- 3** Additions
- 1** Annex
- 10** Doors
- 5** New Roof
- 1** New School
- 118** Renovations
- 4** Science Labs

## MODERN SCHOOLS ACROSS CHICAGO PROGRAM

In June 2006, Mayor Richard Daley announced the Modern Schools Across Chicago (MSAC) program, a partnership between the City and CPS to provide over \$1 billion in school construction over 5 years. The program includes citywide projects representing Chicago’s highest priority needs: new high schools to increase capacity, major high school renovations to provide modern facilities and new elementary schools to relieve overcrowding. In 2008, one new replacement school will open and two major high school renovations will be completed. The remainder of the projects including 1 additional high school renovation, 9 new

elementary schools, 5 replacement elementary schools, 1 addition, 2 replacement high schools, and 6 new high schools, will be completed by 2011.

## GREEN TEAM INITIATIVES

In August 2007, CPS’ Green Team developed an action plan to reduce our environmental impact and teach our 408,600 students to be environmental stewards through curriculum and school activities. CPS now purchases 20% of its electricity from renewable resources, increased 65% in energy efficiency at our headquarters and is encouraging our schools to reduce energy use by 10% over five years. New schools have been designed to meet LEED™ Certified standards since 2005 and CPS has begun incorporating LEED™ sustainable principles for existing buildings. We helped retrofit 670 older school buses to reduce harmful emissions. Our Paper Waste Busters campaign aims to reduce our paper use and increase recycled content of paper we buy. All schools have recycling, use least toxic solutions to manage pests, moving toward system-wide green cleaning this year, and will begin a food waste composting pilot next year.



# FUNDING FOR CAPITAL PROGRAMS

## LONG-TERM DEBT

As of June 30, 2007, CPS had \$4.82 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus \$4.58 billion last year, an increase of 5.4%.

## BOND ISSUANCES

In FY2007, CPS issued \$355.8 million of the following bonds as part of CPS' Capital Improvement Program to pay capitalized interest and to pay costs of issuance of the bonds:

### September 2006:

\$355,805,000 in Unlimited Tax General Obligation Bonds (Series 2006B) at a premium of \$14,443,983. As a result of the issuance, CPS recorded net proceeds of \$366,540,325.

**February 2007:** CPS entered into an interest rate swap with Royal Bank of Canada. The intention of entering into the swap was to effectively change the variable interest rate on the Series 2000C and 2004C bonds to a fixed interest rate. Any swap payments payable by CPS will be paid from the General Operating Fund under the 2000C agreement and from the same revenue source pledged to the underlying bonds under the 2004C.

## DEBT RATINGS

In the past ten years, Chicago Public Schools' debt ratings significantly improved. In recent years, the ratings remained constant, reflecting the financial community's confidence in our fiscal policies and practices. The debt ratings are used as a guide to the financial stability of an organization and as an indication of the safety and security of debt issued by that organization. The Board's debt ratings indicate a medium investment grade obligation with adequate security features.

Standard and Poor's (S&P) and Moody's Investor Service rating agencies have recently upgraded Chicago Public Schools bonds based on the school system's improved financial health. Moody's Investors Service bumped CPS to an A1 rating with a stable outlook for \$4.82 billion in outstanding debt up from the previous rating of A2 with a positive outlook. Moody's Investors Service cited CPS' upgrade due to sustained trend of sound finances and management's track record for meeting financial benchmarks. Standard & Poor's assigned the school district an A+ rating from an AA-. S&P raised its rating based on the CPS' maintenance of good financial operations, which are enhanced by strong financial management and strong tax base growth. Both rating agencies were also



encouraged by a new labor contract with teachers that will expire in 2012. These upgrades validate recent efforts by CPS to control expenses, such as securing favorable textbook rates from publishers and holding health insurance costs to \$250 million for each of the past two years.

The Board benefits from these increased ratings through reduced interest costs, reduced bond insurance costs, and reduced cost of credit on non-bond debt, additional funds for CIP and wider market acceptance for all CPS bonds.

CPS Debt Ratings	2007	2006
Fitch Ratings	A+	A+
Moody's Investor Service	A1	A2
Standard and Poor's	A+	AA-

# GOING FORWARD

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

Despite our best efforts, the challenge remains that some schools continue to underperform. The children who attend these schools need our help and support. No system is working harder to improve our schools than we are in Chicago.

## WHAT FINANCIAL CHALLENGES DOES CPS FACE IN THE FUTURE?

CPS is forecasting that the increase in expenditures will exceed our projected growth in revenues. Even though CPS has taken every opportunity to spend frugally, increasing salary-related costs, utilities and Federal mandates will impact CPS' ability to continue the positive trends in education.

### Specifically four major areas concern us.

- **Funding for Teacher's Pension** – If the state kept its original commitment, CPS would be receiving an additional \$200 - \$300 million per year, enough to reduce many of CPS' financial concerns.

- **Inadequate state funding** – The State of Illinois ranks 48th out of 50 in state funding. CPS continues to work aggressively on state funding reform for our operating expenses and for state support of our capital improvement program. The state's commitment to increase the foundation level has fallen short, further impacting CPS' ability to plan and budget appropriately.

- **Inadequate Federal funding** – Federal NCLB and special education mandates have been put in place, but Federal funding is insufficient to cover the costs of these mandates.

- **Local tax caps** – Chicago taxpayers have borne the largest portion of the cost of educating our students. This over-reliance on local resources and the tax cap limitation severely limit CPS' ability to increase our

revenues. CPS needs a reliable revenue stream that can increase along with increasing expenses.

## WHERE DO WE GO FROM HERE?

With strong business and community partnerships and continuing support from Mayor Daley and the City of Chicago, CPS strives to be the premier urban school district in the country by providing all our students and their families with high quality instruction, outstanding academic programs and comprehensive student development to prepare them for the challenges of the world of tomorrow. This is our continuing commitment to the citizens of Chicago for every year, every child, in every school.

## GLOSSARY OF TERMS

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

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

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

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

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

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

**FUND ACCOUNTING** Accounting whereby nonprofit organizations and organizations in the public sector are measured by

accountability instead of profitability. These organizations have a need for special reporting to financial statements users that show how money is spent, rather than how much profit was earned.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

Financial statements that incorporate all of the school district's financial activities into two statements: the statement of net assets and the statement of activities.

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

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

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

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

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

# CPS AT A GLANCE

## STUDENTS

Total: 413,694 (2006-2007)

## STUDENT ENROLLMENT

21,363 Pre-School  
28,403 kindergarten  
252,364 elementary (1-8)  
111,564 secondary

## STUDENT RACIAL BREAKDOWN (2006-2007)

47.9% African-American  
38.3% Latino  
8.1% White  
3.2% Asian/Pacific Islander  
2.3% Multi-Racial  
0.1% Native American

## ADDITIONAL STUDENT INFORMATION (2006-2007)

84.9% of students from  
low-income families  
18.8% of Illinois public school students  
attend CPS  
14.4% are limited-English-  
proficient  
94.0% attendance rate for  
elementary schools  
84.3% attendance rate for  
high schools  
91.3% citywide attendance rate

## PUPIL/TEACHER INFORMATION (2006-2007)

21.1 pupils per teacher in  
elementary schools  
19.6 pupils per teacher in  
high school  
\$ 66,043 average teacher salary  
\$117,364 average administrator salary

## SCHOOLS

Total: 622 (2006-2007)

## ELEMENTARY SCHOOLS – 481

409 traditional elementary schools  
40 magnet schools  
15 middle schools  
8 gifted centers  
9 special schools

## HIGH SCHOOLS – 114

36 general/technical  
12 vocational/career schools  
13 magnet schools  
8 math/science/technology academy  
4 military academy  
21 small schools  
8 achievement academy  
3 alternative school  
9 special school

## CHARTER SCHOOLS – 27

18 elementary  
(35 elementary campuses)  
9 high school  
(21 high school campuses)

## LOCAL SCHOOL COUNCILS

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

## OPERATING BUDGET

\$4.406 billion (FY2006-07)  
Local sources: \$1.882 billion  
State sources: \$1.584 billion  
Federal sources: \$0.835 billion  
Appropriated Fund Balance: \$0.105  
billion

## EMPLOYEES – 44,417 (FY2006-07)

Total Positions:  
39,205 (public schools)  
47 (non-public schools)  
3,583 (citywide)  
1,582 (central/regional)

## OVERALL RACIAL BREAKDOWNS

**All Staff:**  
43.8% African-American  
35.7% White  
17.4% Latino  
2.6% Asian/Pacific Islander  
0.5% Native American

## 588 PRINCIPALS:

54.1% African-American  
31.3% White  
13.4% Latino  
1.0% Asian/Pacific Islander  
0.2% Native American

## 24,664 TEACHERS

35.8% African-American  
47.3% White  
13.2% Latino  
3.1% Asian/Pacific Islander  
0.6% Native American

## PER PUPIL OPERATING EXPENDITURES

as of FY05-06  
\$10,409 operating expenditure per  
pupil  
\$7,482 per capita tuition





## Chicago Public Schools

Office of School Financial Services

125 S. Clark

Chicago, IL 60603

773-553-2710 Phone

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

### **Comprehensive Annual Financial Report for the Year Ended June 30, 2007**

[http://www.cps.k12.il.us/AboutCPS/Financial\\_Information/CAFR/FY2007\\_CAFR.pdf](http://www.cps.k12.il.us/AboutCPS/Financial_Information/CAFR/FY2007_CAFR.pdf)

### **Annual Financial Report for the Year Ended June 30, 2007**

[http://www.cps.k12.il.us/AboutCPS/Financial\\_Information/CAFR/FY2007\\_PAFR.pdf](http://www.cps.k12.il.us/AboutCPS/Financial_Information/CAFR/FY2007_PAFR.pdf)

For further information or to learn about our educational, operational and employment opportunities, please visit the CPS website at <http://www.cps.k12.il.us/>


## **CREDITS**

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