

# Chicago Public Schools Popular Annual Financial Report

For the fiscal year ended June 30, 2018



**Rahm Emanuel**  
Mayor, City of Chicago, Illinois



**CHICAGO BOARD OF EDUCATION**



**Frank M. Clark, President**  
**Jaime Guzman, Vice President**  
**Mark F. Furlong**  
**Alejandra Garza**  
**Austan D. Goolsbee**  
**Mahalia Hines**  
**Gail Ward**

**Janice K. Jackson, EdD, Chief Executive Officer**  
**Ronald DeNard, Sr. VP. Of Finance**  
**Melinda M. Gildart, CPA, MBA, Controller**

## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Students</b>							
Total: 371,382							
<b>Student Enrollment</b>		<b>Additional Student Information</b>			<b>Student Racial Breakdown</b>		
Preschool	19,441	Economically Disadvantaged Students	77.7%	White	10.2%	Hispanic	46.8%
Kindergaren	24,963	English Language Learners (ELL)	18.0%	African American	37.0%	Multi-Racial	1.1%
Elementary	219,626	Students with IEPs	13.7%	Asian/Pacific Islander (retired)	0.0%	Asian	4.1%
Secondary	107,352			Native American/Alaskan	0.3%	Hawaiian/Pacific Islander	0.2%
						Not Available	0.3%

<b>Schools</b>				<b>Local School Council</b>	
Total: 646					
<b>Elementary: 479</b>		<b>High School: 167</b>			
traditional	415	traditional	85	6 parent representatives	
specialty	3	options	4	2 community representatives	
early childhood center	3	specialty	4	2 teachers	
charter	56	charter	66	1 non-teaching staff	
contract	2	contract	7	1 principal	
		SAFE	1	1 student representative (high school only)	

<b>Operating Budget</b>		<b>Employees by Function</b>	
FY18 Budget: \$5,699.3		<b>Instruction</b>	<b>24,010</b>
		<b>Support Services</b>	<b>11,838</b>
Local	3,169.6	Pupil support services	4,357
State	1,699.4	Administrative support servic	925
Federal	773.0	Facilities support services	1,144
Appropriated fund balance	57.3	Instructional support services	2,515
		Food services	2,700
		Community services	197

# Executive Letter

January 23, 2019

Dear Stakeholders,

We are pleased to present you with the Chicago Public Schools (CPS) Fiscal Year 2018 financial results.

Thanks to the tireless advocacy of our families, educators and partners, and decades of effort by our lawmakers, Chicago Public Schools is no on stronger financial ground, which means we can invest more in the programs and resources that we know drive student achievement.

The historic education funding reform enacted by our state has allowed CPS to achieve improved financial stability. The more equitable funding formula adopted by the state has resulted in hundreds of millions of dollars in additional resources for students with the potential for additional resources that would bring CPS closer to funding equity, if fully funded. These additional funds are supporting our vision for the future of Chicago Public Schools. A vision that includes increased school-based funding, greater investments in capital projects, and the expansion of high-quality academic programs that have catapulted CPS students to unprecedented levels of academic growth.

The district also created two new departments that will focus on creating a district that is equitable and free of sexual harassment, bullying, and violence. The Office of Equity will help ensure the district's policies are aligned to our values around diversity, equity, and inclusion while the Office of Student Protection and Title IX will work to ensure the district is free of sexual harassment, bullying, and violence.

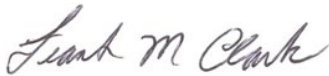
The improvement of our finances coincides with a period of consistent and significant academic improvement. Just 7 years ago, barely more than 50 percent of CPS students graduated from high school. Today that number is a record high 78.2 percent. Additionally, nearly 90 percent of last year's freshman are currently on track to graduate, and the college-enrollment rate for CPS graduates now exceeds the national average.

The CPS Class of 2018 earned an unprecedented \$1.3 billion in scholarship offers to help the continue their education, and more than 46 percent of these students finished high school having earned at least one college or career credential. Many of these were Advanced Placement (AP) credits, which have been on the rise for the past several years, resulting in Chicago Public Schools being the only district to receive the College Board's AP District of the Year Award multiple times. CPS received this recognition for leading the nation in expanding access to rigorous AP courses while simultaneously improving achievement among every demographic subgroup.

Through targeted supports aimed at keeping students in school, CPS also maintained record-high attendance levels in 2018 and reported the lowest single-year dropout rate in district history. Additionally, our students' standardized test scores continue to improve, rising 35 percent in Reading and 25 percent in Math since 2013.

Aided by our commitment to integrity and financial responsibility, CPS has become a national leader in urban education. Moving forward, the district will focus on maintaining this position and improving equity in the way resources are distributed. This will bring us closer to our goal of creating a world-class education system for a world-class city, and providing every child in Chicago with access to a high-quality education that prepares the for success in college, career and community.

Respectfully submitted,



Frank M. Clark  
President  
Chicago Board of Education



Janice K. Jackson, EdD  
Chief Executive Officer  
Chicago Public Schools



Frank M. Clark  
Board President



Jaime Guzman  
Vice President



Mark F. Furlong  
Board Member



Alejandra Garza  
Board Member



Austan D. Golsbee  
Board Member



Mahalia Hines  
Board Member

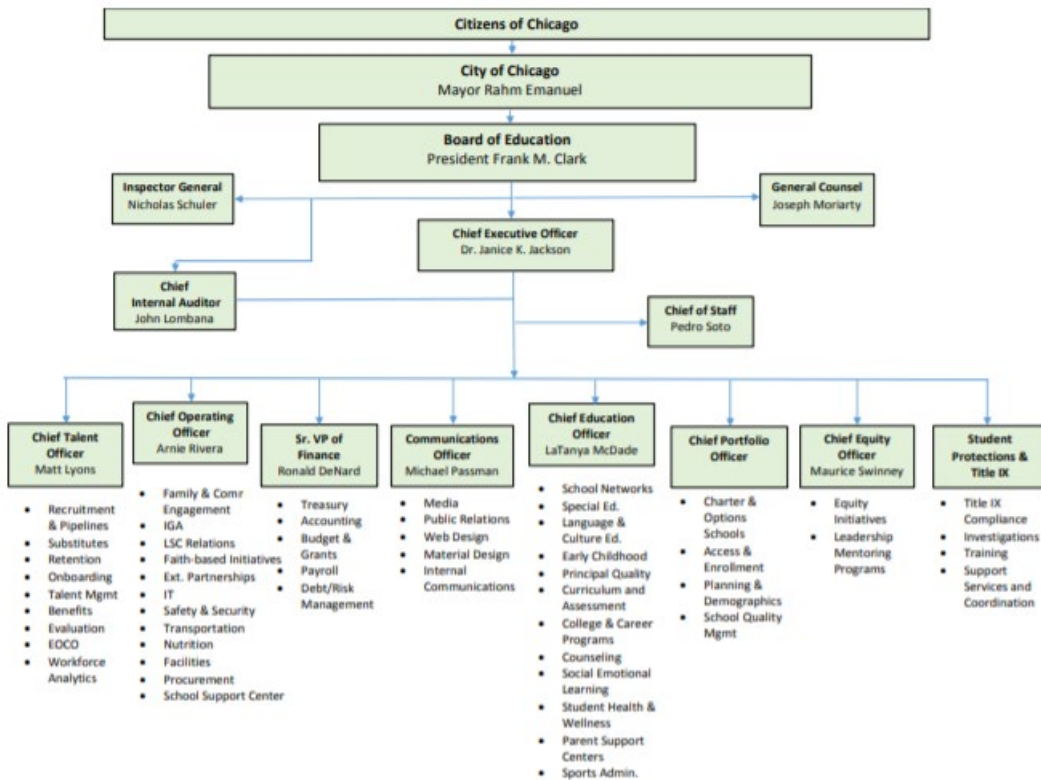


Gail D. Ward  
Board Member

# CPS Profile

The Chicago Public Schools 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 Illinois School Code and is not a home-rule unit of government. The Chicago Board of Education operates a system of schools primarily for grades pre-kindergarten through twelve. As the third largest school district in the nation, our schools and students reflect the broad diversity of our city. In fiscal year 2018, CPS had 644 schools, including district-run traditional and options schools, charter and contract schools. Student enrollment was 371,382, while CPS employs 36,403 workers, including 24,794 teaching positions.

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.



Janice K. Jackson, EdD  
Chief Executive Officer



LaTanya McDade  
Chief Education Officer



Arnaldo Rivera  
Chief Operating Officer

# Background and Summary of Financial Results

## Introduction

This popular version of our annual financial report is designed to give our readers a snapshot of Chicago Public Schools' (CPS) financial condition and to highlight information that our parents, teachers, supporters, and community and state leaders should find helpful for improving their understanding of our operations.

This report does not provide all the detailed financial information that is contained in our Comprehensive Annual Financial Report (CAFR). The CAFR includes all of the audited financial statements and disclosures.

For a detailed report, please visit our website at [http://www.cps.edu/About\\_CPS/Financial\\_information/Pages/Annualreport.aspx](http://www.cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx).

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



## How We Did Last Year

The General Operating Fund ended fiscal year 2018 with a surplus of \$324 million, which is a significant improvement from the fiscal year 2017 deficit of \$148 million. The positive fund balance in the General Operating Fund for fiscal year 2018 reverses two consecutive years of reporting negative fund balance in fiscal years 2016 and 2017.

CPS ended the fiscal year with an unrestricted General Operating Fund cash balance of \$164 million, an increase of \$44 million from fiscal year 2017. The current unassigned fund balance of \$244 million increased by \$599 million from fiscal year 2017 and represents 4% of General Operating Fund expenditures.

Other fiscal year 2018 highlights include:

- Fiscal year 2018 budget totaled \$6.3 billion with the operating fund totaling \$5.7 billion. The capital projects fund budget was \$0.1 billion and \$0.5 billion was appropriated for the debt service fund.
- CPS' operating revenues increased by \$735 million or 14% from the prior year primarily due to an increase of state aid of \$572 million.
- CPS issued \$65 million of capital improvement tax bonds during fiscal year 2018 to finance capital improvement projects. The capital outlay expenditure increased by \$134 million over the prior year for on-going construction and renovation projects.
- CPS issued over \$1.5 billion of unlimited GO bonds to provide funds for capital program financing and refunding.
- Total fund balance for all funds increased by \$910 million to \$2 billion in fiscal year 2018.
- Looking forward, CPS' fiscal year 2019 General Operating Fund budget of \$6 billion represents a 5% increase or \$285 million from last year.

## ***Balanced Budget***

Thanks to Chicago taxpayers, Springfield leaders and management at Chicago Public Schools, the District's fiscal year 2018 budget continues the established sound foundation for greater fiscal stability. The budget positioned the District to improve educational results and operational efficiency while directing as much funding as possible to classrooms. Above all, this budget allowed CPS and our families to assure our students' continued academic growth, achievement and post-secondary success.

In addition to presenting a stable, balanced budget for the coming year, this budget also provided a roadmap for longer-term stability. CPS will continue to harness the energy and enthusiasm of school communities that pushed for education funding reform, along with our partners in downstate, suburban and rural districts who educate students in poverty.

## ***Capital Improvement Program***

CPS continued to fund its Capital Improvement Program with three new bond issues. Intergovernmental agreements with the City of Chicago and Tax Increment Financing (TIF) dollars also helped fund capital projects.

## ***New Accounting Standards***

Chicago Public Schools is required to comply with governmental accounting standards for financial reporting. These are the new accounting standards adopted by CPS that had an impact in fiscal year 2018:

- **GASB 75** Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) replaced GASB 45 and required governments to restate the liability on the face of the financial statements and increase disclosures for the OPEB they provide.
- **GASB 86** Certain Debt Extinguishment Issues issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

## ***School Internal Accounts Management***

In fiscal year 2017, the Office of the Controller, Disbursements and Business Services Division, initiated an overhaul of the custom Internal Accounts Management System (IAMS), in order to streamline CPS vendor onboarding, vendor management, increase Oracle functionality and reporting for schools, online credit card payment processing and consolidate procurement spending. Phase I of the implementation was completed in fiscal year 2018 and streamlined vendor management and onboarding process as well as adding versatility with an online payment collection site, ePay.

## ***Asset and Inventory Management***

In fiscal year 2018, Chicago Public Schools completed the district-wide initiative for asset and inventory management, which consolidated the recording, inventorying, maintaining, and disposing of nearly 800,000 assets. The District's newly implemented asset and inventory management software enables online access to asset inventory and provide a centralized repository for our asset data.

## **Professional Financial Awards**

The Government Finance Officers Association (GFOA) has awarded CPS with the Certificate of Achievement for Excellence in Financial Reporting each year since 1996 for its CAFR. Since 1998, CPS has also received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. In addition, CPS has received the Award for Outstanding Achievement in Popular Annual Financial Reporting in previous years. It is the highest standard for the preparation and issuance of state and local government popular reports.

# Funding Education

## ***Budget Focus on Educational Priorities***

The budget for fiscal year 2019 increased appropriations by 3%. Revenue changes include an increase of \$58 million in local revenue, \$112 million in budgeted state revenue, and \$23 million in federal revenue.

The majority of funding received by schools is based on the Student Based Budgeting model, which directs a per-pupil dollar amount to each school (with weights assigned for different grade levels). For fiscal year 2019, the base SBB rate is increased from last year's rate of \$4,290 per student to \$4,397, or 2.5%. The increase is intended to cover academic programming and higher teacher salaries.

## ***Long-Term Financial Planning***

In fiscal year 2018, CPS benefited from landmark state legislation which provides more equitable funding to school districts across the State. While CPS remained the only district in the state that must fund the vast majority of its teacher pension costs, the new legislation provided an additional \$221 million to cover the normal cost of the teacher's pension contribution. Additionally, the new Evidence Based Funding formula hold districts harmless to previous year funding and drives new state funding to lower income school districts. Finally, the new legislation provided CPS with an increased property tax levy which helps fund CPS' pension contributions.

The law become effective in August 2017 and generated \$444 million of additional revenue in fiscal year 2018, which comprised of \$221 million in State funding of CPS' annual Teachers' Pension Fund contribution, \$70 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. As a result of these improvements, CPS achieved a positive fund balance in fiscal year 2018 for the first time in three years. As a result of the improved fund balance, CPS has also reduced cash borrowing by \$455 million in fiscal year 2018 versus fiscal year 2017. All of the rating agencies have acknowledged this improvement, as CPS has received three rating upgrades and five outlook improvements since the new legislation was put in place.

In fiscal year 2019, the structural deficit will be significantly reduced as a result of the year end performance in fiscal year 2018. With an improved financial condition and lower interest rates on long and short-term borrowings, CPS expects to continue tom improve upon fund balance reserves for fiscal year 2019. But in fiscal year 2020, CPS will again face key policy decisions including the expiration of the current collective bargaining agreement, how much TIF revenues will be needed to fund both operations and capital needs, and ways to address declining enrollment.



# Education Programs

## ***Computer Science***

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 2018, a district-wide professional development trained 100 high school teachers in the Exploring Computer Science course and 150 elementary school teachers in a variety of curricula. Currently over 17,700 high school students are enrolled in introductory and advanced computer science courses across the district.



## ***Social Science and Civic Engagement***

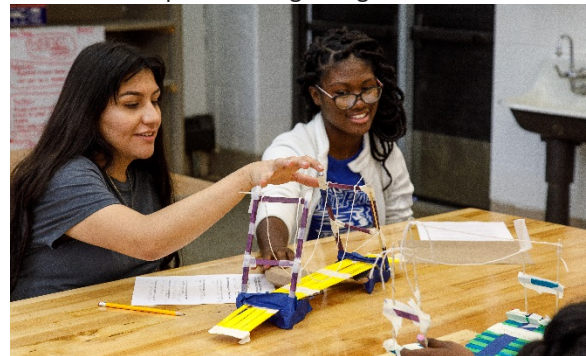
In school year 2018, the Department of Social Science and Civic Engagement implemented a number of educational initiatives in order to expand access for all students to high quality social science curriculum, financial literacy and civic learning and student leadership opportunities. During the past year, a district-wide professional development for social science was developed and over 1,300 educators, counselors, principals and district leaders were trained to implement the City Council mandated the Reparations Won curriculum; new curricular modules and correlating training were developed and launched for Financial Education; and a number of curricular projects were expanded including several social science education organizations including a robust district-wide effort to implement and train teachers in Facing History and Ourselves curriculum for grades 8, 9, 10 and 11.

## ***Social and Emotional Learning***

Through the district's commitment to Social and Emotional Learning (SEL), we are keeping more of our students in school and engaged. SEL continues to be a central focus of our district's long-term vision and goals and CPS has achieved significant advancements towards fulfilling our vision for systemic, district-wide SEL. The language of SEL is engrained in discussions at the highest levels of district leadership, and it is reflected in the district-wide communications, policies and professional development.

## ***STEM Program***

This year, our district identified opportunities for STEM School expansion across the district. Preparation began for three new STEM Magnet Elementary schools through the Magnet Schools Assistance Program (MSAP) grant. W. Brown, Claremont and Jungman STEM schools are now serving approximately 1,000 students. Additionally, three new Early College STEM programs were announced at Crane, Infinity and Solorio high schools. CPS also opened its' first official STEM school at Sor Juana elementary serving students in grades K-2 in school year 2018-2019. To support robust learning in the STEM disciplines, the district also identified new science instructional materials aligned to the Next Generation Science Standards for teachers to implement beginning in the fall of 2018.





# Education Outcomes

- **Record-High Graduation Rate:** Students earning a diploma hit an all-time high of 78.2 percent this year – with the biggest improvements coming from African American and Hispanic males. The graduation rate has steadily risen over the past seven years, growing more than 37 percent since 2011, when just over half of CPS students earned a high school diploma.
- **Freshman On Track:** In 2018, the percentage of freshmen considered on-track to graduate is the highest measure on record at 89.4 percent, a nearly 30 percent improvement since 2011. The Freshman OnTrack rate is a research-based measurement that is the single best indicator of whether or not a student will graduate, and it has risen for the seventh year in a row – signaling that more CPS students are likely to graduate than ever before.



- **Record High Math Scores and Strong Reading Gains:** More Chicago elementary students than ever before are meeting or exceeding national attainment standards for math, and reading scores have held steady at their previous record high. In 2018, a record 56.6 percent of students met or exceeded the national average in math scores, and 61.4 percent of students met or exceeded the average in reading scores on the 2017-18 NWEA MAP assessment.

- **Record High College and Career Credentials Earned:** This year, more CPS graduates earned college and career credentials than ever before. Credential attainment jumped 3.2 percentage points this year, with 46.6 percent of 2018 graduates earning at least one early college and career credential, which helps make college more accessible and affordable for students and their families.
- **Scholarship Dollars Earned:** The class of 2018 earned more than \$1.33 billion in scholarship offers – \$90 million more than 2017 and five times more than 2012, when CPS students earned \$266 million in scholarship dollars. This dramatic increase is consistent with the district’s strategic expansion of postsecondary initiatives and college-level programming such as IB, STEM, AP and dual credit and dual enrollment in schools across the city.
- **Keeping Students Safe:** The district continues to expand its successful Safe Passage program, the city’s collaborative effort that has proven to reduce crime and keep students safe during their daily commutes to and from school. This fall, Safe Passage will serve 76,000 students at 160 schools throughout the city – nearly five times the number of schools served in 2012.
- **Meeting Students’ Social and Emotional Needs:** CPS has made major investments in social and emotional learning programming, training and initiatives in recent years to better support the needs of our students. As part of these efforts, CPS created the supportive schools certification to recognize schools have prioritized supportive school environments. In 2018, 447 schools earned the supportive school certification – an increase of more than 112 schools.

# Financial Report: Management's Discussion and Analysis

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

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

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

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

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



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

In the MD&A section of the CPS' annual report, management discusses numerous aspects of the organization, both past and present. Among other details, the MD&A provides an overview of the previous

year of operations and how the CPS fared in that time period. Management also touches on the upcoming year, outlining future goals and approaches to new projects.

### **Highlights from the Government-Wide Financial Statements**

- Total assets of \$9.6 billion decreased \$34 million or 0.4% primarily due to a decrease in state aid receivables. Non-current assets increased \$43 million primarily due to the increase of bond proceeds held with a trustee and other long term investments. Capital assets, net of depreciation, for fiscal year 2017 totaled \$5.99 billion and \$5.96 billion in fiscal year 2018.
- In fiscal year 2018, CPS issued \$1.6 billion of new bonds, consisting of \$1.5 billion of General Obligation Bonds and \$65 million of Capital Improvement Tax Bonds to fund the Capital Improvement Program. Long-term liabilities increased \$2.3 billion or 10.8% due to the issuance of new bonds and an increase in the pension liability. The total long-term portion of debt outstanding and capitalized leases was \$7.9 billion in fiscal year 2017 and \$8.7 billion in fiscal year 2018.
- Accrued pension increased to \$12.38 billion in fiscal year 2018 from \$11.01 billion in fiscal year 2017, an increase of \$1.37 billion or 12%. The year-end balance reflects the increase in the net pension obligation related to CTPF.
- Other post-employment benefit (OPEB) liabilities increased to \$2.27 billion in fiscal year 2018 from \$2.03 billion in fiscal year 2017, an increase of \$234 million, or 11.6%. The year-end balance reflects the increase in net OPEB related to healthcare costs associated with CTPF.
- CPS' net assets decreased \$1,046 million to a deficit of \$14,057 million. Of this amount, \$743 million deficit represents CPS' investment in capital assets, net of depreciation, and related debt. Restricted net assets of \$973 million are reported separately to present legal constraints from debt covenants and enabling legislation. The deficit of \$14,287 million of unrestricted net assets represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2018.

# Financial Report: Management's Discussion and Analysis

## Statement of Net Position

### As Reported in Government-Wide Financial Statements

This Statement of Net Position 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 Position presents information on all of CPS' assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position 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.

<b>Statement of Net Position</b>				
(Millions of dollars)				
	<b>2018</b>	<b>2017</b>	<b>Difference</b>	<b>% Change</b>
Current Assets	\$ 3,060	\$ 3,137	\$ (77)	-2.5%
Non-current Assets	6,539	6,496	43	0.7%
<b>Total Assets</b>	<b>\$ 9,599</b>	<b>\$ 9,633</b>	<b>\$ (34)</b>	<b>-0.4%</b>
Deferred Outflows of Resources	\$ 2,015	\$ 1,388	\$ 627	45.2%
Current Liabilities	\$ 1,781	\$ 2,513	\$ (732)	-29.1%
Long-term Liabilities	23,640	21,342	2,298	10.8%
<b>Total Liabilities</b>	<b>\$ 25,421</b>	<b>\$ 23,855</b>	<b>\$ 1,566</b>	<b>6.6%</b>
Deferred Inflows of Resources	\$ 250	\$ 176	\$ 74	42.0%
Net Position (Deficit)				
Net Investment in Capital Assets	\$ (743)	\$ (644)	\$ (99)	-15.4%
Restricted for:				
Debt service	745	630	115	18.3%
Capital projects	167	126	41	32.5%
Grants and donations	52	52	-	0.0%
Worker's comp/teachers pension	9	27	(18)	-66.7%
Unrestricted	(14,287)	(13,202)	(1,085)	-8.2%
<b>Total Net Position (Deficit)</b>	<b>\$ (14,057)</b>	<b>\$ (13,011)</b>	<b>\$ (1,046)</b>	<b>-8.0%</b>

# Financial Report: Revenues & Other Financing Sources

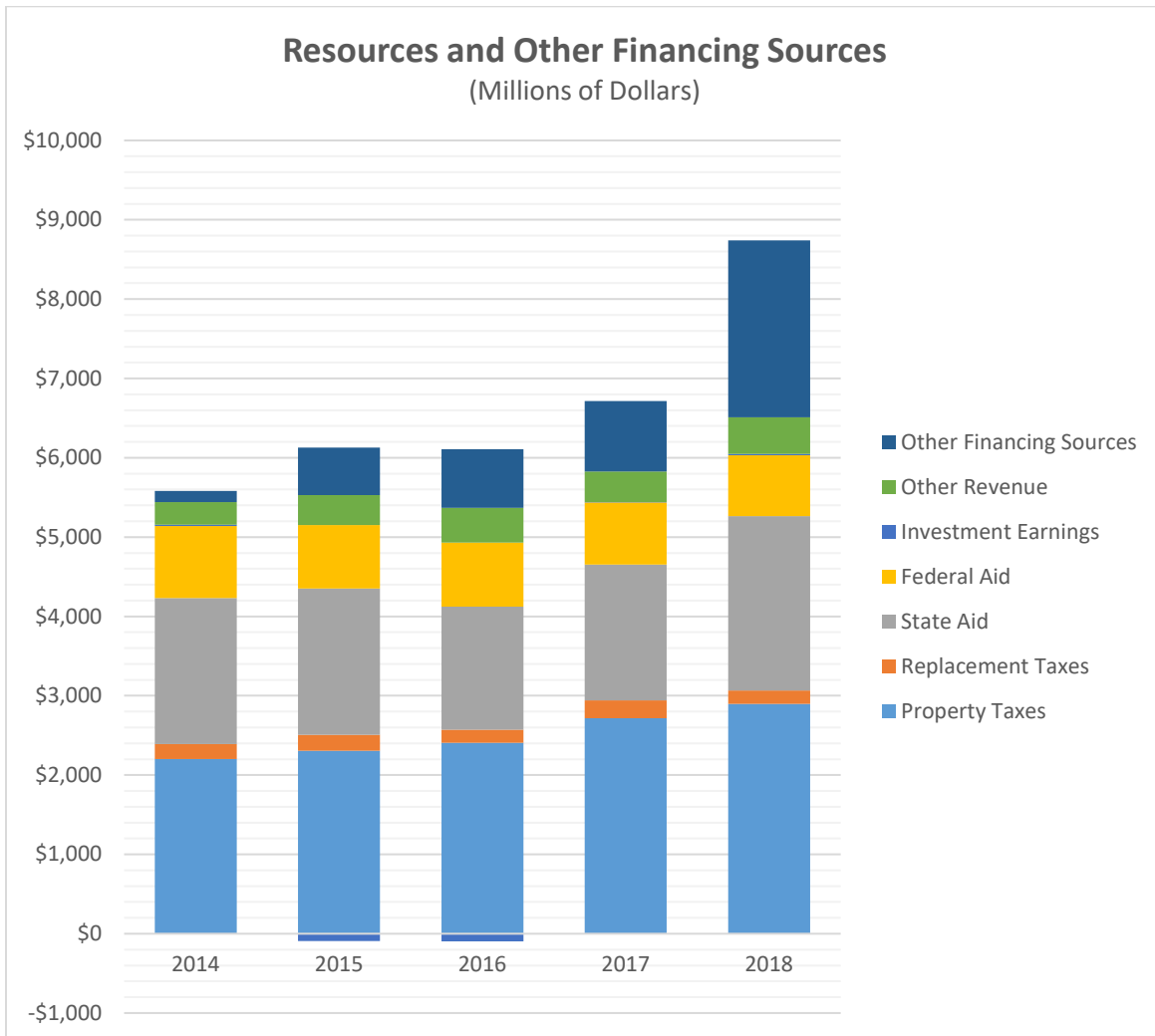
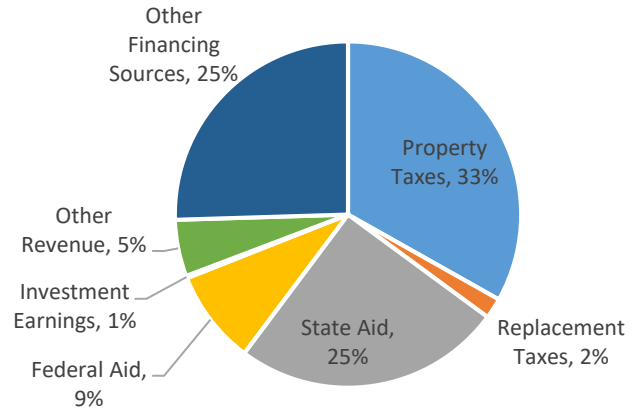
## How Are Chicago Public Schools Funded?

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 \$8.8 billion for fiscal year 2018. The Federal government contributed 9% of all revenues for CPS in fiscal year 2018, while State Aid was 25%. The remaining 66% of resources are raised locally and include property and replacement taxes.

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

## Resources and Other Financing Sources 2018



# Financial Report: Revenues & Other Financing Sources

## 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, 2018. It also depicts the amount and percent change in relation to prior year revenues and other financing resources.

Local property taxes provide approximately 32.8% of all revenues. The other local revenues come from personal property replacement taxes, interest income, and other miscellaneous items.

- Property Taxes increased by \$183 million from fiscal year 2017 because additional revenues from the tax year 2016 teacher pension levy approved by state statute, in which collections go directly to the Pension Fund. Also, CPS increased property taxes by 0.7% and captured all property tax growth from new property.
- Replacement Taxes (Personal Property) decreased \$60 million from fiscal year 2017 due to a prior year adjustment in fiscal year 2017, which provided a one-time increase to the statewide PPRT Fund.
- State Aid increased by \$488 million from the prior year for the following reasons: 1) increased timeliness of State payments and the

implementation of the new State funding formula, 2) aid allocation was considerably higher due to the state's enactment of the hold harmless for General State Aid, creation of a new Equity Grant and an increase in Early Childhood appropriations and 3) higher proportion of payments received by CPS within the revenue recognition period and recognized as revenue for governmental funds financial reporting purposes.

- Federal Aid decreased \$16 million primarily due to the decrease of 6% of the Title I allocation and smaller allocation decreases in other miscellaneous grants.
- Interest and Investment Earnings increased \$14 million from fiscal year 2017 due to moderate increases in the short-term interest rates and higher available cash on hand.
- Other Revenue increased \$75 million, which is mainly due to a \$125 million in Transit TIF allocated to CPS by the City of Chicago in fiscal year 2018.
- Other Financing Sources increased \$1,341 million primarily due to the issuance of capital improvement tax bonds Series 2017 and GO bonds Series 2017AB and 2017CDEFGH in fiscal year 2018.

## Resources and Other Financing Sources - All Funds

(Millions of dollars)

	2018	2017	2018 Percent of Total	Increase/ (Decrease) from 2017	Percent Increase/ (Decrease) from 2017
Property Taxes	\$ 2,898	\$ 2,715	33.2%	\$ 183	6.7%
Replacement Taxes	168	228	1.9%	(60)	-26.3%
State Aid	2,197	1,709	25.1%	488	28.6%
Federal Aid	768	784	8.8%	(16)	-2.0%
Investment Earnings	19	5	0.2%	14	280.0%
Other Revenue	462	387	5.3%	75	19.4%
Other Financing Sources	2,227	886	25.5%	1,341	151.4%
<b>Total</b>	<b>\$ 8,739</b>	<b>\$ 6,714</b>	<b>100.0%</b>	<b>\$ 2,025</b>	<b>30.2%</b>

# Financial Report: Expenditures by Source and Function

## Where Does the Money Go?

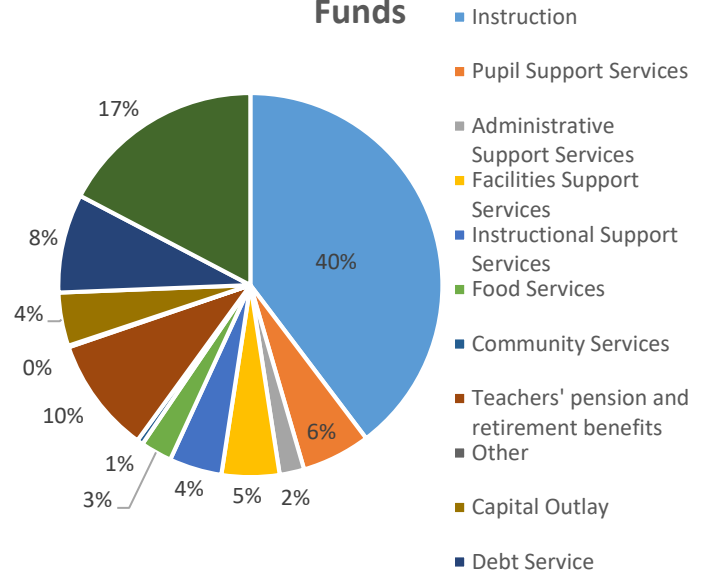
These graphs display fiscal year 2017 expenditures across specific program areas. Detailed fund financial statements are available in CPS' Comprehensive Annual Financial Report (CAFR).

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

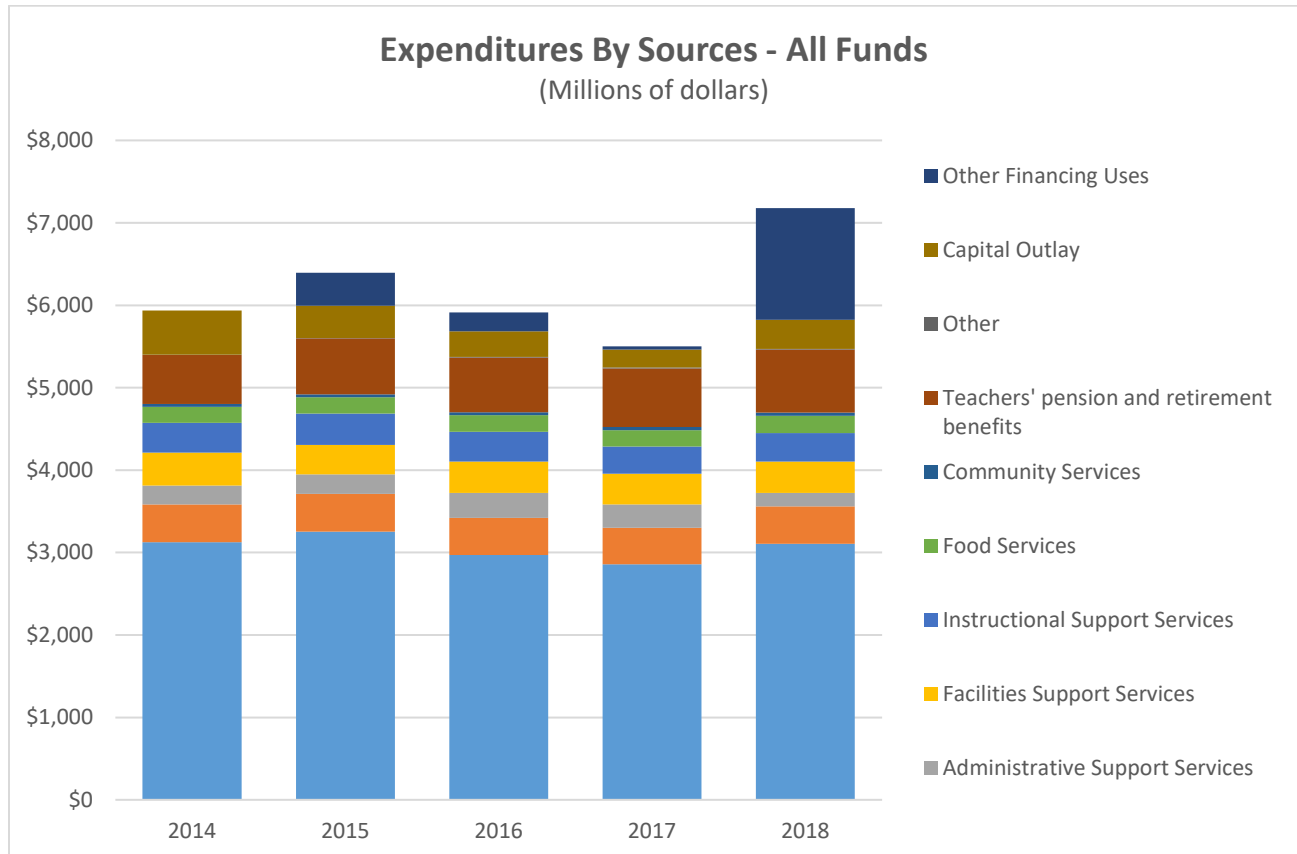
**Pupil Support Services** includes guidance counseling, social work, speech pathology, nursing, psychology,

occupational and physical therapy services.

## Expenditures by Sources 2018 - All Funds



## Expenditures By Sources - All Funds (Millions of dollars)



# Financial Report: Expenditures by Source and Function

**General Support** includes:

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

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

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

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

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

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

## **Expenditures by Function**

The following schedule represents a summary of the general operating fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2018, as well as the percentage change in relation to prior year amounts.

Instruction has increased 8.7% or \$249 million driven by increases to school budgets and a cost shift from administrative support services due to the new state-mandated charter school funding formula. Teacher Pension increased 7.6% or \$54 due to growth in required contributions to the Chicago Teachers Pension Fund. Capital Outlay increased 62.2%, or \$135 million, due to an increase in capital projects underway to renovate and build new facilities. Debt service expenditures increased 14.2% or \$81 million primarily due to an increase in payments for refunding transaction which were economically beneficial to the District.

## **Expenditures - All Funds**

(Millions of dollars)

	<b>2018</b>	<b>2017</b>	<b>2018 Percent of Total</b>	<b>Increase/ (Decrease) from 2017</b>	<b>Percent Increase/ (Decrease) from 2017</b>
Instruction	\$ 3,108	\$ 2,859	39.7%	\$ 249	8.7%
Pupil Support Services	453	441	5.8%	12	2.7%
Administrative Support Services	162	282	2.1%	(120)	-42.6%
Facilities Support Services	381	376	4.9%	5	1.3%
Instructional Support Services	347	327	4.4%	20	6.1%
Food Services	207	200	2.6%	7	3.5%
Community Services	40	40	0.5%	-	0.0%
Teachers' Pension	763	709	9.7%	54	7.6%
Capital Outlay	352	217	4.5%	135	62.2%
Debt Service	651	570	8.3%	81	14.2%
Other	10	13	0.1%	(3)	-23.1%
Other Financing Uses	1,355	36	17.3%	1,319	3663.9%
<b>Total</b>	<b>\$ 7,829</b>	<b>\$ 6,070</b>	<b>100.0%</b>	<b>\$ 1,759</b>	<b>29.0%</b>

# Financial Report: Capital Improvement

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

Under the leadership of Mayor Rahm Emanuel, CPS and the Board of Education have provided over \$3.2 billion since fiscal year 2012 to build new schools,

provide playgrounds and air conditioning, improve access to technology with new computers and expanded bandwidth, expand academic programs (career and technical education programs, for example), and make core investments in our facilities to maintain roofs, fix chimneys, and replace or fix boilers and other mechanical systems. This has been done to ensure students have a high quality-learning environment to support their education.

## ***Continued New Construction and Renovations***

Below are projects in various phases and a quick status snapshot of the fiscal year 2018 projects that will take two to three years to complete.

<b>Project Scope</b>	<b>Total No. of Projects</b>	<b>Planning</b>	<b>Design</b>	<b>Bid and Award</b>	<b>Construction</b>
Building Envelope	11	0	6	5	0
Interior Improvements	27	0	27	1	0
Mechanical	11	1	9	1	0
Site Improvements	16	10	3	1	2
<b>Total</b>	<b>65</b>	<b>11</b>	<b>45</b>	<b>8</b>	<b>2</b>

Chicago Public Schools published a fiscal year 2018 budget, which includes a capital plan totaling \$136 million for urgent facility renovation and maintenance projects, IT investments, and school security equipment:

- \$109 million will address the district's most urgent facility needs. This amount includes \$73 million for priority roof, envelope and mechanical renovation and replacement. Another \$36 million provides the District the ability to address any unplanned major renovation and maintenance needs.
- \$7 million will address critical IT infrastructure and security investments.
- \$13 million will provide for management, architectural design and other fees associated with the capital program.
- \$7 million has also been appropriated for outside funding that may materialize throughout the year, such as TIF, private grant funds or other funding from outside sources.

This plan builds off of the nearly \$1 billion investment included in CPS' fiscal year 2017 capital plan, which was funded primarily by the Capital Improvement Tax – a property tax levy introduced in 2016 that provides specifically for school construction, equipment and maintenance. CPS issued bonds against this levy in December 2016 to fund critical investments in new schools, major renovations to existing schools, IT upgrades and programmatic investments to provide excellent educational facilities for CPS students.

The new investments included in the fiscal year 2018 capital plan will be funded by proceeds from the sale of real estate, remaining prior year bond proceeds and other capital funds and bond proceeds as they become available. The Board intends to borrow to reimburse for projects as necessary, depending on future market access, and could issue a supplemental capital plan later in the year.



# Financial Report: Capital Improvement

## **Major Renovation – MEP/Roof Project: Hyde Park Academy High School**

Hyde Park High School is being improved to provide facility updates and programmatic investments. Facility improvements will include comprehensive renovations to the exterior and interior of the building. This will prepare the school to receive new program spaces to support the existing IB program and new High School Science Lab Initiative.

The work proposed will be performed in two phases. The first phase, which is currently in progress, consists of a full roof replacement, targeted window replacement, and targeted masonry repairs. The second phase consists of targeted site work, programmatic updates and interior renovations.

### **Phase 1:**

Phase 1 - TOTAL PROJECT BUDGET **\$20M**

Phase 1 – ANTICIPATED COMPLETION **Fall 2019**

The project is intended to provide a full roof replacement to the Hyde Park High School building. Additional exterior work includes tuck pointing and targeted masonry rebuild, replacement of select windows, and lowering of the existing chimney. Interior work includes finish upgrades including new ceilings, lighting and painting throughout the building along with targeted floor repair or replacement.

1. Exterior Work:
  - a. Full Roof Replacement
  - b. Lowering of Existing chimney stack
  - c. Replacement of select windows
  - d. Tuck pointing and targeted masonry rebuilding
  - e. New roof mounted chiller
2. Interior:
  - a. New Ceilings and Lighting throughout
  - b. Painting throughout
  - c. Targeted floor replacement and patching
  - d. Renovation of small practice gymnasium
  - e. Updated dining room including new flooring, ceiling tile and lighting
  - f. Accessibility Upgrades
    - i. Renovated unisex/staff toilets
    - ii. New accessible stalls in student toilets
    - iii. New accessible door hardware
  - g. New Building Automation System for HVAC equipment



# Financial Report: Long-Term Debt

## Long-Term Debt

As of June 30, 2018, CPS had \$8.7 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus \$8.0 billion for fiscal year 2017 - an increase of 9.4%. The percentage change in outstanding debt represents the combined effects of new debt issued in fiscal year 2018 and low principal retirements.

## Bond Issuances

In fiscal year 2018, CPS issued its Unlimited Tax General Obligation (GO) Series 2017AB (July) and Series 2017CDEFGH (November) bonds. CPS also issued its Series 2017 Capital Improvement Tax bonds. The various series of bonds were primarily issued for a combination of refunding and capital improvement program financing.

## Debt Ratings

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

wider market by attracting more buyers of municipal bonds.

CPS Debt Ratings		
General Obligation Bonds (GO)	Jun. 2018*	Dec. 2016*
Fitch Ratings	BB-	B+
Kroll Bond Ratings	BBB-	BBB-
Moody's Investor Service	B3	B3
Standard and Poor's	B	B
<i>*The rating provided by Kroll for the CPS Series 2016A and Series 2016B bonds has been BBB since January 2016 and September 2016 respectfully. CPS Bond Series 2017CDEFGH and 2018AB have been BBB rated since November 2017 and May 2018 respectfully. All other issues were BBB-.</i>		
Capital Improvement Bonds (CIT)	Jun. 2018	Dec. 2016
Fitch Ratings	A	A
Kroll Bond Ratings	BBB	BBB
Highest rating is 'AAA'; lowest is 'D'.		

CPS currently has bonds outstanding with credit ratings from Fitch Ratings, Kroll Bond Rating Agency, Moody's Investor Service and Standard and Poor's. Subsequent to the end of fiscal year 2018, Moody's Investor Service general obligation (GO) rating of the Board was upgraded from B3 to B2 and the outlook revised to stable. Additionally, the Standard & Poor's general obligation (GO) rating was upgraded from B to B+ with stable outlook.

## Bond Issuances

Date	Purpose	Amount		Series	Type of Bonds
		(in Thousands)			
Jul. 2017	Capital Improvement	\$	500,000	2017AB	Unlimited Tax General Obligation (GO)
Jul. 2017	Capital Improvement	\$	1,025,000	2017CDEFGH	Unlimited Tax General Obligation (GO)
Nov. 2017	Capital Improvement	\$	64,900	2017	Dedicated Revenue Capital Improvement Tax

Chicago Public Schools has gained national recognition for its notable academic gains and leadership in urban education, highlights can be found below:

### ***WTTW: CPS CEO Janice Jackson Named a National 'Leader to Learn From' in 2018***

"Chicago Public Schools CEO Janice Jackson is already earning recognition for her work to improve the district. Jackson specifically was highlighted for her leadership in supporting urban schools. She said she was humbled by the announcement, viewing it as 'a reflection of the collective work that our educators, school leaders, students, and families have put in to their public schools.' Jackson is the first Chicago educator to make the 'Leaders to Learn From' list in the award's six-year history."

### ***Chicago Sun-Times: Record number of CPS students graduating with college, career credentials***

"CPS said 46.6 percent of students graduating in 2018 earned such credits, up from 43.4 percent last year. The figure represents a 50 percent increase from 2014, when less than a third of graduates had such credentials. The majority of the growth came among African-American students, district officials said, although growth occurred among all racial groups. African American students earning credentials increased by 4.4 percentage points, while Hispanic students increased by 2 percentage points over 2017."

### ***CBS: Record Graduation Rate in CPS Schools***

"Chicago Public Schools are celebrating a milestone after reaching a record-high graduation rate this year. '78.2% of our students are graduating on time, and that's a remarkable accomplishment considering just seven years ago, that number was just north of 50%,' said Dr. Janice Jackson, the CEO of Chicago Public Schools. Nearly half of the Class of 2018 have earned early college or career placement credit, including advanced education coursework, international, and 'STEM' studies. This number is a 50% increase from the graduating CPS class of 2014."

### ***New York Times Op-Ed: Good Leaders Make Good Schools***

"Chicago students were improving faster than students in any other major school district in the country. Chicago schools are cramming six years' worth of education into five years of actual schooling. How is Chicago doing it? Well, its test scores have been rising since 2003. Chicago has a rich civic culture, research support from places like the University of Chicago and a tradition of excellent leadership from school heads, from Arne Duncan to Janice Jackson, and the obsessive, energetic drive of Mayor Rahm Emanuel."

### ***Washington Post: To learn about improving urban public schools, we should study Chicago.***

"Last year Chicago matched the nation in the percentage of high school graduates who enroll in a four-year college right after graduation — 44 percent. Graduation rates have improved, ACT scores have gone up. And Chicago's students now read and do math at pretty much the same levels as students in other large cities, according to the National Assessment of Educational Progress (NAEP). What has taken place in Chicago, in other words, is not sexy or innovative. It isn't particularly 'reform-y.' It is just the hard work of educators, researchers, parents, communities, and city leaders looking rather fearlessly at the facts and resolving to do better. And then doing that again. And again. Year. After. Year."

### ***WBEZ: Newfound Calm Settles Over Chicago Public Schools As Year Begins***

"For the first time in many years, the school district is relatively stable, and its finances improved. It even has new school buildings on the drawing board. 'Chicago Public Schools and the city [are] really experiencing some positive things,' Schools CEO Janice Jackson pronounced. Unlike her predecessors, Jackson is a CPS educator and graduate — a local face some hope will bring an end to the high turnover rate in the CEO's office. Jackson has appeared in several events recently to highlight national recognition for strong academic growth in the elementary schools and the district's rising graduation rate."

# Glossary

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

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

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

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

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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