DAC Bond®

NEW ISSUE – BOOK–ENTRY ONLY **RATINGS: See "RATINGS" herein**

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

$763,395,000
BOARD OF EDUCATION OF THE CITY OF CHICAGO

$450,115,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2018C

$313,280,000 UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2018D

Dated: Date of Delivery **Due December 1, as shown on the inside cover pages**

The following series of bonds will be issued by the Board of Education of the City of Chicago (the "Board"): the $450,115,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C (the "Series 2018C Bonds") and the $313,280,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D (the "Series 2018D Bonds" and each a "Series" and collectively the "Bonds"). Each Series of the Bonds will be issued under a separate Trust Indenture (each an "Indenture" and collectively, the "Indentures") by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee, registrar and paying agent for each Series (the "Trustee"). The proceeds of each Series of the Bonds will be used as described herein. See "PLAN OF FINANCE."

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

The Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds of each Series are payable from and secured under each Indenture by a pledge of and lien on the Pledged Revenues (as defined herein) securing the respective Series of the Bonds and the Pledged Taxes (as defined herein). To the extent that the Pledged Revenues are insufficient to pay the principal of and interest on the respective Series of the Bonds, such Bonds will be payable from the Pledged Taxes consisting of ad valorem taxes levied by the Board without limitation as to rate or amount, against all taxable property within the School District (as defined herein) governed by the Board, the boundaries of which are coterminous with the boundaries of the City of Chicago. The Bonds are also payable from all Funds, Accounts and Sub–Accounts pledged as security for the payment of such Series of the Bonds under the applicable Indenture. See "SECURITY FOR THE BONDS."

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

The scheduled payment of principal of and interest on certain of the Series 2018C Bonds (as shown on the inside cover page, the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (the "Bond Insurer" or "AGM"). See "BOND INSURANCE" and APPENDIX M.

ASSURED GUARANTY® MUNICIPAL

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

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

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

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

J.P. Morgan **Cabrera Capital Markets, LLC** **Loop Capital Markets**

George K. Baum & Company **Goldman Sachs & Co. LLC** **Mesirow Financial, Inc.**
Morgan Stanley **PNC Capital Markets LLC** **Rice Financial Products Company**
UBS Financial Services Inc.

Dated: November 30, 2018

$450,115,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2018C

Interest is payable on June 1 and December 1 of each year, commencing June 1, 2019

MATURITY DECEMBER 1	PRINCIPAL AMOUNT	RATE (%)	YIELD (%)	PRICE (%)	CUSIP†
2019	$7,535,000	5.00	3.15	101.746	167505VL7
2020	6,750,000	5.00	3.49	102.844	167505VM5
2021	16,340,000	5.00	3.82	103.278	167505VN3
2022	41,930,000	5.00	4.02	103.558	167505VP8
2023	44,135,000	5.00	4.16	103.732	167505VQ6
2024	46,475,000	5.00	4.28	103.754	167505VR4
2025	48,825,000	5.00	4.35	103.868	167505VS2
2026	51,385,000	5.00	4.43	103.789	167505WA0
2027	3,005,000	5.00	4.50	103.654	167505VZ6
2027*	77,360,000	5.00	3.60	110.646	167505VT0
2028*	20,935,000	5.00	3.68	110.928	167505VU7
2029*	22,035,000	5.00	3.75	110.314C	167505VV5
2030*	23,190,000	5.00	3.81	109.790C	167505VW3
2031*	24,390,000	5.00	3.85	109.443C	167505VX1
2032*	15,825,000	5.00	3.87	109.269C	167505VY9

* The scheduled payment of principal of and interest on the Series 2018C Bonds with the CUSIP Numbers as shown in the table above (the "Insured Bonds"), when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (the "Bond Insurer" or "AGM"). See "BOND INSURANCE" and APPENDIX M.

C Priced to the first optional call date of December 1, 2028.

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

$313,280,000 UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES), SERIES 2018D

Interest is payable on June 1 and December 1 of each year, commencing June 1, 2019

$188,280,000 5.00% Term Bond due December 1, 2046, Yield 5.21%, Price 96.923% CUSIP 167505WB8

$125,000,000 5.00% Term Bond due December 1, 2046, Yield 5.26%, Price 96.212% CUSIP 167505WC6

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

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REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX M - Specimen Municipal Bond Insurance Policy.”

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

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

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, nor have the Indentures been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts.

NO ACTION HAS BEEN TAKEN BY THE BOARD THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT ANY BONDS OFFERED OR SOLD OUTSIDE OF THE UNITED STATES OF AMERICA BY THE UNDERWRITERS WILL BE OFFERED AND SOLD IN COMPLIANCE WITH THE APPLICABLE LAWS, RULES AND REGULATIONS OF THE JURISDICTION IN WHICH THEY ARE OFFERED AND SOLD AND THE UNDERWRITERS WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE OFFER OR SALE BY IT OF THE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH OFFERS OR SALES, AND THE BOARD SHALL HAVE NO RESPONSIBILITY THEREFOR.

In making an investment decision, investors must rely on their own examination of the Board and terms of the offering, including the merits and risks involved. Neither the Securities and Exchange Commission, any state securities commission nor any other federal or state regulatory authority has approved or disapproved of the Bonds or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

Cautionary Note Regarding Forward-Looking Statements

This Official Statement contains disclosures which contain “forward–looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Forward–looking statements include all statements that do not relate solely to historical or current facts, and can be identified by use of words like “believe,” “intend,” “expect,” “project,” “forecast,” “estimate,” “anticipate,” “plan,” “continue,” or similar expressions or by the use of future or conditional verbs such as “may,” “will,” “should,” “would,” or “could.” These forward–looking statements are based on the current plans and expectations of the Board and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control and/or difficult or impossible to predict, that could significantly affect current plans and expectations and the Board’s future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which benefit the Board. As a consequence, current plans, anticipated actions and forecasted or future financial positions and liquidity may differ materially from those expressed in (or implied by) any forward–looking statements made by the Board herein based on a number of factors, including, among others, the amount and availability of State funding, cost reduction, capital markets condition, future long-term and short-term borrowings, the financial condition of the State and/or the City, potential legislative or other actions, and other risks and uncertainties discussed under the caption “BONDHOLDERS’ RISKS.”

Investors are cautioned not to place undue reliance on such forward–looking statements when evaluating the information presented in this Official Statement. Forward-looking statements speak only as of the date they are made and, except as set forth in this Official Statement under the caption “CONTINUING DISCLOSURE UNDERTAKING,” the Board does not have any obligation, and does not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date hereof, whether as a result of new information, future events or otherwise.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

MEMBERS

Frank M. Clark
President

Jaime Guzman
Vice President

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

MANAGEMENT

Dr. Janice K. Jackson
Chief Executive Officer

Arnaldo (Arnie) Rivera
Chief Operating Officer

Ronald DeNard
Senior Vice President of Finance

Joseph Moriarty
General Counsel

Jennie Huang Bennett
Chief Financial Officer

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

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

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

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

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$763,395,000
BOARD OF EDUCATION OF THE CITY OF CHICAGO

$450,115,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2018C

$313,280,000 UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2018D

INTRODUCTION

General

The purpose of this Official Statement, including the cover pages and the Appendices hereto, is to set forth information in connection with the offering and sale by the Board of Education of the City of Chicago (the "Board" or "CPS") of its $450,115,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C (the "Series 2018C Bonds") and its $313,280,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D (the "Series 2018D Bonds," and collectively with the Series 2018C Bonds, the "Bonds"). Each Series of the Bonds will be issued under a separate Trust Indenture (each an "Indenture" and collectively, the "Indentures"), by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee, registrar and paying agent for each Series of the Bonds (the "Trustee"). See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

The Board

The Board is a body politic and corporate of the State of Illinois (the "State"). The Board is established under and governed by Article 34 of the School Code (105 ILCS 5) (the "School Code") of the State. The Board maintains a system of public schools within its boundaries (the "School District") for pre–kindergarten through grade twelve. The School District has boundaries coterminous with the boundaries of the City of Chicago (the "City"). The seven–member Board currently serves as the governing body of the School District. The members serve four–year terms and are appointed by the Mayor of the City (the "Mayor"). The Board operates on a Fiscal Year ending June 30 (the "Fiscal Year"). See "BOARD OF EDUCATION OF THE CITY OF CHICAGO" and "CHICAGO PUBLIC SCHOOLS."

The Bonds and Use of Proceeds

The proceeds of the Series 2018C Bonds will be used to refund for savings certain outstanding bonds of the Board and the proceeds of the Series 2018D Bonds will be used to provide funds for the continued implementation of the Board's Capital Improvement Program (as defined herein). See "PLAN OF FINANCE - Overview" and "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

The Bonds will be registered in the name of a nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. See "THE BONDS - General" and APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

Security for the Bonds

The Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds are Alternate Revenue Bonds (as defined herein), under the Debt Reform Act (as defined herein), and are secured by one or more dedicated revenue sources (the "Pledged Revenues"). Under the Bond

Resolutions (as defined herein), the Board has levied ad valorem property taxes without limitation as to rate or amount against all of the taxable property within the School District for each year that each Series of the Bonds is outstanding, in amounts sufficient to pay debt service on such Series of the Bonds when due (the "Pledged Taxes"). In addition, the Board has covenanted under each Indenture to take all actions necessary to cause the levy and extension of ad valorem property taxes in excess of those previously levied, if necessary, to pay debt service on the applicable Series of the Bonds. The Bonds are also payable from all funds, accounts and sub–accounts established as security for such Bonds pursuant to the applicable Indenture. See "SECURITY FOR THE BONDS" for a further description of the Pledged Revenues securing each Series of the Bonds and the Pledged Taxes pledged to payment of the Bonds and for a discussion of certain risks related to the security for the Bonds see "BONDHOLDERS' RISKS - Availability of Pledged State Aid Revenues," "- Availability of Property Tax Revenues," "- Availability of PPRT Revenues" and "- Bankruptcy of the Board and Enforcement Remedies Under Each Indenture."

Bond Insurance Policy

Concurrently with the issuance of the Series 2018C Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2018C Bonds with the CUSIP Numbers shown on the inside cover page as "Insured Bonds." The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX M - "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

For additional information regarding AGM and the Policy, see "BOND INSURANCE."

Bondholders' Risks and Suitability of Investment

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

Certain References

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

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

PLAN OF FINANCE

Series 2018C Bonds and Refunded Bonds

A portion of the proceeds of the Series 2018C Bonds will be used, together with other available funds, to refund for savings all or certain maturities of the Board's (i) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008C (the "Series 2008C Bonds") (the maturities of such bonds to be refunded are shown on APPENDIX J and referred to as the "Refunded Series 2008C Bonds"), and (ii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009D (the "Series 2009D Bonds") (the maturities of such bonds to be refunded are shown on APPENDIX J and referred to as the "Refunded Series 2009D Bonds"). The Series 2008C Bonds and Series 2009D Bonds to be refunded are collectively referred to herein as the "Refunded Bonds." See APPENDIX J – "REFUNDED BONDS" for further information regarding the Refunded Bonds. The Refunded Bonds will be redeemed at par on December 31, 2018.

Series 2018D Bonds

A portion of the proceeds of the Series 2018D Bonds will be used to pay or reimburse the Board's General Operating Fund for the prior payment of costs of capital expenditures consisting of projects approved in the Board's ongoing Capital Improvement Program and to provide funding for the Fiscal Year 2019 Capital Budget (as defined herein). For additional information regarding the Board's Capital Improvement Program see **"CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."**

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Estimated Sources and Uses of Funds

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

SOURCES:	SERIES 2018C	SERIES 2018D	TOTAL
Principal Amount	$450,115,000.00	$313,280,000.00	$763,395,000.00
Net Premium/(Discount)	28,524,627.00	(10,528,375.60)	17,996,251.40
Total Sources of Funds	$478,639,627.00	$302,751,624.40	$781,391,251.40
USES:			
Refunding Deposits	$458,978,838.54	--	$458,978,838.54
Deposit to Project Fund	--	$269,342,686.25	269,342,686.25
Capitalized Interest Deposits	10,764,107.59	30,063,074.13	40,827,181.72
Costs of Issuance*	8,896,680.87	3,345,864.02	12,242,544.89
Total Uses of Funds	$478,639,627.00	302,751,624.40	$781,391,251.40

* Includes Underwriters' discount, legal, municipal bond insurance premium, administrative and miscellaneous fees, and expenses.

Fiscal Year 2019 and Future Financings

The Board expects to issue $86,000,000 aggregate principal amount of its Dedicated Capital Improvement Tax Bonds (as defined herein) to aid in funding the Board's ongoing Capital Improvement Program. Such bonds are expected to be issued near the time of issuance of the Bonds and will be issued under a separate indenture. See "DEBT STRUCTURE – Dedicated Capital Improvement Tax Bonds." The Board expects to issue approximately $365 million of additional bonds to provide funding for the Fiscal Year 2019 Capital Plan (as herein defined) and to continue to review its capital needs and the use of additional bond financings in the future. See "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

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

THE BONDS

General

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

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

Interest on the Bonds

The Bonds of each Series shall bear interest at the respective rates shown on the inside cover pages hereof. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid or as of the date on which it is authenticated prior to the first date on which interest is to be paid. Interest on the Bonds shall be payable on June 1 and December 1 of each year, commencing June 1, 2019. Interest on each Bond will be payable on each Interest Payment Date to the person in whose name the Bond is registered at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date. Interest on the Bonds is computed on the basis of a 360–day year consisting of 12 months of 30 days each.

Redemption Provisions

Optional Redemption.

Series 2018C Bonds. The Series 2018C Bonds maturing on or after December 1, 2029 are subject to redemption prior to maturity at the option of the Board, in whole or in part (and if in part, in an Authorized Denomination), from such maturities and in such principal amounts as the Board shall determine, and by lot within a maturity, on any date on or after December 1, 2028, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption. Insured Bonds and uninsured Series 2018C Bonds having the same maturity date constitute two separate maturities.

Series 2018D Bonds.

The Series 2018D Bonds maturing on December 1, 2046 bearing the initial CUSIP Number 167505WC6 (the "Series 2018D Five Year Call Bonds") are subject to redemption prior to maturity at the option of the Board, in whole or in part by lot (and if in part, in an Authorized Denomination), on any date on or after December 1, 2023, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

The Series 2018D Bonds maturing on December 1, 2046 bearing the initial CUSIP Number 167505WB8 (the "Series 2018D Ten Year Call Bonds") are subject to redemption prior to maturity at the option of the Board, in whole or in part by lot (and if in part, in an Authorized Denomination), on any date on or after December 1, 2028, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2018D Bonds. The Series 2018D Bonds are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest, on December 1 of the years and in the aggregate principal amounts set forth in the following tables:

Series 2018D Five Year Call Bonds
Maturing December 1, 2046

Redemption Dates (December 1)	Principal Amount
2043	$11,595,000
2044	25,935,000
2045	48,665,000
2046†	38,805,000

†Final Maturity

Series 2018D Ten Year Call Bonds
Maturing December 1, 2046

Redemption Dates (December 1)	Principal Amount
2043	$17,465,000
2044	39,065,000
2045	73,305,000
2046†	58,445,000

†Final Maturity

The Bonds shall be selected for mandatory sinking fund redemption as described below under "— Redemption Provisions — *Selection of Bonds for Redemption.*"

Purchase of Bonds In Lieu of Mandatory Sinking Fund Redemption. On or before the 60th day next preceding any mandatory sinking fund redemption date for the Bonds of a Series, at the written direction of the Senior Vice President of Finance of the Board, moneys held under the applicable Indenture for the mandatory sinking fund redemption of Bonds of such Series on such date may be applied to the purchase of Bonds subject to mandatory sinking fund redemption on such date in a principal amount not exceeding the principal amount of such Bonds subject to mandatory redemption on such date. The Bonds of a Series so purchased shall be delivered to the Trustee and canceled. Each such Bond or portion thereof so purchased, delivered and canceled shall be credited against the mandatory sinking fund redemption obligation of the Board on such date.

Reduction of Mandatory Redemption Amounts. At its option, to be exercised on or before the 60th day next preceding any mandatory sinking fund redemption date for the Bonds of a Series, the Board may (i) deliver to the Trustee for cancellation Bonds of such Series or portions thereof in Authorized Denominations or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for such Bonds or portions thereof in Authorized Denominations, which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such Bond or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed shall be credited against future mandatory sinking fund redemption obligations in such order as the Board shall designate, or if no such designation is made, in chronological order.

Redemption Procedures.

General. In the case of any redemption of the Bonds of a Series at the option of the Board, the Board shall give written notice to the Trustee under the applicable Indenture securing such Bonds of its election to so redeem, of the date fixed for redemption, and of the maturity and principal amounts of the Bonds to be redeemed. Such notice shall be given at least 45 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the applicable Indenture as described herein under the heading " – Notice of Redemption", (i) there shall be paid on or prior to the specified redemption date to the Trustee under the applicable Indenture an amount in cash and/or Defeasance Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the Bonds to be redeemed on the specified redemption date at their Redemption Price plus interest accrued and unpaid to the date fixed for redemption; such amount and moneys shall be held in a separate, segregated account for the benefit of the registered owners of the Bonds so called for redemption, or (ii) such redemption notice given in the case of an optional redemption may state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds shall not constitute an Event of Default under the applicable Indenture.

Selection of Bonds for Redemption. Whenever Bonds are redeemed the particular Bonds or portion thereof to be redeemed shall be selected as follows: (i) any Bond of a denomination of more than $100,000 shall be in the principal amount of an Authorized Denomination and (ii) in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of the Bonds which is obtained by dividing the principal amount of such Bond to be redeemed in part by $100,000. No such redemption shall cause the remaining principal amount of Bonds of any Series maturity outstanding to be less than $100,000. If all Bonds are held in book-entry only form, the particular Bonds or portions thereof to be redeemed shall be selected by the securities depository for the Bonds in such manner as such securities depository shall determine.

Notice of Redemption. For a description of the giving of notices while the Bonds are in the book–entry only system, see APPENDIX C – "BOOK-ENTRY ONLY SYSTEM." When the Trustee shall receive notice from the Board of its election to redeem Bonds pursuant to the applicable Indenture as described herein under the heading " – Optional Redemption," the Trustee shall give notice, in the name of the Board, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the date fixed for the redemption, and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state whether the redemption is conditioned upon sufficient moneys being available on the redemption date, or any other conditions. Such notice shall further state that on the redemption date there will become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date, interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first class mail, postage prepaid, not less than 30 days and not more than 60 days before the date fixed for redemption, to the registered owners of the Bonds to be redeemed at their addresses as shown on the registration books of the Board maintained by the Registrar; *provided*, that if all Bonds are held in book–entry only form, such notice may be given pursuant to the then–existing agreement with the securities depository for the Bonds. The failure of the Trustee to give notice to a registered owner of any Bond or any defect in such notice shall not affect the validity of the redemption of any other Bonds as to which proper notice was given.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond of Series while in the book–entry only system, see APPENDIX C – "BOOK-ENTRY ONLY SYSTEM." Subject to the limitations described below, each Bond of a Series shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the Trustee, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond of a Series, the Board shall issue in the name of the transferee a new Bond or Bonds of such Series in Authorized Denominations of the same aggregate principal amount. The Board and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on, such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Board nor the Trustee shall be affected by any notice to the contrary.

Defeasance

The Bonds of a Series or interest installments thereon for the payment or redemption of which moneys have been set aside and held in trust by the Trustee under the applicable Indenture at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the applicable Indenture and the pledge of the Trust Estate under the applicable Indenture and all covenants, agreements and other obligations of the Board thereunder shall be discharged and satisfied with respect to such Bonds. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Defeasance."

Certain Rights of the Bond Insurer with Regard to the Insured Bonds

Pursuant to the Indenture relating to the Series 2018C Bonds (the "Series 2018C Indenture"), as long as the Bond Insurance Policy is in full force and effect and the Bond Insurer has not failed to perform any of its obligations thereunder, AGM will be deemed to be the sole Owner of the Insured Bonds for purposes of, among other things, approving amendments to the Series 2018C Indenture (other than certain amendments that require the consent of each affected Owner or the consent of the Trustee), controlling and directing the enforcement of all rights and remedies granted to the Owners of the Insured Bonds or the Trustee for the benefit of the Owners of the Insured Bonds under the Series 2018C Indenture upon the occurrence of an event of default under the Series 2018C Indenture, providing specific approvals, consents or waivers or instruments of similar purpose, and to the extent AGM is deemed to be the sole Owner for such purposes, the rights of the Owners of such Insured Bonds shall be abrogated.

SECURITY FOR THE BONDS

General Obligations of the Board

The Bonds are the direct and general obligations of the Board. The full faith and credit and taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds are not secured by any real property of the Board or any physical assets of the Board.

The maturity of a Series of the Bonds cannot be accelerated in the event that the Board fails to pay any installment of interest on, or principal of, such Series of the Bonds when due. The Bonds are not the obligations of the City, the State or any political subdivision of the State other than the Board. Neither the full faith and credit nor the taxing power of the City, the State or any political subdivision of the State other than the Board is pledged to the payment of the Bonds.

Alternate Revenue Bonds, Board Authorizations and Bond Resolutions

The Bonds are issued under the School Code and the Local Government Debt Reform Act, as amended (30 ILCS 350 *et. seq.*) (the "Debt Reform Act") as "alternate bonds" (defined herein as "Alternate Revenue Bonds"). The Debt Reform Act authorizes the Board to adopt a resolution authorizing the issuance of general obligation bonds as Alternate Revenue Bonds (an "Authorization") in a not to exceed principal amount payable from one or more dedicated revenue sources. For a description of the Board Authorizations for each Series of the Bonds see the subheading "—Series Authorization and Prior Authorization Bonds" below.

Each Series of the Bonds is also issued pursuant to a bond resolution authorizing the issuance of bonds for a specified purpose in a not to exceed principal amount.

The Series 2018C Bonds are authorized and will be issued pursuant to Resolution No. 18-0725-RS8, adopted by the Board on July 25, 2018 (the "Refunding Bond Resolution"), that authorizes the issuance of bonds in a principal amount not to exceed $500,000,000 for the purpose of paying the cost of refunding certain outstanding Alternate Revenue Bonds of the Board.

The Series 2018D Bonds are authorized and will be issued pursuant to Resolution No. 18-0725-RS6, adopted by the Board on July 25, 2018 (the "2018 CIP Bond Resolution," and together with the "Refunding Bond Resolution," the "Bond Resolutions" and each a "Bond Resolution"), that authorizes the issuance of bonds in a principal amount not to exceed $313,280,000 for the purpose of paying the cost to construct, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the School District.

Sources of Payment for the Bonds

Each Series of the Bonds is payable from and secured under the applicable Indenture by a pledge of and lien on (i) the Pledged Revenues pledged pursuant to the applicable Authorization under the applicable Indenture to secure such Series of the Bonds, and (ii) the Pledged Taxes. Each Series of Bonds is also payable from all Funds, Accounts and Sub–Accounts pledged as security for the payment of such Series of the Bonds under the applicable Indenture.

Pledge and Lien Under Debt Reform Act

As Alternate Revenue Bonds, the Bonds are entitled to the benefits and security of the Debt Reform Act that provides that the pledge of the applicable Pledged Revenues and the Pledged Taxes as security for the payment of the Bonds is valid and binding from the time such pledge is made and that such Pledged Revenues, Pledged Taxes and the other moneys and funds so pledged and thereafter received by the Board shall be immediately subject to the lien of such pledge without any physical delivery or further act and that the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice of such lien. Pursuant to each Indenture, the Board has granted to the Trustee for the benefit of the holders of the applicable Series of Bonds a lien on the applicable Pledged Revenues and Pledged Taxes. The Debt Reform Act also provides that covenants relating to Alternate Revenue Bonds are enforceable by any Bondholder, any taxpayer of the Board and the people of the State acting through the

Attorney General of the State or any designee. The right to such enforcement is included in each Indenture securing a Series of the Bonds.

Pledged Revenues

Overview. The Pledged Revenues securing the Series 2018C Bonds consist of Pledged State Aid Revenues (as defined herein). The Pledged Revenues securing the Series 2018D Bonds consist of Pledged State Aid Revenues and Pledged PPRT Revenues (as defined herein). Each source of Pledged Revenues securing the Series 2018D Bonds is allocated under the Series 2018D Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX N – "ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2018D BONDS." The Board has determined that the Pledged Revenues securing each Series of the Bonds, will provide in each year an amount not less than 1.10 times annual debt service to be paid from Pledged State Aid Revenues and 1.25 times annual debt service to be paid from Pledged PPRT Revenues (the "Statutory Coverage").

Pledged State Aid Revenues. The "Pledged State Aid Revenues" consist of a portion of the State Aid (as defined herein) payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement act as may be enacted from time to time (the "State Aid"). Revenues received by the Board from State Aid are referred to herein as "State Aid Revenues." State Aid Revenues that secure the Board's Pledged State Aid Revenue Bonds are the State Aid payments to the Board pursuant to Article 18 of the School Code. See "STATE AID REVENUES." Prior to the issuance of the Bonds and the refunding of the Refunded Bonds, the Board has issued and there is outstanding approximately $5.8 billion of Alternate Revenue Bonds secured by Pledged State Aid Revenues (the "Outstanding Pledged State Aid Revenue Bonds") and such bonds, together with the Bonds, are referred to herein as "Pledged State Aid Revenue Bonds." The pledge of Pledged State Aid Revenues as Pledged Revenues securing Alternate Revenue Bonds of the Board has from time to time been combined with one or more additional sources of Pledged Revenues with each source allocated to specified debt service and coverage obligations of the Board that secure such bonds. See "STATE AID REVENUES – State Aid Revenues Pledged to Secure Alternate Revenue Bonds" for a description of the amount of such revenues pledged to Outstanding Pledged State Aid Revenue Bonds.

Pledged PPRT Revenues. Pledged PPRT Revenues include those amounts allocated and paid to the Board from the Personal Property Replacement Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act of the State of Illinois, as amended (the "PPRT Act"), or from such successor or replacement fund or act as may be enacted from time to time (the "Personal Property Replacement Tax Revenues" or "PPRT Revenues") remaining after any required allocation thereof to provide for the payment of those claims, currently for pension or retirement obligations, that are required to be paid from the PPRT Revenues prior to any other application or use thereof pursuant to the PPRT Act, or such successor or replacement act as may be enacted in the future (the "Statutory Claims"). There are currently no Statutory Claims. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES." The Board has issued and there are outstanding Alternate Revenue Bonds secured by Pledged PPRT Revenues (the "Outstanding Pledged PPRT Revenue Bonds") and such bonds, together with the Series 2018D Bonds, are referred to herein as "Pledged PPRT Revenue Bonds." The pledge of PPRT Revenues as Pledged Revenues securing Alternate Revenue Bonds of the Board has historically been combined with one or more additional sources of Pledged Revenues, with each source allocated to specified debt service and coverage obligations of the Board that secure such bonds. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES – PPRT Revenues Pledged to Secure Alternate Revenue Bonds" for a description of the amount of such revenues pledged to Outstanding Pledged PPRT Revenue Bonds.

Series Authorization and Prior Authorization Bonds

Pledged State Aid Revenues. Each Series of the Bonds is entitled to the particular pledge of annual amounts of State Aid Revenues provided for in the applicable Board Authorization for that Series. The Series 2018C Bonds are statutory refunding bonds and as such are secured by the pledge of State Aid Revenues provided for in the same Board Authorization as the bonds that they refund as set forth in the table below. The Series 2018D Bonds are not statutory refunding bonds and are issued pursuant to the 2016 Authorization. Bonds issued pursuant to a Board Authorization are on parity with respect to the State Aid Revenues pledged pursuant to such Board Authorization with Prior Authorization Bonds and any Alternate Revenue Bonds issued in the future that are secured by the same pledge of State Aid Revenues.

Series	Refunded Bonds	Authorization(s)
2018C	Refunded Series 2008C Bonds	2008 Authorization
2018C	Refunded Series 2009D Bonds	2006 Authorization
2018D	Not Applicable	2016 Authorization

2006 Authorization. Pursuant to the 2006 Authorization, $12,075,000 principal amount of the Series 2018C Bonds and the Prior 2006 Authorization Bonds are payable from and secured by a pledge of and lien on not more than $125,000,000 annual amount of State Aid Revenues.

2008 Authorization. Pursuant to the 2008 Authorization, $438,040,000 principal amount of the Series 2018C Bonds and the Prior 2008 Authorization Bonds are payable from and secured by a pledge of and lien on not more than $225,000,000 annual amount of State Aid Revenues.

2016 Authorization. Pursuant to the 2016 Authorization, certain annual amounts of debt service on the Series 2018D Bonds and certain annual amounts of debt service on the Prior 2016 Authorization Bonds are payable from and secured by a pledge of and lien on State Aid Revenues, in the years and in amounts not exceeding the following annual amounts:

Bond Payment Year	Annual Amount
2018 to 2037	$ 50,000,000
2038 to 2042	51,000,000
2043	135,000,000
2044	138,000,000
2045 and 2046	189,000,000

Pledged PPRT Revenues. In addition, certain annual amounts of debt service on the Series 2018D Bonds are payable from and secured by a pledge of and lien on Pledged PPRT Revenues on a parity with the Outstanding Pledged PPRT Revenue Bonds. See APPENDIX N – "ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2018D BONDS."

Additional Bonds Payable from Pledged Revenues

Pursuant to each Indenture, the Board reserves the right to issue Additional Bonds, from time to time, payable on a parity basis with the applicable Series of the Bonds and any outstanding Prior Authorization Bonds from all or any portion of the Pledged Revenues or any other source of payment which may be pledged under the Debt Reform Act; provided, however, that no Additional Bonds may be issued except in accordance with the provisions of the Debt Reform Act as in existence on the date of issuance of such Additional Bonds. For an overview of the requirements of each Indenture regarding the issuance of Additional Bonds see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

Pledged Taxes

Illinois Real Property Tax System Overview. The levy, extension and collection of ad valorem property taxes in Illinois are governed by the Illinois Property Tax Code (35 ILCS 200) (the "Property Tax Code"). A general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County") that are applicable to the Board is included in APPENDIX D – "THE REAL PROPERTY TAX SYSTEM." In Illinois, property taxes levied for a calendar year (the "Tax Year") are extended by the County for collection and are billed to property owners in the following calendar year (the "Collection Year"). Property taxes are currently due and payable by property owners in two installments, the first due on the first business day in March and the second on the later of the first business day in August or 30 days after the mailing of the tax bills in each Collection Year. The first installment is an estimated bill calculated at 55% of the prior year's tax extension and the second installment is for the balance of the current year's tax extension.

Pledged Taxes Levied. Pursuant to each Bond Resolution, the Board has levied the Pledged Taxes for each year that each respective Series of the Bonds is outstanding, in amounts sufficient to pay debt service on each Series of the Bonds when due. In 1995, the Board became subject to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18–185) ("PTELL") that limits the ability of the Board to increase property taxes for operations. The restrictions of PTELL do not apply to the levy of the Pledged Taxes. The Pledged Taxes are ad valorem taxes levied against all of the taxable property within the School District without limitation as to rate or amount. In addition, the Board has covenanted under the applicable Indenture to take all actions necessary to cause the levy and extension of ad valorem property taxes in excess of those previously levied, if necessary, to pay debt service on each Series of the Bonds.

The Board intends to make each payment on each Series of the Bonds from the Pledged Revenues securing such Series of the Bonds, or from other legally available funds of the Board, and anticipates that the Pledged Taxes that have been levied will be abated on a year–by–year basis prior to such taxes being extended for collection. The Board has never had to extend ad valorem property taxes for collection to provide sufficient revenues for payment of any of its Alternate Revenue Bonds.

Direct Deposit of Pledged Taxes with the Trustee. In the event that the Pledged Taxes are extended in any year for collection, the Board has directed the County Collectors of Cook and DuPage Counties (the "County Collectors") to segregate from each distribution of property tax collections to the Board, the amount of total tax collections attributable to the Pledged Taxes extended and collected for payment of each Series of the Bonds and to directly deposit the amount so segregated with the Trustee under the applicable Indenture (the "Deposit Directions" and each a "Deposit Direction"). All Pledged Taxes received by the applicable Trustee shall be (i) deposited into the Pledged Taxes Account established under the applicable Indenture and (ii) applied to the payment of the interest on and principal of the applicable Series of the Bonds due during the calendar year in which such Pledged Taxes are extended and collected. The forms of Deposit Directions executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX E.

Pursuant to each Indenture, the Board covenants that as long as any of the applicable Series of the Bonds remains outstanding, the Board will not modify or amend any Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of ad valorem property taxes; provided that no such modification or amendment may provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. A violation of this covenant constitutes an Event of Default under each Indenture, for which there is no cure period. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Events of Default and Remedies."

Annual Determination of Abatement or Extension of Pledged Taxes. The Pledged Taxes securing each Series of the Bonds can be abated or extended by the Board each year in accordance with the provisions of the applicable Indenture securing such Bonds. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Particular Covenants and Representations of the Board - *Covenants Regarding Pledged Taxes*." The Pledged Taxes will be extended and collected each year unless the Board takes a formal action to abate the Pledged Taxes based on a determination by the Trustee that sufficient funds have been deposited in the Pledged Revenues Account under the applicable Indenture by the Deposit Date (as defined in the applicable Indenture). In the event the Trustee in any year determines an insufficiency in the amount on deposit in a Pledged Revenues Account pursuant to the provisions of the applicable Indenture, the Trustee will notify the Board of the amount of such insufficiency and direct the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection during such year in an amount sufficient, when added to the amount then on deposit in such Pledged Revenues Account, to provide funds sufficient to pay such interest on and principal of the applicable Series of the Bonds that will become due and payable during such year.

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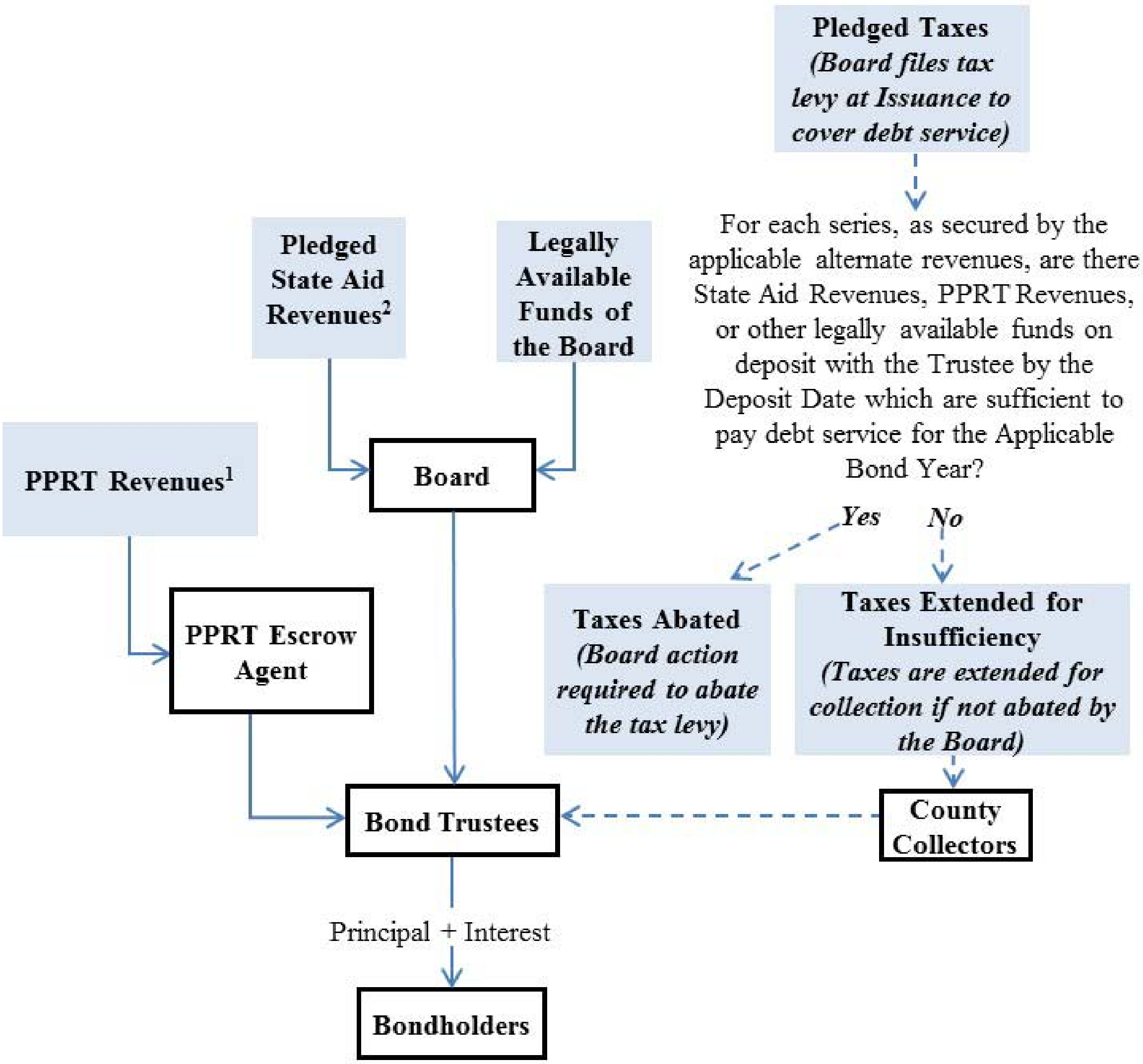
Flow of Pledged Revenues and Pledged Taxes Under the Indentures

The diagram below describes the collection, deposit and application of Pledged State Aid Revenues, Pledged PPRT Revenues (solely with respect to the Series 2018D Bonds) and Pledged Taxes under the Indentures. The Pledged PPRT Revenues are not pledged to secure the Series 2018C Bonds.

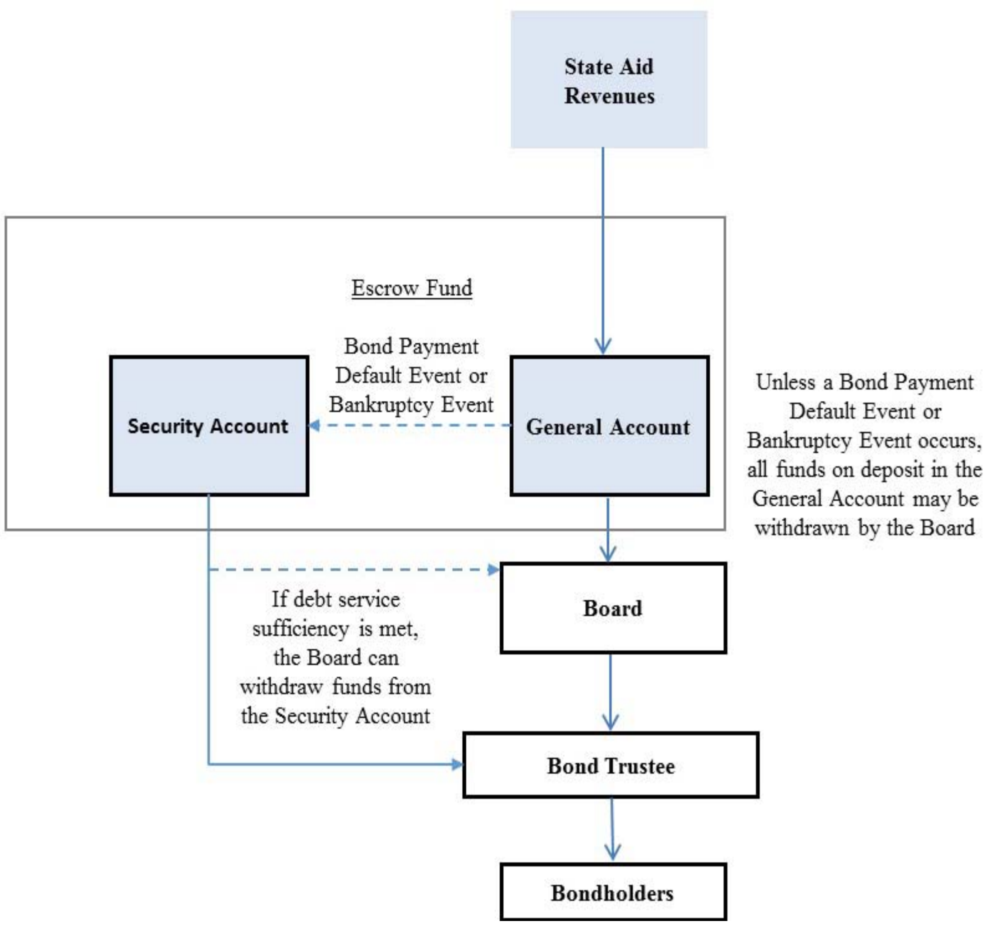


1. The Pledged PPRT Revenues secure only the Series 2018D Bonds and are not pledged to secure the Series 2018C Bonds. The Board has directed the Department of Revenue of the State to deposit all proceeds of the PPRT Revenues annually allocated and paid to the Board with the PPRT Escrow Agent. The PPRT Escrow Agent deposits debt service funds directly with the applicable Bond Trustees.
2. The State distributes State Aid to the Board in semi-monthly installments during August through June. See "- Post Default Remedy for Pledged State Aid Revenue Bonds" for a discussion of the deposit and disbursement of such State Aid Revenues.

Post Default Remedy for Pledged State Aid Revenue Bonds

The Board has entered into a State Aid Revenues Escrow Agreement, dated as of July 13, 2017 (the "State Aid Revenues Escrow Agreement"), with Amalgamated Bank of Chicago, as escrow agent (the "State Aid Escrow Agent") that provides a post default remedy to bondholders for the Board's Pledged State Aid Revenue Bonds, including the Bonds. A copy of the executed State Aid Revenues Escrow Agreement is attached hereto as APPENDIX F. The State Aid Revenues Escrow Agreement provides that all State Aid Revenues are paid by the State Comptroller directly to the State Aid Escrow Agent and are held and distributed pursuant to the provisions of the State Aid Revenues Escrow Agreement until the Escrow Termination Date (as defined therein). During a "Required Funding Period" (as defined therein) which is triggered by the occurrence of a "Bankruptcy Event" (as defined therein) or a "Bond Payment Default Event" (as defined therein), the State Aid Revenues are deposited in a Security Account in an amount equal to the greater of the annual debt service requirements allocable to State Aid Revenues for the current or next succeeding Bond Year (as defined therein) on all of the Board's Pledged State Aid Revenue Bonds, including the Bonds. Funds in the Security Account will be used to pay debt service and satisfy other indenture funding requirements of the Board's Pledged State Aid Revenue Bonds on a parity basis and are not available to the Board for its general operations. Other than amounts deposited in the Security Account during a Required Funding Period, all funds on deposit under the State Aid Revenues Escrow Agreement may be withdrawn by the Board in its complete discretion.

The diagram below describes the flow of State Aid Revenues pursuant to the State Aid Revenues Escrow Agreement:



BOND INSURANCE

The Bond Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Board or the Underwriters as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2018C Bonds, AGM will issue the Policy for the Insured Bonds consisting of maturities of the Series 2018C Bonds as shown on the inside cover page. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX M to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM.

At September 30, 2018:

- The policyholders' surplus of AGM was approximately $2,203 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in APPENDIX M – "Specimen Municipal Bond Insurance Policy."

STATE STRUCTURAL CHANGE IN FUNDING OF THE BOARD

Public Act 100-465

On August 31, 2017, Public Act 100-465 became effective that provides a significant revision to the State's funding of the Board. Subsequent to its enactment, two technical correction bills were adopted to assure that the language of the Act reflects legislative intent (Public Act 100-465, as supplemented and amended, is referred to herein as "P.A. 100-465"). P.A. 100-465 resulted in a structural change to and substantial increase in State funding of the Board and State authorization for the Board to impose increased ad valorem property taxes to fund its required pension contributions.

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

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

The EBF Formula achieves the following:

(a) Protects school districts from a decrease in State funding resulting from declining enrollment such as that experienced by the Board.

(b) Establishes a Base Funding Minimum (as defined herein) in every Fiscal Year to "hold harmless" all school districts, including the Board, to previous year funding levels.

(c) Removes earmarking of $261 million of State Aid received by the Board known as "Supplemental General State Aid" for programs for children from low-income families to provide more general unrestricted operating funds to the Board.

(d) Prioritizes State funding to school districts with high poverty and other specific demographics, such as the Board, that are the least adequately funded.

(e) The formula includes an adjustment for school districts that have to pay their own pension payments, such as the Board, and provides the Board with more parity in pension funding. Specifically, the new EBF Formula provides the Board with a credit for its annual payment to the Pension Fund (as defined herein) accrued liability not funded by the State as an allowable reduction of the Board's financial capacity to fund schools.

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

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

(a) It includes four previous grants included in State Block Grants (Special Education – Personnel, Special Education – Funding for Children Requiring Special Education, Special Education – Summer School, and Bilingual – T.B.I. & T.B.E), into the EBF Formula. This change is revenue neutral to the Board because it rolls the amount of these grants into the Board's Base Funding Minimum. In addition, the EBF Formula now includes the special education and bilingual demographics of the Board's students as key metrics for determining its State Aid Revenues under the EBF Formula.

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

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

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

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

In Fiscal Years 2017 and 2018, the State implemented certain structural changes in funding of the Board that increased Board revenues in such Fiscal Years and beyond. For Fiscal Year 2017, this increased funding totaled approximately $473 million including the following: (i) The State authorized Pension Property Tax was initially levied in Tax Year 2016 to provide approximately $250 million in revenue to the Pension Fund in Collection Year 2017, offsetting the need for such amount of funding from the Board's operating revenues, (ii) State Aid included an equity grant and "hold harmless" funding to the level of funding for the prior Fiscal Year that together totaled approximately $195 million, and (iii) The State increased the Early Childhood State Grant to the Board by $28 million.

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

For Fiscal Year 2018, this increased funding of the Board totals approximately $444 million including the following: (i) $93 million in funding for the Board, including $70 million in increased State Aid from the EBF Formula, $19 million in an increase in the Early Childhood State Grant to the Board and $4 million in other State funding; (ii) P.A. 100-465 also authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in Tax Levy Year 2017 and thereafter from 0.383% rate cap in effect in Tax Levy Year 2016 and this increased rate cap resulted in an estimated $130 million in additional revenue to the Board for Fiscal Year 2018; and (iii) P.A. 100-465 requires the State to make an ongoing annual Statutory Contribution to the Pension Fund to cover the "normal pension costs" of Board teachers and other covered employees and the Board's annual required retiree health care contribution, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions and this required State Statutory Contribution to the Pension Fund was approximately $221 million for Fiscal Year 2018 and offsets contributions that otherwise would be required of the Board.

STATE AID REVENUES

Overview

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

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

In Fiscal Year 2010 through 2016 the State appropriation for Historical State Aid did not fully fund the amounts determined under the Historical State Aid Formula and the amount each school district received was prorated. In Fiscal Year 2017, State appropriations for increased State Aid included an equity grant and "hold harmless" funding to the level of funding for the prior Fiscal Year that together totalled approximately $195 million. See "- Historical State Aid Revenues for Fiscal Years 2008-2017" and for a discussion of the calculation of State Aid under the Historical State Aid Formula see APPENDIX G – "OVERVIEW OF HISTORICAL STATE AID REVENUES TO THE BOARD."

Evidence-Based Funding Formula

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

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

Under the EBF Formula, for each school year all State funds appropriated for State Aid in excess of the amount needed to fund the Base Funding Minimum for all school districts ("New State Funds") will be distributed to school districts based on "Tier" placement. "Tier 1" and "Tier 2" are those school districts that are the furthest away from their Adequacy Targets and "Tier 3" and "Tier 4" are those school districts that are the closest to (or above) their Adequacy Targets. Of any New State Funds available, Tier 1 receives 50%, Tier 2 receives 49%, Tier 3 receives 0.9%, and Tier 4 receives 0.1%. Tier 2 includes all Tier 1 school districts for the purpose of the allocation percentages for New State Funds. ISBE has determined that the Board is a Tier 1 school district. For Fiscal Year 2019, of the 853 school districts assigned to a tier, 307 fall within the Tier 1 adequacy level threshold of 65.5% or less. At an adequacy level of 64.3%, the Board is 44th of the 307 districts within Tier 1. Under the EBF Formula, the Base Funding Minimum is designed to provide that in any school year no school district receive less State Aid funding than it received the prior year since all New State Funds received by a school district in a year become part of its Base Funding Minimum in the following year. If the State appropriates insufficient funds to cover the cost of the Base Funding Minimum, reductions will be made first to the Base Funding Minimum for all Tier 3 and Tier 4 school districts on a per pupil basis; *provided, however*, that such reductions may not reduce State funding for such school districts below the Base Funding Minimum for school year 2017-2018 (approximately $1.5 billion for the Board). If funds are still insufficient, then further reductions are to be done on a per pupil basis for all school districts. Consequently, reduced appropriations for State Aid in future years could result in the Board receiving less in a future Fiscal Year than its Base Funding Minimum.

Calculation of State Aid Under the EBF Formula

Adequacy Target Calculation. Each school district's Adequacy Target is determined by multiplying the Average Student Enrollment ("ASE") for each subgroup of children (categorized by grade and demographics) by the number of "Full-Time Equivalent" personnel ("FTE") the EBF Formula indicates is needed for an adequate education. "Average Student Enrollment" is the average of the number of students enrolled at the school district on October 1 and March 1, for the greater of the immediately preceding school year or the immediately preceding three school years. That product is then multiplied by the average Illinois salary for a similar FTE position, adds 30% for benefits as well the value of any teacher pension normal cost being paid by a school district determined under the EBF Formula, and adjusts certain salaries for regional cost of living differences using the National Center for Education Statistics "Comparable Wage Index" ("CWI"). The EBF Formula then adds non salary-based items (such as funding for instructional materials) to come to a final Adequacy Target for each school district.

The FTE's calculated to determine a school district's Adequacy Target are various categories of core ("Core Investments") and specialist ("Additional Investments") teaching positions allocated by the EBF Formula expressed as the number of students per FTE position, based on position type, grade band, and whether or not a student is low-income, an English learner or in special education.

The combination of the assumed salary and benefit costs calculated as Core Investments and Additional Investments, and the value of the "Per-Student Investments" such as instructional materials, students activities, professional development, is a school district's final Adequacy Target. This is the amount of State and local resources that the EBF Formula establishes for each school district to educate their unique student population.

Local Capacity Calculation. A school district's "Local Capacity Target" (or "LCT") is the dollar amount obtained by multiplying its Adequacy Target by its Local Capacity Ratio (as defined below). The goal of the EBF Formula's Local Capacity Target calculation is to determine how adequately a school district is already funded, relative to its Adequacy Target, and to rank order school districts by this adequacy gap for the purposes of distributing State Aid Revenues, should the State not appropriate enough to fully fund each school district's Adequacy Target.

To determine how well a school district is already funded, the EBF Formula looks at the sum of a school district's Local Capacity, PPRT Revenues from the prior calendar year, and the Base Funding Minimum. The Base Funding Minimum is the total amount allocated to a school district in the prior school year for State Aid, equity grants, funding for children requiring special education services, special education facilities and staffing, special education summer school, and bilingual education. Each year's Base Funding Minimum is the amount of the prior year's EBF funding and Base Funding Minimum. The Board's Base Funding Minimum is increased by the value of the loss in funding associated with the State Block Grant funding items remaining outside of the EBF Formula, which are reduced as a result of the elimination of the State Block Grant protection. This provision has the effect of holding the Board harmless generally once all grants are included and results in an approximate $203 million shift of State funding of the Board from State Block Grant funding to State Aid funding.

For the Local Capacity Target calculation, the EBF Formula assumes a school district levies at a dollar amount of the greater of a school district's Real Receipts(*) or LCT. For those school districts subject to PTELL, such as the Board, the formula adjusts its calculated Local Capacity to account for the statutorily capped property tax extensions. The formula also reduces a school district's Local Capacity Target by the amount, if any, of any remaining required school district contribution towards its teacher pensions. This provision reduces Board's LCT calculation by the difference of the statutorily-required employer contribution and the State's contribution to the Board's required pension contribution. See "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS."

Each school district is then given a Local Capacity Ratio that is calculated by dividing its Adjusted EAV or PTELL EAV by its Adequacy Target. The PTELL EAV is the product of the EAV last used in the calculation of Historical State Aid or EBF and the school district's Extension Limitation Ratio, for school districts subject to PTELL. The Extension Limitation Ratio is a numerical ratio, certified by the County Clerk, in which the numerator is the Base Tax Year's Tax Extension and the denominator is the Preceding Tax Year's Tax Extension. The Local Capacity Ratios are then converted into a normal cost equivalent score, or "Local Capacity Percentage" to determine each school district's relative position in the school district queue for New State Funds each year.

Distribution Formula. The EBF Formula provides that each school year, a school district is entitled to funding at the level of its Base Funding Minimum plus a portion of New State Funds (also known as "EBF Funding"). If a school district is fully-funded as determined by the model, then the State appropriation will be sufficient to fund each school district's Adequacy Target. If a school district is not fully-funded as determined by the model, the EBF funds are distributed in a manner that allocates funding to the least adequately funded school districts first. In the event of the latter, each school district is placed into one of four Tiers based on a school district's existing State and local resources divided by its Adequacy Target.(†) Tier 1 districts are the least adequately funded while Tier 4 districts are the most adequately funded; ISBE has determined that the Board is a Tier 1 school district for Fiscal Years 2018 and 2019. Tier 2 school districts have a percent of adequacy less than 90%. Tier 3 school districts have a percent of adequacy of at least 90% and less than 100%. Tier 4 school districts have a percent of adequacy of at least 100%. 50% of new EBF funds are allocated to Tier 1 school districts, 49% are allocated to Tier 2 (which also includes Tier 1 school districts), 0.9% are allocated to Tier 3, and 0.1% are allocated to Tier 4. The percent of adequacy that defines a Tier 1 school district is that level necessary to allocate the designated amount of appropriations in a given year and this number will change annually with the State appropriation level.

P.A. 100-465 sets a "Minimum Funding Level" (as a target for appropriation of New State Funds to keep pace with inflation and continue to advance equity through the EBF Formula) of $350 million annually, with $50 million used for a property tax relief grants for high-tax school districts. In the event the State fails to appropriate enough to meet this Minimum Funding Level in a given year, EBF imposes a funding model that withholds New State Funds from each Tier of school districts beginning with Tier 4 and withholds from the next lower Tier only when the shortfall has not been exhausted. This adjusted distribution model acts to ensure that the Tier 1 school districts, such as the Board, have priority in receiving the most New State Funds in the event the State fails to appropriate in any Fiscal Year the Minimum Funding Level.

(*) Product of the district's adjusted operating tax rate and its Adjusted or PTELL EAV; the Adjusted EAV is the average of its EAV over the immediately preceding 3 years or its EAV in the immediately preceding year if the EAV in the immediately preceding year has declined by 10% or more compared to the 3-year average.

(†) Existing State and local resources are the sum of Local Capacity, PPRT, and Base Funding Minimum.

State Aid Revenues for Fiscal Years 2018 and 2019 Under the EBF Formula

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

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

State Aid Revenues for Fiscal Years 2008 – 2017 Under Historical State Aid Formula

The following table sets forth the total State Aid Revenues received by the Board for each of the Fiscal Years 2008 through 2017 and the required historical statutory contributions for the Supplemental General State Aid allocation of $261 million required by the School Code (prior to the adoption of P.A. 100-465) to be provided to individual schools for supplemental programs for children from low-income families, and the net amount of "Historical State Aid Revenues" deposited into the General Fund and available to the Board for its general operating purposes, including to be pledged as a source of Pledged Revenues securing Alternate Revenue Bonds under the Debt Reform Act. For a discussion of the calculation of the Historical State Aid Formula and the calculation of Historical State Aid Revenues prior to the adoption of P.A. 100-465 see APPENDIX G – "OVERVIEW OF HISTORICAL STATE AID REVENUES TO THE BOARD."

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Historical State Aid Revenues for Fiscal Years 2008 – 2017
(Dollars in Millions)

	(A) Historical State Aid Formula Total Statutory Claim [1]	(B) FY 2017 Hold Harmless and Equity State Funding	(C) State Appropriation Proration (%)	(D) State Appropriation Proration[1]	(E) State–Approved Charter Schools Allocation	(F) Board Allocation	(G) Supplemental General State Aid Allocation	(H) Unrestricted State Aid Revenues
2008	$1,107.4	N/A	100.0%	$ 0.0	$ 0.0	$1,107.4	$261.0	$846.4
2009	1,156.0	N/A	100.0%	0.0	0.0	1,156.0	261.0	895.0
2010	1,178.3	N/A	98.0%	(9.8)	0.0	1,168.5	261.0	907.5
2011	1,163.5	N/A	99.9%	(0.1)	0.0	1,163.4	261.0	902.4
2012	1,195.0	N/A	95.0%	(58.5)	0.0	1,136.5	261.0	875.5
2013	1,225.7	N/A	89.2%	(131.0)	0.0	1,094.7	261.0	833.7
2014	1,236.2	N/A	88.7%	(137.8)	(6.9)	1,091.6	261.0	830.6
2015	1,172.4	N/A	87.2%	(148.3)	(9.5)	1,014.6	261.0	753.4
2016	1,064.0	N/A	92.1%	(83.1)	(12.0)	968.8	261.0	707.8
2017	906.8	$195.5	N/A	N/A	(28.5)	1,073.7	261.0	812.7

Source: ISBE
(1) Totals may not add due to rounding.

Column	
A	Historical State Aid Formula Total Statutory Claim
B	Additional Hold Harmless and Equity State Funding received in Fiscal Year 2017
C	The percentage of the Total Statutory Claim received by the Board as the result of the State's failure to appropriate sufficient funds to fully fund State Aid known as "Appropriation Proration"
D	The financial impact of Appropriation Proration on the Board
E	Diversion of the Board's Historical State Aid Revenues to State-Approved Charter Schools
F	The amount of Historical State Aid Revenues received by the Board
G	The amount of Historical State Aid Revenues (Supplemental General State Aid) restricted for supplemental programs for children from low-income families
H	The amount of Historical State Aid Revenues available for general operating purposes, including to be pledged as the source of Pledged State Aid Revenues

State Aid Revenues Pledged to Secure Alternate Revenue Bonds

Prior to the issuance of the Bonds and the refunding of the Refunded Bonds, there are outstanding approximately $5.8 billion of Outstanding Pledged State Aid Revenue Bonds under various Authorizations of the Board. The following table sets forth the amount of State Aid Revenues collectively pledged to secure Alternate Revenue Bonds of the Board pursuant to the requirements of the Debt Reform Act under their respective bond resolutions (i.e. the amounts pledged include 1.10% or 1.25% coverage under the Debt Reform Act).

Year of Deposit Date	Debt Service on Outstanding Pledged State Aid Revenue Bonds(1)(2)(3)	(Less) Debt Service on Refunded Bonds Secured by Pledged State Aid Revenues(2)(3)	Debt Service on Series 2018C and Series 2018D Bonds(2)(3)	Total Annual Debt Service Secured by Pledged State Aid Revenues(2)(3)	State Aid Revenues Pledged
2019	$282,961,311	$(29,296,063)	$28,681,933	$282,347,182	$315,917,073
2020	429,276,529	(40,107,563)	10,440,353	399,609,319	446,329,136
2021	454,358,349	(38,133,563)	41,034,688	457,259,474	509,731,604
2022	471,879,541	(62,910,563)	71,371,295	480,340,274	535,100,508
2023	466,093,996	(63,018,813)	71,480,682	474,555,865	528,716,512
2024	466,921,127	(63,148,513)	71,612,886	475,385,501	529,612,491
2025	522,115,425	(63,175,900)	70,667,955	529,607,480	589,385,821
2026	522,385,432	(63,294,663)	70,786,705	529,877,474	589,661,061
2027	490,051,668	(89,703,250)	97,197,455	497,545,873	554,070,357
2028	436,884,782	(26,260,000)	26,253,750	436,878,532	484,579,913
2029	435,319,337	(26,313,000)	26,307,000	435,313,337	483,877,917
2030	420,149,659	(26,366,000)	26,360,250	420,143,909	466,963,854
2031	413,398,939	(26,406,250)	26,400,750	413,393,439	462,905,806
2032	372,200,657	(16,621,500)	16,616,250	372,195,407	414,121,348
2033	372,029,624	-	-	372,029,624	413,938,986
2034	371,985,755	-	-	371,985,755	413,890,731
2035	375,729,147	-	-	375,729,147	418,008,462
2036	377,477,441	-	-	377,477,441	419,931,585
2037	377,342,626	-	4,098,580	381,441,206	421,166,813
2038	378,835,619	-	5,007,920	383,843,539	423,809,381
2039	380,337,510	-	5,009,070	385,346,580	425,462,725
2040	382,414,862	-	5,017,770	387,432,632	427,757,383
2041	383,799,900	-	5,015,670	388,815,570	429,278,615
2042	384,189,850	-	5,011,170	389,201,020	429,702,610
2043	280,468,250	-	40,092,898	320,561,148	363,525,000
2044	279,564,500	-	43,381,250	322,945,750	366,074,000
2045	217,625,000	-	120,545,455	338,170,455	378,755,500
2046	217,707,600	-	102,112,500	319,820,100	358,570,673

Source: Chicago Public Schools.

(1) Calculated based on debt service on Outstanding Pledged State Aid Revenue Bonds prior to the issuance of the Bonds and the refunding of the Refunded Bonds. Includes approximately $432.2 million of variable rate bonds and interest on such bonds is calculated based on the applicable requirements of the indenture securing such bonds; actual rates may vary. See "DEBT STRUCTURE - Board's Variable Rate Bonds." For Outstanding Pledged State Aid Revenue Bonds secured by a combination of State Aid Revenues and another dedicated source of revenue, the column only includes the portion of debt service to be paid from State Aid Revenues. The amounts shown are pledged pursuant to the Debt Reform Act as described above.

(2) Net of capitalized interest. Includes only the portion of debt service on the Series 2018D Bonds payable from Pledged State Aid Revenues.

(3) Represents debt service for the succeeding 4/1-3/31 Bond Year following the applicable Deposit Date.

Required Timing of State Aid Payments

The School Code requires semimonthly payments of State Aid to be made by the State during the months of August through June in an amount equal to 1/22 of the total amount to be distributed and are to be made as soon as possible after the 10th and 20th days of each month. Typically, payments are available one or two days after the 10th and 20th days of the month or on the following working day if the payment date falls on a weekend or a holiday. Although the Board has experienced delays in receipt of certain funds from the State in recent years, payments of appropriated amounts of State Aid from the State have consistently been received by the Board on a timely basis for at least the last 10 years.

Recognized District and Legislative Standards for Receipt of State Aid

State Aid is distributed to Illinois school districts that maintain **"***recognized district status***"** that is achieved pursuant to the periodic compliance reviews of a school district by the office of the regional superintendent of schools. Recognition activities are designed to assure that school districts comply with the required standards of State law and in case of failure to meet the standards for all or a portion of a district's schools, the school district is ineligible to file a claim for all or a portion of State Aid for the subsequent school year. The Board is a **"***recognized district***"** under the provisions of the School Code.

In addition to the general requirement of maintaining recognition, the Board must also adhere to a variety of other legislated standards in order to receive State Aid, including the following, and the Board is currently in compliance with the legislated standards for receipt of State Aid.

(i) Adoption of a School Calendar that ensures at least 176 days of pupil attendance. The Board's approved School Calendar for Fiscal Year 2019 reflects 178 days of pupil attendance. School districts which fail to operate schools for the required number of pupil attendance days may be subject to the loss of State Aid. The financial loss is calculated on the basis of a daily penalty of 0.56818% (1 divided by 176) of the total amount of State Aid Revenues for each day of required operation not met. Under certain circumstances, a school district may not be penalized for failure to meet the required school calendar requirement, such as, but not limited to, the occurrence of "acts of god."

(ii) Filing of an annual report relating to the number of children who have received, have not received, or are exempted from necessary immunizations and health examinations. If less than 90% of those students enrolled in a school district have had the necessary immunizations or health examinations, 10% of each subsequent State Aid payment is withheld by the regional superintendent until the school district is in compliance with the 90% requirement.

PERSONAL PROPERTY REPLACEMENT TAX REVENUES

Overview

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

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

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

The Board's share of the Local Taxing District Distribution Amount is statutorily fixed at 14% and such distributions are automatically paid to the local taxing districts, including the Board, and are not subject to appropriation by the Illinois General Assembly. The Local Taxing District Distribution Amount is distributed pursuant to a continuing appropriation and as a result such distributions continue regardless of the State's adoption of an annual budget.

No Prior Statutory Claims

Pursuant to the PPRT Act, PPRT Revenues are required to be applied by the Board first to payment of the proportionate amount of debt service which was previously levied and collected from extensions against personal property on bonds outstanding as of December 31, 1978 and next to payment of the proportionate share of the pension and retirement obligations of the Board which were previously levied and collected from extensions against personal property. Such prior claims on Personal Property Replacement Tax Revenues are referred to herein as the "Statutory Claims." The Board has determined that it has no Statutory Claims.

Distribution of PPRT by the State

Payments of PPRT by the Department of Revenue to local taxing districts are made in January, March, April, May, July, August, October, and December. As described herein, the Board has irrevocably directed the Department of Revenue to deposit all of the Board's allocation of the PPRT Revenues with the PPRT Escrow Agent (as defined herein).

PPRT Escrow Agreement

The Board has entered into an Escrow Agreement (as restated, amended and supplemented, the "PPRT Escrow Agreement") with Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent (the "PPRT Escrow Agent") to provide for the deposit by the Department of Revenue of Pledged PPRT Revenues directly with the PPRT Escrow Agent to be distributed to trustees under the indentures securing the Board's Outstanding Pledged PPRT Revenue Bonds to pay debt service. In connection with the issuance of the 2018D Bonds, the Board will enter into an Eighth Restated Master Alternate Bonds Escrow Agreement, dated as of December 1, 2018, with the PPRT Escrow Agent to provide for the payment of debt service on the 2018D Bonds.

The Board has directed the Department of Revenue to deposit all PPRT Revenues annually allocated and paid to the Board with the PPRT Escrow Agent. Under the PPRT Escrow Agreement, the PPRT Escrow Agent will deposit such PPRT Revenues in a segregated escrow account and the PPRT Escrow Agent shall distribute such funds, not later than two (2) business days following the date of collection, as follows: first, to the Board, in an amount necessary to pay any Statutory Claims for the subject year (currently there are no Statutory Claims); second, to the respective trustees for the Pledged PPRT Revenue Bonds, including the Series 2018D Bonds, in amounts set forth in such PPRT Escrow Agreement, sufficient to provide for the payment of debt service on such bonds payable from Pledged PPRT Revenues pursuant to the requirements of the applicable indentures; and third, to the Board. PPRT Revenues received by the Board are deposited in the Board's General Operating Fund. See "FINANCIAL INFORMATION – General Operating Fund Fiscal Years 2013-2017" which includes the PPRT Revenues deposited in the General Operating Fund reported on a Fiscal Year basis and based on the Board's period of revenue recognition through August 29.

Historical and Budgeted PPRT Revenues

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

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

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

The table below sets forth the historical PPRT Revenues received by the Board on a calendar year basis consistent with the Bond Year for payment of the Pledged PPRT Revenue Bonds.

Historical Personal Property Replacement Tax Revenues Received by the Board
Calendar Years 2008 – 2018
(Dollars in Thousands)

Calendar Year	**Total PPRT**
2008	$209,492
2009	176,735
2010	190,560
2011	167,924
2012	168,231
2013	186,500
2014	191,979
2015	204,647
2016	157,808
2017	191,493
2018	167,745[(1)]

Source: Chicago Public Schools.
(1) Collections through October 5, 2018.

See "FINANCIAL INFORMATION – General Operating Fund Fiscal Years 2013-2017" for the PPRT Revenues in the General Operating Fund, net of the PPRT Revenues transferred under the PPRT Escrow Agreement to pay debt service on Pledged PPRT Alternate Revenue Bonds, reported on a Fiscal Year basis and based on the Board's period of revenue recognition through August 29.

PPRT Revenues Pledged to Secure Alternate Revenue Bonds

The following table sets forth the amount of Pledged PPRT Revenues collectively pledged to secure outstanding Alternate Revenue Bonds of the Board secured by Pledged PPRT Revenues as the primary source of Pledged Revenues and the Series 2018D Bonds.

Calendar Year of Debt Service Payments of Pledged PPRT Revenue Bonds[(1)]	Debt Service on Outstanding Pledged PPRT Revenue Bonds[(2)]	Debt Service on Series 2018D Bonds Secured by Pledged PPRT Revenues	Total Annual Debt Service Secured by Pledged PPRT Revenues	Pledged PPRT Revenues
2018	$58,327,760	$-	$58,327,760	$72,909,700
2019	58,256,935	-	58,256,935	72,821,169
2020	57,093,472	-	57,093,472	71,366,840
2021	33,813,985	7,195,812	41,009,797	51,262,247
2022	33,811,448	7,197,205	41,008,652	51,260,815
2023	33,809,510	7,196,318	41,005,828	51,257,285
2024	33,798,610	7,197,364	40,995,974	51,244,967
2025	33,849,948	8,168,545	42,018,493	52,523,116
2026	33,589,689	8,168,545	41,758,234	52,197,793
2027	3,118,123	8,168,545	11,286,668	14,108,335
2028	87,389,118	15,664,000	103,053,118	128,816,397
2029	80,177,458	15,664,000	95,841,458	119,801,822
2030	90,969,723	15,664,000	106,633,723	133,292,153
2031	89,987,000	15,664,000	105,651,000	132,063,750
2032	21,480,750	15,664,000	37,144,750	46,430,938
2033	21,487,250	15,664,000	37,151,250	46,439,063
2034	21,486,750	15,664,000	37,150,750	46,438,438
2035	2,655,250	15,664,000	18,319,250	22,899,063
2036	2,529,750	15,664,000	18,193,750	22,742,188
2037	-	11,565,420	11,565,420	14,456,776
2038	-	10,656,080	10,656,080	13,320,099
2039	-	10,654,930	10,654,930	13,318,662
2040	-	10,646,230	10,646,230	13,307,787
2041	-	10,648,330	10,648,330	13,310,412
2042	-	10,652,830	10,652,830	13,316,037
2043	-	4,631,102	4,631,102	5,788,878
2044	-	35,829,750	35,829,750	44,787,188
2045	-	12,385,545	12,385,545	15,481,932

(1) PPRT Revenues are deposited in the calendar year prior to the applicable debt service payment.

(2) Excludes debt service on certain Series 1998B-1, 1999A, 2004A, 2007B, 2008A, 2017E, 2017F, 2017G and 2017H Bonds which is primarily payable from another source of Pledged Revenues, with Pledged PPRT Revenues as a secondary pledge. For Pledged PPRT Revenue Bonds secured by a combination of Pledged PPRT Revenues and another source of Pledged Revenues, each source of Pledged Revenues is allocated under the applicable Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX N - ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2018D BONDS."

BONDHOLDERS' RISKS

Investment in the Bonds involves certain risks. In evaluating an investment in the Bonds, prospective purchasers should carefully consider the risk factors set forth under this heading "BONDHOLDERS' RISKS," as well as all other information contained in or incorporated by reference into this Official Statement, including the appendices hereto and additional information in the form of the complete documents summarized or incorporated by reference herein and in the appendices hereto, copies of which are available as described herein. The risks and uncertainties described below and elsewhere in this Official Statement (or in documents incorporated by reference into this Official Statement) could materially and adversely affect the Board's financial position, liquidity and ability to make payments in respect of the Bonds.

There may be other risk factors and investment considerations that are not presently foreseen by the Board, or that the Board does not currently consider material, including risks that an investor may consider material to its decision to invest in the Bonds. Moreover, any one or more of the factors discussed under this heading, and other factors not described under this heading, could lead to a decrease in the market value and the liquidity of the Bonds.

Suitability of Investment

The Bonds are not suitable investments for all persons. Prospective purchasers should confer with their own legal and financial advisors and should be able to bear the risks associated with the potential limited liquidity and price volatility, as well as the loss of their investment, in the Bonds before considering a purchase of the Bonds. The factors described under this heading "BONDHOLDERS' RISKS," many of which are outside of the control of the Board, may impact the Board's financial condition as well as its ability to make timely debt service payments on the Bonds.

Structural Deficit

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

Certain factors that control a substantial portion of the revenues of the Board are largely outside the Board's control. The Board's authority to increase its property tax revenues for operations is restricted by PTELL, with the exception of the Pledged Taxes, the Board's Capital Improvement Taxes and Pension Property Taxes. The Board's revenues from property taxes, PPRT Revenues, and State and federal funding are limited by State and federal laws, and legislation would be required to provide new or increased revenues. Certain State and Federal Revenues (as defined herein) are allocated based on statutory formulas and limited by State and federal appropriations and thus are dependent in part on the competing demands for funding at the State and federal level.

In addition, certain factors that affect a substantial portion of the operating expenses of the Board, such as its required Pension Fund contributions, are largely outside the Board's control, limiting the Board's ability to adjust such expenses in relation to the Board's operating revenues.

The Board does not exercise unilateral control over the Board's largest source of expenditures – salaries and wages – a majority of which is governed by contractual agreements with the Board's various collective bargaining units. In Fiscal Year 2018, the Board's annual salaries, wages and benefits are estimated to be approximately $3.9 billion and constituted approximately 14% of the Board's annual expenses. Since Fiscal Year 2011, the cost of salaries and wages has decreased by approximately 1% due to shifting demographics. In Fiscal Year 2017, the Board entered into a new four year agreement with the Chicago Teachers Union that increased the cost of salaries and benefits for approximately 67% of the Board's employees. The Board has also entered into labor agreements with other employee groups that have increased costs. Other agreements will expire in future Fiscal Years, and the Board cannot predict cost increases or savings associated with labor contracts that may be entered into in the future.

Debt service costs on the Board's outstanding long–term general obligation debt in Fiscal Year 2018 are estimated to total approximately $527.6 million, of which approximately $381.7 million is estimated to be paid from State Aid Revenues and PPRT Revenues, and constitute approximately 7% of the Board's annual expenses. The remaining debt service was paid from revenue sources dedicated solely to the payment of such debt service. Certain declines in credit ratings of the Board in recent years resulted in increased interest rates on the Board's borrowings. Future financings may increase the Board's outstanding long–term general obligation debt and debt service costs. The Board has, from time to time, issued bonds to refund and restructure outstanding bonds to extend maturities to obtain budgetary relief which has the effect of extending and increasing the Board's overall debt levels.

See "FINANCIAL INFORMATION."

Cash Flow and Liquidity and Future Borrowings

Although the Board's liquidity position has improved since Fiscal Year 2017, prior to Fiscal Year 2017, the liquidity position of the Board's operating funds had deteriorated primarily as a result of operating expenses exceeding operating revenues and the Board's use of its operating reserve funds to fund the shortfalls. The Board's General Operating Fund balance has declined over recent Fiscal Years from approximately $1.2 billion at the beginning of Fiscal Year 2015 to a negative amount equal to approximately $275.2 million by year-end Fiscal Year 2017. With its operating reserve funds depleted, the Board has addressed its negative cash flow position largely through short–term borrowing.

The Board projects a negative cash position during the majority of Fiscal Year 2019. See "CASH FLOW AND LIQUIDITY." The Board expects to continue to issue both short–term and long–term debt to address its cash flow, liquidity and operating needs and for other purposes. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings." The interest rate that the Board can pay on its short and long-term debt is subject to statutory caps and the Board's authority to borrow is dependent on statutory authorization and historically the Board has relied on Alternate Revenue Bonds that require the availability of a source of Pledged Revenues to cover debt service and an additional coverage factor (10% or 25% dependent on the source of revenue) as its primary source of borrowing for long–term capital needs. The Board's general obligation debt is subject to a legal debt margin imposed by State law. Alternate Revenue Bonds are not included in the debt restricted by such margin so long as the Pledged Taxes are not extended to pay such bonds. If the Pledged Revenues pledged to pay the Board's outstanding Alternate Revenue Bonds are not available to pay such Bonds and the Pledged Taxes are extended for payment of debt service, such bonds would be included as outstanding debt and limit the borrowing capacity of the Board under the legal debt margin. There can be no assurance as to the terms on which the Board will continue to be able to borrow or whether the Board's existing statutory borrowing authority will provide sufficient borrowing capacity.

Availability of State Aid Revenues

State Aid Revenues make up a substantial portion of the available operating revenues of the Board and a substantial portion is pledged to pay debt service on Alternate Revenue Bonds.

The availability of State Aid Revenues is dependent upon numerous factors, including the impact of certain Board factors, such as PPRT Revenue receipts, EAV adjusted for PTELL, the Board's Adequacy Target and State Aid Base Funding Minimum under the EBF Formula. Other factors impacting the availability of State Aid Revenues include: (i) the continuation of the State Aid program under Illinois law and the Board's continued eligibility for State Aid under the provisions of the School Code including a required school calendar; (ii) timely collection by the State of the revenues from which State Aid is derived; (iii) the amount of funds appropriated by the State to pay State Aid; and (iv) and the financial condition of the State and the availability of sufficient State revenues to pay State Aid appropriations. Changes in any one of the foregoing may impact the receipt of State Aid Revenues in an amount sufficient to provide for Pledged State Aid Revenues for annual debt service on the Bonds and other Outstanding Pledged State Aid Revenue Bonds. See "– Financial Condition of the State" and "STATE AID REVENUES."

The Board cannot predict if State Aid Revenues will be available in sufficient amounts to pay debt service on the Bonds and the Outstanding Pledged State Aid Revenue Bonds in any given year and if State Aid Revenues remaining after payment of debt service (together with other revenues available for operating expenses) will be sufficient to fund the operating expenses of the Board.

Availability of PPRT Revenues

PPRT was created by the Illinois General Assembly in 1979 to replace a tax on the personal property of businesses that was abolished pursuant to the 1970 Illinois Constitution Article IX section 5. This constitutional provision requires the continuation of a tax to replace the personal property tax abolished, but the Illinois General Assembly could amend the form of such tax in the future. In recent years the State has appropriated increasing amounts of PPRT Statewide Collections for purposes other than distribution to local taxing districts, including the Board. The Board cannot predict if the State will continue to appropriate PPRT Statewide Collections for purposes other than distribution to local taxing districts, including the Board, or the amount of any such appropriation in any Fiscal Year. In addition, the availability of PPRT Revenues is dependent upon other numerous factors, including (i) the continuation of the PPRT under Illinois law in its present form; (ii) timely collection and distribution by the State of the PPRT Revenues to the Board; and (iii) and economic conditions in the State and the business climate in general and their impact on corporate income and utility invested capital. Changes in any one of the foregoing may impact the receipt of PPRT Revenues in each Fiscal Year. The Board cannot predict if PPRT Revenues will be available in an amount sufficient to provide for Pledged PPRT Revenues for annual debt service on the Series 2018D Bonds secured by Pledged PPRT Revenues and other Outstanding Pledged PPRT Revenue Bonds. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES – Overview" and "- Historical and Budgeted PPRT Revenues."

Availability of Property Tax Revenues

The availability of property tax revenues in amounts sufficient, together with Pledged Revenues, to pay the annual debt service on the Board's general obligation bonds, including the Bonds and Outstanding Alternate Revenue Bonds, and to support the ongoing operating expenses of the Board is dependent on numerous factors. The Board has never had to extend ad valorem property taxes for collection to provide sufficient revenues for payment of its previously–issued Alternate Revenue Bonds.

The availability of property tax revenues is dependent on the tax base of real property within the City and the School District (which boundaries are coterminous) and the ability of this tax base to support the tax burden imposed in any year by the City, the Board and the other Overlapping Taxing Districts (as defined herein) for operations, debt service and other payment obligations, including pension and other post–employment retirement benefits. The availability of ad valorem property tax revenues is also dependent on the administration of the assessment, levy and tax collection procedures by the County Collectors. See "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt."

In addition, certain of the Board, the City and the Overlapping Taxing Districts have levied taxes to pay Alternate Revenue Bonds and certain other general obligation bonds and such taxes are currently not extended for collection and are not reflected in the current tax rates of such entities. Such taxes could be extended in the future resulting in a substantial increase in the tax burden of property owners within the boundaries of such entities. Such increased burden could potentially be harmful to the local economy and may impact the value of property in the region and lead to population migration, delayed payments of taxes, lower tax collection rates and other factors that may result in a decrease in the rate and amount of tax collections received by the Board, including the Pledged Taxes if extended for collection.

Unfunded Pensions and Required Statutory Contributions

Pension payments have been and are expected to continue to be a significant budget pressure for the Board. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State (the "Statutory Contributions"). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. As of June 30, 2017, the funded ratio of the Pension Fund was 50.1% and the unfunded actuarial accrued liability was approximately $10.9 billion. Additionally, the Board's annual pension costs are projected to increase at an average rate of two percent through Fiscal Year 2059 and recent changes in actuarial assumptions regarding investment rates of return have increased the unfunded actuarial liability of the Pension Fund. To the extent that the funded ratio of the Pension Fund continues to decline, this would contribute to increased required Statutory Contributions by the Board and put further pressure on the Board's annual operating budgets. In addition, the Pension Fund's actuaries, from time to time, may change the assumptions that are the basis of their actuarial valuations, including mortality rates and investment returns, and such changes may result in increased required Statutory Contributions of the Board. See "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS." and APPENDIX H – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS."

Bankruptcy of the Board and Enforcement Remedies Under Each Indenture

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

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

Counsel Opinion Regarding Certain Bankruptcy-Related Matters Relating to the Bonds. As described under the heading "CERTAIN LEGAL MATTERS" the Board has received opinions of special bankruptcy counsel to the Board regarding certain bankruptcy-related matters relating to the Bonds. See APPENDIX I – "FORMS OF SPECIAL REVENUES OPINIONS RELATING TO THE BONDS."

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

No Opinion or Belief Regarding Special Revenue Treatment of the Pledged State Aid Revenues Securing the Bonds. No opinion, intent or belief is expressed with regard to the treatment of the Pledged State Aid Revenues securing the Bonds in a bankruptcy proceeding.

The opinions of Co-Bond Counsel and the Board's General Counsel as to the enforceability of the Board's obligations pursuant to each Indenture and to make payments on each Series of the Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See APPENDIX L – "FORMS OF OPINIONS OF CO-BOND COUNSEL" and APPENDIX A — "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — Events of Default and Remedies."

Availability of Federal Revenues

The operations of the Board depend in part on its receipt of federal revenues, which are revenues received by the Board in the form of federal grants dedicated to specific purposes ("Federal Revenues"). Funding for Federal Revenues is appropriated annually by the United States Congress and is paid to the Board on a reimbursement basis for qualified expenditures. See "FINANCIAL INFORMATION – Federal Revenues." The receipt of Federal Revenues is impacted by many factors including satisfaction of grant eligibility requirements, compliance with requirements of the grant agreements including certain federal regulations, and congressional appropriation of funding. The Board is unable to predict the amount, timing or likelihood of receipt of future Federal Revenues.

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

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

Financial Condition of the State

The State has experienced and continues to experience a structural deficit and pension obligations that result annually in significant shortfalls between the State's general fund revenues and spending demands. There can be no certainty as to if or when the State will resolve its structural deficit. The State's inability to adopt a budget for Fiscal Years 2016 and 2017 resulted in economic uncertainty and disruptions in the distribution of State revenues and the payment of State contracts. Continued budget problems of the State may impact State appropriations of State Aid and State Grants to the Board and State Statutory Contributions to the Pension Fund and could impact the level and timing of payments of State revenues to the Board. Any failure of the State to resolve its current and future deficits or resolve them by budget cuts and/or increases in taxes, could have an adverse effect on the local and State economy and/or property tax base and therefore an adverse impact on the operations and revenues of the Board. In addition, the failure to address the unfunded liabilities of State pension systems, which must be achieved primarily through State legislation, could impact the ongoing pension costs to the State and continue or increase the State's structural deficit. Further information regarding the State may be obtained on its website.

Financial Condition of the City

The City has experienced structural deficits in recent years. Over the past ten years, the City has experienced an imbalance of tax revenues relative to operating expenditures resulting in operating budget gaps. Since 2012, the City has reduced its General Fund budget gap each year through targeted cuts, revenue enhancements, and improved operating efficiencies. Recurring operating budget gaps and increases in the City's debt burden could result in the need for new or enhanced revenue sources, including tax increases, or reduction of essential City services.

As part of its process to address such ongoing structural budget deficits, the City adopted a substantial increase in property taxes that began in Tax Year 2015 and will continue through Tax Year 2018. In addition, the City may increase property taxes in the future to address budget needs and the City is not currently subject to the PTELL limit on property tax increases. The City has an overlapping taxing base with the Board and, from time to time, provides certain funding to the Board. The failure of the City to resolve any future deficits or resolving them by budget cuts and/or continued increases in property taxes, could have an adverse effect on the local economy and/or property tax base. Such actions may therefore have an adverse impact on the operations of the Board and the revenues it receives, including the Pledged Taxes if extended for collection.

Local and State Economy

The financial health of the Board is in part dependent on the strength of the local economy, which in turn is a component of the State economy. Many factors affect both economies, including rates of employment and economic growth and the level of residential and commercial development. Actions of local governments and the State may also have an economic impact to the extent such actions foster or impede economic growth and development. In addition, financial difficulties experienced by the State and by the Overlapping Taxing Districts may place stress on the same sources of revenue from which the Board derives the funds for its operations and debt service. It is not possible to predict whether any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur or to quantify what impact such changes would have on the finances of the Board.

Credit Ratings, Investment Illiquidity and Market Prices

The Board expects S&P, Fitch Ratings, Inc. ("Fitch"), and KBRA to each provide ratings with respect to the Bonds. For a description of such ratings, see "RATINGS" herein. Each rating of the Bonds does not constitute a recommendation to purchase, hold or sell the Bonds and such rating does not address the marketability of the Bonds, any market price or suitability for a particular investor. There is no assurance that any such rating will remain for any given period of time or that any such rating will not be downgraded, suspended or withdrawn entirely by the respective rating Agency if, in such rating agency's judgment, circumstances so warrant based on factors prevailing at the time. Any such downgrade, suspension or withdrawal of any such rating, if it were to occur, could adversely affect the existence of a market or the market price of the Bonds.

The interest rates the Board pays on new issuances of long and short–term debt are heavily impacted by the credit ratings of the Board's debt obligations, and downward changes in such ratings have resulted and may continue to result in higher interest rates payable by the Board on bond issuances and other borrowings. The credit ratings of the Board's Alternate Revenue Bonds are currently below investment grade by each of Moody's, S&P, and Fitch. KBRA first rated the Board's credit in 2015. The credit ratings of the Board's Alternate Revenue Bonds issued by Fitch and S&P were upgraded from "B+" to "BB-" and from "B" to "B+" in 2017 and 2018, respectively, but remain below investment grade.

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

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

Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the Board, including the Board's ability to raise taxes and other revenues, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, change in the interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, change in interpretation, or addition may have a material adverse effect, either directly or indirectly, on the Board or the taxing authority of the Board, which could materially adversely affect the Board's operations or financial condition.

The School Code provides for the Board, as the governing body of the School District, to be appointed by the Mayor and with no required approval by the City Council. From time to time, legislation has been introduced in the Illinois General Assembly, to provide for election of the Board by the voters within the School District. In addition under the School Code, the Board is currently exempted from State statutes that authorize ISBE under certain extraordinary circumstances including "financial difficulty" to remove the governing body of a school district, and replace the governing body with an "independent authority" appointed by the State Superintendent to operate the school district until the next election at which a governing board would be elected. The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted. See "—Bankruptcy of the Board and Enforcement Remedies Under Each Indenture" and "SECURITY FOR THE BONDS – Bankruptcy of the Board."

BOARD OF EDUCATION OF THE CITY OF CHICAGO

General

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

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

Governing Body

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

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

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

Frank M. Clark is President of the Chicago Board of Education and was appointed to the Board by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark was elected President of the Chicago Board of Education on July 25, 2018. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is past Chairman of the Executive Committee of The Chicago Community Trust, trustee of The Lincoln Academy of Illinois, and a member of the RAND Corporation JIE Advisory Board. Mr. Clark also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Jane Addams Hull House, and past President of the Chicago Chapter of American Association of Blacks in Energy. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. He serves on the board of directors for Aetna Inc. and Waste Management Inc., where he chairs the compensation committee. Mr. Clark is a recipient of the Order of Lincoln Award. He received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He also has received numerous awards, including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by Fortune magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

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

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

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

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

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

Gail D. Ward was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the City's most accomplished selective enrollment high schools. Ms. Ward served in that role for seven years, a period when Payton ranked first in the State in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40% of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations, streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

There is currently one vacancy on the Board.

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

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

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

CHICAGO PUBLIC SCHOOLS

School System and Enrollment

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

Chicago Board of Education
Number of Schools and School Enrollment

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

Source: Chicago Public Schools. Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs).
(1) Elementary schools include the traditional classification of middle schools.
(2) Includes the number of students in each type of school regardless of the students' grades.
(3) The Kindergarten to High School (K-12) school was a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in prior years.
(4) The governance and school types were changed in Fiscal Year 2014. As a result, there is no longer a category for "*Vocational/Technical*" and beginning in Fiscal Year 2015 there is no longer a category for "*Special*" or "*Kindergarten to H.S.*"

Central Administration

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

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

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

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

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

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

Chief Operating Officer. **Arnaldo (Arnie) Rivera** is the Chief Operating Officer of the Board and was appointed on February 28, 2018. Previously, he served as a member of the Chicago Board of Education. Mr. Rivera serves as Senior Strategic Advisor for After School Matters and has extensive experience in public education in the City of Chicago. Mr. Rivera began his career in education as a first grade teacher at Walt Disney Magnet School on Chicago's north side. After his years of teaching, he worked in a number of different roles in the Office of Management and Budget at CPS, including serving as the District's Budget Director. In this role, he was responsible for developing and maintaining the operating budget for CPS, totaling more than $5 billion in spending annually. He also led an effort to drive evidence-based decision making across the entire District budget and he helped enhance school improvement plans to assist principals track progress and resource allocations toward school-based goals. Mr. Rivera then spent two years as Deputy Chief of Staff in the CPS CEO's office, where he was responsible for the planning and execution of the Full School Day outreach strategy and the expansion of the International Baccalaureate programs in Chicago's high schools. He was also part of the district's contract negotiations team that helped secure a collective bargaining agreement with the Chicago Teacher's Union in 2012. Mr. Rivera left CPS and served as Chief Operating Officer for The Chicago Public Education Fund. In this role, he was responsible for the organization's financial and operations management, as well as overseeing its communications and development strategies. In 2014, he was appointed Deputy Chief of Staff for Education by Mayor Emanuel, where he coordinated the administration's education policy agenda for the City of Chicago from early childhood through community college. Mr. Rivera returned to CPS in 2015 as Chief Officer of Public Policy. Mr. Rivera earned a Bachelor's Degree in Economics and a Master's Degree in Education and Social Policy, both from Northwestern University.

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

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

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

Capital Improvement Program

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

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

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

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

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

School Year 2017–2018 School Actions

A State–mandated process governs the annual timing for school action proposals, including co–locations, re–assignment boundary changes, consolidations and closures ("School Actions"). Pursuant to this process, by October 1st each year the Board creates and releases any updated Guidelines for School Actions ("Guidelines") that outline the academic and non–academic criteria for a school action. All proposed School Actions to be taken at the close of a current academic year must be consistent with the Guidelines and must be announced by the following December 1st. These proposals are also subject to requirements of notice, two community meetings, and one public hearing prior to being put to a vote by the Board. Proposed school actions are typically voted on by the Board in the February–May timeframe.

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

ISBE Public Inquiry on the Board's Special Education Services

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

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

Annual Regional Analysis

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

Educational Highlights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Educational Initiatives

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

Administrative Initiatives

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

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

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

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

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

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

Early Childhood Education Initiatives

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

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

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

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

High School Initiatives.

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

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

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

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

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

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

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

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

Chicago Teachers Union and Other Employee Groups

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

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

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

- Changes in employee benefits that increase employee costs for deductibles, co-pays and contributions.

- Automatic salary increases for a teacher's years of service and education level, also known as "*Steps and Lanes*," were not paid retroactively for Fiscal Year 2016 but were restored in Fiscal Year 2017 for the contract term. There were no cost of living adjustment ("COLA") salary increases for Fiscal Years 2016 and 2017. COLA salary increases of 2.0% and 2.5% will be paid for Fiscal Years 2018 and 2019, respectively.

- The Board has historically funded a portion (7% of salary) of a teacher's required contribution (9% of salary) to the Pension Fund, known as "pension pickup." This Board funding is eliminated effective January 1, 2017 for new employees who received salary increases of 3.5% effective January 1, 2017 and 3.5% effective July 1, 2017 as an offset. This "pension pickup" is retained for existing employees.

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

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

SEIU Local 1. The Board reached a new agreement with the SEIU Local 1 (covering lunchroom managers) which became effective in January 2017, retroactive to July 1, 2016. The labor costs associated with the agreement are paid exclusively from grant funds generated from the U.S. Department of Agriculture's nutrition grant.

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

IUOE Local 143B. The Board reached a new agreement with IUOE Local 143B (covering payroll and finance employees) in December 2016, retroactive to July 1, 2016. This agreement includes the same employee benefit structure, cost of living adjustments and "pension pickup" provisions as the CTU agreement. Cost of living adjustments to bargaining units' respective salary schedules for Fiscal

Year 2020 and Fiscal Year 2021 are left to future negotiation which will open July 1, 2019. The current agreement expires June 30, 2021.

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

PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS

Overview

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

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

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds and may change from time to time.

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

The Pension Fund

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

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

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

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

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

Required State Contribution to the Pension Fund. P.A. 100-465 provided for an increase in the required annual State contribution to the Board's Pension Fund to cover the "normal pension costs" of Board teachers and other covered employees and the Board's annual required retiree health care contribution, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. The State required contribution is expected to increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required health care contributions which have historically been capped at $65 million. The required State Statutory Contribution to the Pension Fund is approximately $221 million in Fiscal Year 2018 and $239 million in Fiscal Year 2019. Such State funding is subject to a continuing appropriation and a statutory amendment would be required to discontinue such appropriation.

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

Change in Pension Fund Actuarial Assumptions and Board Funding of Pension Contributions

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

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

The Annuity Fund

Employees of the Board that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. See APPENDIX - B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017" – Note 12. As of December 31, 2017, the Annuity Fund had 73,854 total members including 25,383 retirees and beneficiaries, 17,549 inactive members entitled to benefits and 30,922 active members (of which 15,320 were vested and 15.602 were non-vested). As of December 31, 2017, Board employees comprised approximately 54% of the Annuity Fund's active participants.

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

Other Post-Employment Benefits and Other Board Liabilities

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

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

Illinois Constitution Pension Protection Clause

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

Overlapping Taxing Districts

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

DEBT STRUCTURE

Overview

The Board's debt structure includes both short and long-term obligations as described under this heading. Short-term debt includes both tax and grant anticipation notes payable respectively from a pledge of specified ad valorem property tax and State grant receipts. The Board's primary source of debt funding is long-term general obligation bonds secured by the full faith and credit of the Board and consists of Alternate Revenue Bonds secured by a pledge of Pledged Revenues, including the Bonds, and PBC Leases (as defined herein). The Board also has outstanding its long-term Dedicated Capital Improvement Tax Bonds which are not general obligations and are secured by a pledge of revenues from the Board's Capital Improvement Tax.

Long–Term General Obligation Debt

Prior to the issuance of the Bonds and refunding of the Refunded Bonds, as of November 1, 2018 the Board has approximately $7.4 billion aggregate principal amount of outstanding long–term general obligation debt. The Board's outstanding long–term general obligation debt includes approximately $7.3 billion aggregate principal amount of Alternate Revenue Bonds (excluding the Bonds and the refunding of the Refunded Bonds) of which approximately $6.8 billion is fixed rate debt and approximately $432.2 million is variable rate debt. It also includes approximately $73.5 million aggregate principal amount of fixed rate leases with the Public Building Commission (the "PBC Leases"). The lease rentals due under the PBC Leases are supported by separate unlimited property tax levies of the Board. For additional information on the Public Building Commission, see "– Overlapping Taxing Districts and Overlapping Debt." To provide for payment of the lease rentals under the PBC Leases, the Board has established lease payment debt service fund accounts with a lease payment trustee. Under the School Code and resolutions of the Board establishing those trust accounts, the Board has levied a separate tax unlimited as to rate or amount on real property within the School District to pay the lease rentals under the PBC Leases. Tax receipts of the Board attributable to the Board's PBC Leases are required to be paid by the County Collectors directly to the lease payment trustee and deposited in a fund account to be used for the payment of the applicable lease rentals under the PBC Leases when due. Investment income on deposits in the fund accounts established to make lease rentals under the PBC Leases is paid to the Board to the extent not needed to meet the lease obligations for which the particular fund account is established. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings" and see "–Board's Long–Term Debt Service Schedule" and "– Board's Variable Rate Bonds."

Board's Long-Term Debt Service Schedule

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

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Board's Long–Term General Obligation Debt Service Schedule[1]
(Dollars in Thousands)

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

Source: Chicago Public Schools.

(1) Reflects debt service on outstanding Alternate Revenue Bonds of the Board prior to the issuance of the Bonds, the refunding of the Refunded Bonds, and includes approximately $432.2 million of variable rate bonds and interest on such bonds is calculated based on the applicable requirements of the indenture securing such bonds; actual rates may vary. See "DEBT STRUCTURE - Board's Variable Rate Bonds."

(2) Net of capitalized interest.

Additional Bonds

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

The Board may also issue general obligation bonds secured by ad valorem property taxes under future bond authorizations and pursuant to separate trust indentures, in accordance with the provisions of the School Code and the Debt Reform Act as in existence on the date of issuance of such bonds. For a discussion of certain statutory restrictions on the issuance of general obligation bonds by the Board see "–Board's Borrowing Authority and Legal Debt Margin."

Board's Variable Rate Bonds

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

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

Source: Chicago Public Schools.

Debt Management Policy

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

Board's Borrowing Authority and Legal Debt Margin

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

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

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

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

Source: Chicago Public Schools.
(1) Includes taxable property within the School District located in Cook County and DuPage County.
(2) Also includes only PBC Lease obligations that are secured by and payable from property taxes. Does not include the Board's outstanding Alternate Revenue Bonds, the Bonds or refunding of the Refunded Bonds, or the Board's Dedicated Capital Improvement Tax Bonds. Alternate Revenue Bonds would be included and would reduce the Board's borrowing capacity under the Legal Debt Margin if the Pledged Taxes were extended for collection to pay such bonds as the result of the unavailability of sufficient Alternate Revenues (including State Aid Revenues) to abate such taxes.
(3) Estimated; Fiscal Year 2018 figures have not been finalized.

Bond Issue Notification Act

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

Overlapping Taxing Districts and Overlapping Debt

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

The **City of Chicago** is a home rule unit of government under the Illinois Constitution and was incorporated in 1837. The City is governed by a Mayor, elected at–large for a four–year term, and the City Council. The City Council consists of 50 members elected for four–year terms and each representing one of the City's 50 wards.

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

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

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

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

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

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

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

Board's Overlapping Debt Schedule
(Dollars in Thousands)

Direct Debt	
The Bonds	$763,395
Total Outstanding General Obligation Bonds	6,824,413
Dedicated Capital Improvement Tax Bonds	880,480
PBC Leases (principal component)	73,520
Total Direct Debt(1)	$8,541,808

Overlapping Debt(1)(2)	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Overlapping Debt**
City of Chicago	$8,819,502	100.00%	$8,819,502
Community College District(3)	315,560	100.00%	315,560
Chicago Park District(4)	828,595	100.00%	828,595
Cook County(5)	3,085,187	51.03%	1,574,400
Forest Preserve District	150,960	51.03%	77,036
MWRD	2,865,610	54.54%	1,562,902
Total Overlapping Debt			$13,177,995
Total Direct and Overlapping Debt			$21,719,803

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

	Per Capita(9)	% EAV	% FMV
Direct Debt	$3,144.47	11.12%	2.91%
Total Direct and Overlapping Debt	$7,995.66	28.29%	7.41%

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

Note: Reflects the refunding of the Refunded Bonds and the issuance of the Dedicated Capital Improvement Tax Bonds expected to be issued near the time of issuance of the Bonds. See "—Dedicated Capital Improvement Tax Bonds.

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

Dedicated Capital Improvement Tax Bonds

In August 2015, the Board approved for the first time a statutorily–authorized annual levy of a capital improvement property tax (the "Capital Improvement Tax") in the initial amount of $45 million to aid in funding its ongoing Capital Improvement Program. The statute establishing the levy authorizes annual increases to the amount of the levy based on inflation, and further provides for the amount of the levy to increase by an additional $142.5 million in Tax Year 2031. The Capital Improvement Tax levy is not subject to the limitations of PTELL. The Board issued and has outstanding its Dedicated Capital

Improvement Tax Bonds, Series 2016 in the aggregate principal amount of $729,580,000 and its Dedicated Capital Improvement Tax Bonds, Series 2017 in the aggregate principal amount of $64,900,000 payable from and secured by a lien on the revenues from the Capital Improvement Tax pursuant to a master trust indenture securing bonds issued by the Board secured by the Capital Improvement Tax ("Dedicated Capital Improvement Tax Bonds"). Dedicated Capital Improvement Tax Bonds are not general obligations of and are not secured by the unlimited taxing power of the Board. From time to time, the Board may issue additional Dedicated Capital Improvement Tax Bonds and expects to issue $86,000,000 aggregate principal amount of such bonds near the time of issuance of the Bonds. See "PLAN OF FINANCE – Fiscal Year 2019 and Future Financings."

Tax Anticipation Notes

In recent Fiscal Years, the Board has relied on short-term borrowing to fund operations and liquidity. These short-term borrowings have primarily consisted of the issuance of tax anticipation notes, payable from the collection of real property taxes levied by the Board for a given tax levy year (referred to herein as the Tax Year) and payable in the following calendar year (referred to herein as the Collection Year) (i.e., tax anticipation notes issued during Fiscal Year 2018 and early Fiscal Year 2019 were payable from collection of the real property taxes levied for tax levy year 2017). Real property taxes levied in one year become payable during the following year in two installments. The first installment, an estimated tax bill, is due on March 1 and is equal to 55% of the prior year's tax extension. The second installment is due on the later of August 1 or 30 days after the mailing of the tax bill and is equal to the remaining amount of the current year's tax extension. See APPENDIX D – "THE REAL PROPERTY TAX SYSTEM."

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

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

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

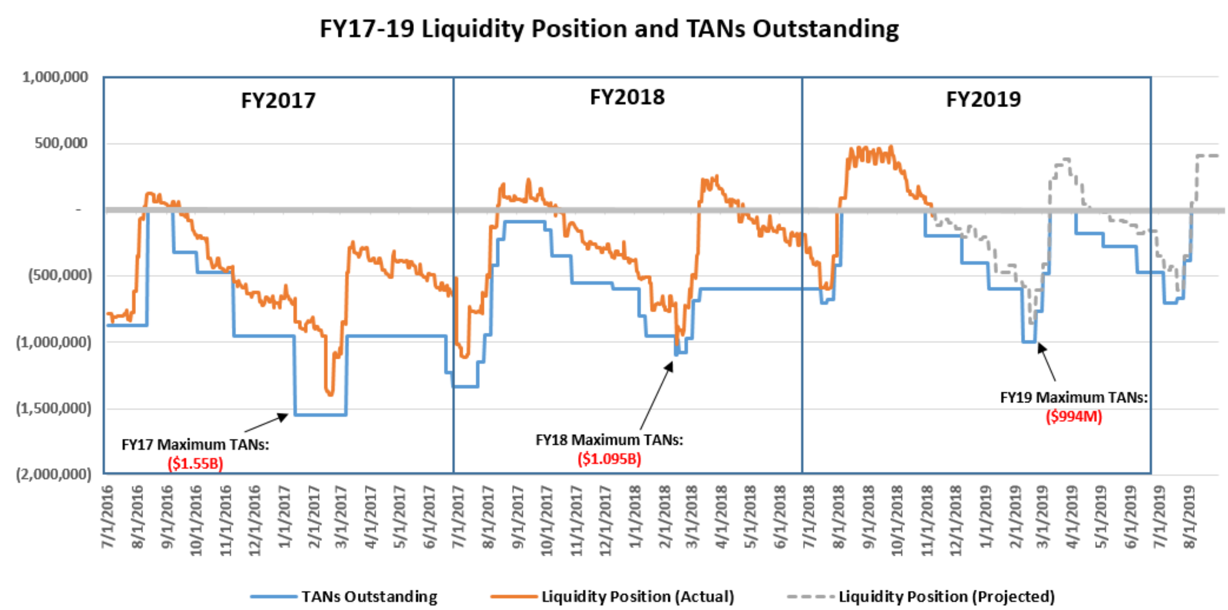
Tax Year 2018 Tax Anticipation Notes – Actual and Projected Issuances			
First Installment		Second Installment	
Date	Amount	Date	Amount
October 31, 2018	$200,000,000*	April 2019	$175,000,000
December 5, 2018	$200,000,000	May 2019	$100,000,000
January 2019	$200,000,000	June 2019	$200,000,000
February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

*Issued and outstanding.

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

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

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



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

FINANCIAL INFORMATION

Accounting and Financial Statements

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

The Board's fund financial statements provide detailed information about the most significant funds. The Board's governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of the Board's services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year–end that are available for spending. The governmental fund statements provide a detailed short–term view of the Board's operations and the services it provides.

Investment Policy

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

Auditing Procedures

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

Property Tax Revenues

Overview. In Fiscal Year 2017, revenues from ad valorem property taxes were approximately \$2.6 billion and made up approximately 54.6% of the General Operating Fund revenues. The Board's educational fund property tax levy has had a compounded annual growth rate of approximately 4% per year. For Fiscal Year 2018, the Board estimates property tax revenue of approximately \$2.9 billion and that this will account for approximately 50.7% of the General Operating Fund revenues of the Board. Property tax revenue is the Board's largest revenue source. As a part of its Fiscal Year 2019 Budget, the Board increased its educational fund property tax levy to the maximum levy allowable under PTELL. The Fiscal Year 2019 Budget includes increased revenues of approximately \$29 million versus the Fiscal Year 2018 year end collections and property taxes will be approximately 49% of Fiscal Year 2019 budgeted operating revenues. As part of the Fiscal Year 2019 Budget, the Board estimates that the Pension Property Tax Levy, which was first implemented in Fiscal Year 2017, will generate approximately \$429.5 million. In addition to the operating property tax revenues described above, the

Board also recently levied taxes for capital improvements and increased this levy in Tax Years 2017 and 2018. For a discussion of the real property tax system see APPENDIX D – "THE REAL PROPERTY TAX SYSTEM." For an overview of the historic and budgeted property tax revenues, see the tables under the subheadings "– General Operating Fund" and "—Board's Fiscal Year 2019 Budget." For a discussion of the timing of receipt of property tax revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues" and APPENDIX D – "THE REAL PROPERTY TAX SYSTEM." And see "BONDHOLDERS' RISKS—Availability of Property Tax Revenues."

Capital Improvement Tax Levy. In August 2015, the Board approved for the first time a statutorily–authorized annual levy of a Capital Improvement Tax in the initial amount of $45 million to aid in funding its ongoing Capital Improvement Program. For the Fiscal Year 2019 Budget, the Capital Improvement Tax is estimated to increase revenues by approximately $4.8 million over Fiscal Year 2018. For a discussion of the Capital Improvement Tax and the Dedicated Capital Improvement Tax Bonds, see "DEBT STRUCTURE – Dedicated Capital Improvement Tax Bonds."

Pension Property Tax Levy. In 2016, the Board first imposed the Pension Property Tax Levy (to be paid directly to the Pension Fund to be credited to the Board's annual required Statutory Contribution) at the authorized rate of 0.383%. P.A. 100-465 authorized the Board to increase the annual levy to a rate not to exceed 0.567% and the Board increased such levy beginning in Tax Year 2018 and this increase, in addition to an increase in property values, is estimated to increase revenues by approximately $17.6 million in Collection Year 2019.

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

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

(Dollars in Thousands)

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

Source: Chicago Public Schools.

(1) Triennial updates of assessed valuation occurred in years 2009, 2012, and 2015.
(2) Residential, six units and under.
(3) Residential, seven units and over and mixed–use.
(4) Industrial/Commercial.
(5) Vacant, not–for–profit and industrial/commercial incentive classes.
(6) Source: Cook County Clerk's Offices. Calculation is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.
(7) Source: Civic Federation.

*** Information not available.

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

Board of Education of City of Chicago Education Fund Property Tax Collections
(Dollars in Thousands)

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

Source: Chicago Public Schools and Cook Country Treasurer. Only Education Fund extensions and collections are included in the figures shown above. Excludes all other property tax levies of the Board.
(1) All collections are net of refunds.
(2) Includes all amounts including those received during and after the calendar year of the extension.
(3) Tax Levy Year 2017 is still in the process of collection, and the information presented has not been finalized. Collections are shown through October 31, 2018.

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

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

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Real Property Tax Rates of Overlapping Major Units of Government
2009–2017 Tax Levy Year
(per $100 equalized assessed valuation)

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

Source: Cook County Clerk's Office – tax rates by levy year.
(1) The Capital Improvement Tax was levied for the first time in 2015.
(2) The Pension Property Tax Levy was levied for the first time in 2016.

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

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

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

State Aid Revenues

State Aid Revenues for Fiscal Year 2019 are expected to be approximately $1,605.4 million and make up approximately 22% of the budgeted General Operating Fund Revenues and are received from August through June in equal semi-monthly installments. For a discussion of the calculation, funding and payment of State Aid to the Board under the EBF Formula and the Historical State Aid Formula, see "STATE AID REVENUES." And see "BONDHOLDERS' RISKS—Availability of State Aid Revenues."

State Grant Revenues

Beginning Fiscal Year 2018 the State's grant funding for the Board changed as a result of P.A. 100-465. See "STATE STRUCTURAL CHANGE IN FUNDING OF THE BOARD." For Fiscal Year 2019, Board revenues from State Grants are budgeted to be approximately $291.7 million and make up approximately 5% of the budgeted General Operating Fund Revenues. For a discussion of the timing of receipt of State Grant Revenues see "CASH FLOW AND LIQUIDITY – Timing of Receipt of Revenues."

PPRT Revenues

The Board's PPRT Revenues (net of amounts used to pay debt service on Pledged PPRT Revenue Bonds) are budgeted to be approximately $126.2 million in Fiscal Year 2019 and make up approximately 2% of the budgeted General Operating Fund Revenues. For a discussion of the calculation, funding and payment of PPRT Revenues to the Board, historical and budgeted PPRT Revenues and use of PPRT Revenues to pay debt service on Pledged PPRT Revenue Bonds, see "PERSONAL PROPERTY REPLACEMENT TAX REVENUES." And see "BONDHOLDERS' RISKS—Availability of PPRT Revenues."

Federal Revenues

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

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

General Operating Fund Fiscal Years 2013–2017

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

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General Operating Fund Revenues, Expenditures, Other Financing Sources

and Changes in Fund Balances of the Board[1]

(Dollars in Thousands)

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

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

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

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

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

For Fiscal Years 2015 through 2017, the Board experienced General Operating Fund structural deficits, with expenditures exceeding revenues and drawing from and depleting the Board's General Operating Fund reserves. See "BONDHOLDERS' RISKS – Structural Deficit" and "– Bankruptcy of the Board and Enforcement Remedies Under Each Indenture."

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

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

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

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

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

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

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

For Fiscal Year 2018, this increased funding totals approximately $444 million including the following: (i) $93 million in funding for the Board, including $70 million in increased State Aid from the EBF Formula, $19 million in an increase in the Early Childhood State Grant to the Board and $4 million in other State funding; (ii) P.A. 100-465 also authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in Tax Year 2017 and thereafter from 0.383% rate cap in effect in Tax Year 2016 and this increased rate cap resulted in an estimated $130 million in additional revenue to the Board for Fiscal Year 2018; and (iii) P.A. 100-465 requires the State to make an ongoing annual Statutory Contribution to the Pension Fund to cover the "normal pension costs" of Board teachers and other covered employees and the Board's annual required retiree health care contribution, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions and this required State Statutory Contribution to the Pension Fund was approximately $221 million for Fiscal Year 2018 and offsets contributions that otherwise would be required of the Board.

Overview of Board's Budget Process

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

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

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

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

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

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

- Positive variances to the Fiscal Year 2018 Amended Budget are estimated as follows:
  - $67 million decrease in debt service costs resulting from debt restructuring and refunding for savings, reduced borrowing costs on new indebtedness, and reduced variable interest rates.
  - $45 million decrease in tax anticipation note borrowing costs resulting from a $455 million reduction in maximum short-term borrowing outstanding, delayed draws, more precise cash forecasting, and lower short-term interest rates. The total reduction in tax anticipation note interest cost versus Fiscal Year 2017 is $62 million.
  - $129 million of State Grants in excess of the amount budgeted due to acceleration of the timing of receipts.
  - $10 million of PPRT Revenues in Fiscal Year 2017 in excess of the amount budgeted that is applied as a credit to the Board's Fiscal Year 2018 required Statutory Contribution to the Pension Fund.
  - $4 million increase in investment earnings resulting from increased short-term interest rates.
- Negative variances to the Fiscal Year 2018 Amended Budget are estimated as follows:
  - $12 million decrease in federal Medicaid revenues due to finalization of prior year reimbursement rates.

- $11 million increase in expenses resulting from a delay in payments of the State Statutory Contribution to the Pension Fund.
- $10 million increase in expenses for various facility-related expenditures including the hiring of additional custodians and emergency maintenance needs.
- $6 million decrease in revenues from State Aid resulting from ISBE's finalization of actual demographic data for all Illinois school districts to determine EBF Formula Funding for Fiscal Year 2018.

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

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

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

(Dollars in Millions)

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

Board's Fiscal Year 2019 Budget

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

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

CASH FLOW AND LIQUIDITY

Overview

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

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

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

Timing of Receipt of Revenues

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

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

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

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

Timing of Expenditures

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

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

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

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

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

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

The Board's current state of diminished liquidity originated from a draw-down of general fund balances to fund recurring structural budget deficits. Future structural budget deficits would create further downward pressures on cash flow. For Fiscal Years 2017 and 2018, the Board relied on short-term borrowing to fund liquidity. In Fiscal Year 2017, the Board issued $1.55 billion principal amount of 2016 tax anticipation notes in anticipation of the collection of the 2016 tax levy in the amount of approximately $2.34 billion. The Board repaid in full the 2016 tax anticipation notes on August 11, 2017. In Fiscal Year

2018, the Board issued $1.09 billion principal amount of 2017 tax anticipation notes in anticipation of the collection of the 2017 tax levy in the amount of $2.42 billion. The Board repaid in full the 2017 tax anticipation notes on August 7, 2018. The maximum amount of tax anticipation notes outstanding at any point in time during Fiscal Year 2018 was a $455 million reduction from the Fiscal Year 2017 amount of $1.55 billion. In 2017, the Board also issued $387 million of grant anticipation notes triggered by delays in receipt of State Block Grants.

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

Forecasted Liquidity

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

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

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

Projected Cash Flow Table

Chicago Public Schools
Cash Flow Forecast
FY2019 - Current Forecast
$ in millions

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

TAX MATTERS

Summary of Co-Bond Counsel Opinions

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

Exclusion from Gross Income: Requirements

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

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

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

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

Covenants to Comply

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

Risk of Non Compliance

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

Federal Income Tax Consequences

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

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

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

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

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

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

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

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

(g) *Information Reporting and Back-up Withholding*. Payments of interest on the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Change of Law

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

Bonds Purchased at a Premium or at a Discount

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

Bond premium and original issue discount are amortized over the term of a Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight–line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the Bonds and is subtracted from the owner's tax basis in the Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Bond. A Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

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

CERTAIN LEGAL MATTERS

Opinions Related to the Bonds

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

Counsel Opinion Regarding Certain Bankruptcy-Related Matters Relating to the Bonds

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

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

LITIGATION

The Board is involved in numerous lawsuits that arise out of the ordinary course of operating the school system, including, but not limited to, any lawsuits described in this Official Statement. Some of the cases pending against the Board involve claims for substantial moneys. As discussed in Note 14 of the Board's Comprehensive Annual Financial Report for Fiscal Year 2017 attached hereto as APPENDIX B, in the opinion of Board management and legal counsel the final resolution of these claims and legal actions are not material to the Board's financial statements as of June 30, 2017. Since that date, there have been no additional cases where an adverse result is probable or reasonably possible and where the Board's liability, on any individual matter and net of insurance, is greater than $10 million.

As is true with any complex litigation, neither the Board nor its counsel is able to predict either the eventual outcome of such litigation or its impact on the Board's finances. The Board has available to it a tort liability tax levy to pay tort judgments and settlements. This tort liability tax levy is unlimited as to rate, but subject to the limitations on the annual growth in property tax extensions of the Board imposed by PTELL.

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

FINANCIAL STATEMENTS

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

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

CO-FINANCIAL ADVISORS

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

RATINGS

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

The Board previously engaged Moody's Investors Service to assign ratings for prior bond issues. The Board has elected not to obtain a rating from such rating agency for the Bonds.

UNDERWRITING

The Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"), led by J.P. Morgan Securities LLC. The Underwriters have agreed to purchase the Bonds as follows: (i) the Series 2018C Bonds at an aggregate purchase price of $475,247,444.92 (representing an aggregate principal amount of $450,115,000.00, plus $28,524,627.00 original issue premium and less $3,392,182.08 of Underwriters' discount), and (ii) the Series 2018D Bonds at an aggregate purchase price of $300,390,665.96 (representing an aggregate principal amount of $313,280,000.00, less $10,528,375.60 original issue discount and less $2,360,958.44 of Underwriters' discount). The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

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

CERTAIN RELATIONSHIPS

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

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

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

CONTINUING DISCLOSURE UNDERTAKING

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

A failure by the Board to comply with the Undertaking will not constitute an event of default under the applicable Bond Resolution or Indenture, and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure to Provide Information."

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

Annual Financial Information Disclosure

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

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

The Undertaking for the Bonds requires that Annual Financial Information be provided to the MSRB not more than 210 days after the last day of the Board's Fiscal Year. The Board has covenanted to give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due pursuant to the Undertaking.

"Audited Financial Statements" means the audited general purpose financial statements of the Board prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time (i.e., as subject to pronouncements of the Governmental Standards Accounting Board) and subject to any express requirements of the laws of the State of Illinois. The Undertaking for the Bonds requires that Audited Financial Statements will be provided to the MSRB on a date which is the earlier of 30 days after availability to the Board or 210 days after the last day of the Board's Fiscal Year.

Events Notification; Material Events Disclosure

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

(a) principal and interest payment delinquencies;

(b) non–payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) modifications to rights of Bond holders, if material;

(h) Bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Board (such an event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if the jurisdiction of the Board has been assumed by leaving the Board and the Board's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board);

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

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure to Provide Information

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

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

Amendment; Waiver

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

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board, or type of business conducted;

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the beneficial owners of a Series of the Bonds, as determined by a party unaffiliated with the Board (such as the Trustee or Co-Bond Counsel), or by the approving vote of the owners of such Series of the Bonds pursuant to the terms of the applicable Indenture at the time of the amendment; or

(b) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

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

Dissemination Agent

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

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

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

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

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

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

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AUTHORIZATION

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

BOARD OF EDUCATION OF THE CITY OF CHICAGO

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

APPENDIX A

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

Each Series of the Bonds is secured under a separate and distinct Indenture. The security provided under one Indenture does not provide security for a different Series of Bonds. The following are summaries of certain provisions of the Series 2018C Bond Indenture and the Series 2018D Bond Indenture, respectively, and does not purport to be complete or definitive and is qualified in its entirety by the Series 2018C Bond Indenture and the Series 2018D Bond Indenture, respectively, to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2018C Bond Indenture and the Series 2018D Bond Indenture are on file with the Trustee.

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APPENDIX A-1

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018C INDENTURE

The following summary of certain provisions of the Series 2018C Bonds Indenture does not purport to be complete or definitive and is qualified in its entirety by the Series 2018C Bonds Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. A copy of the Indenture is on file with the Trustee.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means any Alternate Bonds issued by the Board in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged State Aid Revenues with any applicable Prior Authorization Bonds and Bonds secured by such Pledged State Aid Revenues.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means for any Bond Year, the sum of the interest on and principal of the Bonds that will become due and payable during such Bond Year, exclusive of any such interest scheduled to be paid from amounts held in the Capitalized Interest Sub-Account.

"*Applicable Bond Year*" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged Revenues Account to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the Indenture by resolution duly adopted by the Board.

"*Board*" means the Board of Education of the City of Chicago, as governed by the Chicago Board of Education, created and established pursuant to Article 34 of the School Code.

"*Bond Authorization*" means (a) the 2006 Authorization with respect to the 2018C-1 Bonds and (b) the 2008 Authorization with respect to the 2018C-2 Bonds.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Insurance Policy*" or "*Policy*" means the Municipal Bond Insurance Policy issued by the Bond Insurer insuring the payment of the principal of and interest on the Insured Bonds as provided therein.

"*Bond Insurer*" or "*Insurer*" means Assured Guaranty Municipal Corp.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*Bonds*" means the Series 2018C Bonds.

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

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

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

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

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

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Indenture.

"*Deposit Notice*" means the annual certification provided by the Trustee to the Board pursuant to the Indenture following each Deposit Date as to whether sufficient funds are on deposit in the Pledged Revenues Account of the Indenture to provide for the payment of the interest on and principal of the Bonds that will become due and payable during such year in order to authorize the annual abatement of Pledged Taxes.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer of the Board, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties under the Indenture by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Event of Default*" means any event so designated and specified in the Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

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

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Indenture*" means the Trust Indenture, dated as of December 1, 2018 by and between the Board and the Trustee securing the Series 2018C Bonds.

"*Insured Bonds*" means the $183,735,000 aggregate principal amount of the Series 2018C Bonds maturing in the years 2027 to 2032, both inclusive.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2019.

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

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

(i) Government Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration

– Government National Mortgage Association (GNMA)
– U.S. Department of Housing & Urban Development (PHA's)
– Federal Housing Administration;

(iii) Federal Agencies;

(iv) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(v) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(vi) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(vii) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any one of the Rating Services, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(viii) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said act and the Regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State;

(ix) Pre-refunded Municipal Obligations;

(x) Any Forward Supply Contract; and

(xi) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

Ratings shall be determined at the time of purchase and without regard to ratings subcategories.

"*Outstanding*" means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(a) Any Bonds canceled by the Trustee at or prior to such date;

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

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

(d) Bonds deemed to have been paid as provided in the Indenture.

"*Owner*" means any Person who shall be the registered owner of any Bond or Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Bonds and any successor or successors appointed by a Designated Official under the Indenture.

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

"*Pledged State Aid Revenues*" or "*Pledged Revenues*" means (i) with respect to the 2018C-1 Bonds issued pursuant to the 2006 Authorization, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2006 Authorization in any year, as shall provide for the payment of the Prior 2006 Authorization Bonds, the 2018C-1 Bonds and any Additional Bonds issued pursuant to the 2006 Authorization and the provision of not less than an additional .10 times debt service thereon in each such year and (ii) with respect to the 2018C-2 Bonds, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2008 Authorization in any year, as shall provide for the payment of the Prior 2008 Authorization Bonds, the 2018C-2 Bonds, and any Additional Bonds issued pursuant to the 2008 Authorization and the provision of not less than an additional .10 times debt service thereon in each such year, all as pledged, in conjunction with the lien on the Pledged State Aid Revenues imposed by and arising under the Act and under the Indenture as security for the Bonds.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the Indenture as security for the Bonds.

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Prior Authorization Bonds*" means (A) with respect to the 2018C-1 Bonds, the Prior 2006 Authorization Bonds; and (B) with respect to the 2018C-2 Bonds, the Prior 2008 Authorization Bonds.

"*Prior Authorizations*" means (A) with respect to the 2018C-1 Bonds, the 2006 Authorization, and (B) with respect to the 2018C-2 Bonds, the 2008 Authorization.

"*Prior 2006 Authorization Bonds*" means (i) the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2006B; (ii) the outstanding Series 2009D Bonds that are not refunded by the issuance of the Series 2018C Bonds; (iii) the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C and (iv) the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018A.

"*Prior 2008 Authorization Bonds*" means (i) the outstanding Series 2008C Bonds that are not refunded by the issuance of the Series 2018C Bonds; (ii) the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008A; (iii) the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008B; (iv) the outstanding Taxable Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2009E; and (v) the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2009G.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Redemption Price*" means, with respect to any Bond, the principal amount of the Bond plus the applicable premium, if any, payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Indenture and designated as registrar for the Bonds, and its successor or successors.

"*School Code*" means the School Code, 105 Illinois Compiled Statutes 5.

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

"*Series 2008C Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008C, of the Board.

"*Series 2018C Bonds*" means the $450,115,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C, of the Board authorized pursuant to the Bond Resolution and the Indenture.

"*Series 2009D Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009D, of the Board.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement fund or act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under an Indenture. The "designated corporate trust office" of the Trustee means 30 N. LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged State Aid Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Indenture.

"*2018C-1 Bonds*" means the $12,075,000 aggregate principal amount of the Bonds issued to refund Series 2009D Bonds.

"*2018C-2 Bonds*" means the $438,040,000 aggregate principal amount of the Bonds issued to refund Series 2008C Bonds.

"*2006 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 06-0628-RS78 authorizing the issuance of Alternate Bonds, in an amount not to exceed $750,000,000.

"*2008 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 09-0722-RS11 authorizing the issuance of Alternate Bonds, in an amount not to exceed $1,900,000,000.

"*Uninsured Bonds*" means the $266,380,000 aggregate principal amount of the Bonds maturing in the years 2019 to 2027, both inclusive.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on the Bonds issued under the Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in the Indenture and in the Bonds contained, the Board pledges and grants in the Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners and the Bond Insurer, to the extent provided in the Indenture:

(a) The Pledged State Aid Revenues and the Pledged Taxes, *provided* that

(i) With respect to the 2018C-1 Bonds, the Pledged State Aid Revenues as set forth in the 2006 Authorization, *provided* that the pledge of Pledged State Aid Revenues with respect to the 2018C-1 Bonds is on a parity with the pledge of such revenues to the Prior 2006 Authorization Bonds and any Additional Bonds issued pursuant to the 2006 Authorization in the future and payable from such Pledged State Aid Revenues;

(ii) With respect to the 2018C-2 Bonds, the Pledged State Aid Revenues as set forth in the 2009 Authorization, *provided* that the pledge of State Aid Revenues with respect to the 2018C-2 Bonds is on a parity with the pledge of such revenues to the Prior 2008 Authorization Bonds and any Additional Bonds issued pursuant to the 2008 Authorization in the future and payable from such Pledged State Aid Revenues.

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Indenture; and

(c) Any and all other moneys, securities and property furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other Persons to be held by the Trustee under the terms of the Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Indenture and received by the Board, shall immediately be subject to the lien and pledge of the Indenture without any physical delivery or further act, and the lien and pledge under the Indenture shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien and the pledge.

Except as provided in the Indenture, each and all of the Bonds shall have the same right, lien and privilege under the Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of the Indenture.

The Bonds are General Obligations

The Bonds are general obligations of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged State Aid Revenues as set forth in the Indenture, the Pledged Taxes. The Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Bonds have been paid from the Pledged State Aid Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged State Aid Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, which are secured by a pledge of or lien on the Pledged State Aid Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on such Pledged State Aid Revenues, such Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Indenture from time to time payable from (i) all or any portion of the Pledged State Aid Revenues or any other source of payment which may be pledged under the Act, and (ii) any such Additional Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Bonds.

The Board reserves the right under the Indenture to issue bonds or other evidences of indebtedness payable from Pledged State Aid Revenues subordinate to and available to the Bonds. Such subordinate obligations will be paid from Pledged State Aid Revenues available to the Board in each Year in excess of those required to be deposited in the related Pledged State Aid Revenues Sub-Account during such Year.

Provisions Regarding Transfer and Exchange of Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds under the Indenture. Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond, the Board shall issue in the name of the transferee a new Bond or Bonds in Authorized Denominations of the same aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, of and interest on, such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Board nor any Fiduciary shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Bonds, the Board, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. Neither the Trustee nor any Registrar shall be required to make any registration, transfer or exchange of any Bond after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund and the following Accounts within the Debt Service Fund are established under the Indenture with the Trustee to be held and applied in accordance with the provisions of the Indenture: (a) Pledged Revenues Account, consisting of (i) the Interest Deposit Sub-Account, (ii) the Pledged State Aid Revenues Sub-Account and (iii) the Capitalized Interest Sub-Account; (b) Pledged Taxes Account; and (c) Bond Payment Account, consisting of (i) the Interest Sub-Account and (ii) the Principal Sub-Account.

Pledged Revenues Account

The Trustee shall deposit to the credit of the Interest Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Interest Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Bonds on such Interest Payment Date.

On or prior to each Deposit Date, the Board shall deposit to the credit of the Pledged State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary and sufficient to cause the amount on deposit in said Sub-Account to equal the Annual Debt Service Requirement for the then Applicable Bond Year. Once such deposit has been made, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date. The Board shall make the deposits required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence.

In the event that on any Deposit Date there has been deposited to the credit of the Pledged State Aid Revenues Sub-Account, an amount insufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year, the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the Pledged State Aid Revenues Sub-Account, to satisfy such Annual Debt Service Requirement.

All amounts on deposit in the Pledged State Aid Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account pursuant to the Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of such Indenture and the Trustee shall provide notice to the Board that such amounts constitute State Aid Revenues.

If, on any Business Day, the amount on deposit in the Pledged State Aid Revenues Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of the Indenture.

Pledged Taxes Account

As described in the Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the related Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account

There shall be transferred *first* from moneys on deposit in the related Pledged Taxes Account, *second*, pursuant to Board instructions, from moneys on deposit in the Interest Deposit Sub-Account and *third* from moneys on deposit in the related Pledged State Aid Revenues Sub-Account: (i) first, to the Interest Sub-Account on or before each applicable Interest Payment Date for any of the Outstanding Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and Capitalized Interest Sub-Account and available for such payment and (ii) second, to the Principal Sub-Account on or before each December 1 on which Bonds mature, the amount required for the payment of the principal then to be paid less the amount then on deposit in the Principal Sub-Account and available for such payment.

Board Payments to Cure Deficiencies

If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Bonds maturing on that December 1, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged State Aid Revenues

On or before the Deposit Date of each Year, (i) whenever funds are on deposit in a Pledged Revenues Account in an amount sufficient to meet the Annual Debt Service Requirement for the

Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes and (ii) whenever the funds on deposit in a Pledged Revenues Account are not sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in such Pledged Revenues Account to provide funds sufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year.

Capitalized Interest Sub-Account

On the June 1, 2020 Interest Payment Date, the Trustee shall withdraw from the Capitalized Interest Sub-Account and transfer into the Interest Sub-Account, the amount of $10,763,250. Any amount remaining in the Capitalized Interest Sub-Account on June 2, 2020, shall be withdrawn from the Capitalized Interest Sub-Account and deposited into the Interest Sub-Account.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of the Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund, Account or Sub-Account. The Trustee may conclusively rely upon the Designated Official's written instructions as to both the suitability and legality of the directed investments. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. In the absence of written investment instructions from the Board, the Trustee shall not be responsible or liable for keeping the moneys held by it under an Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in an Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. The Trustee shall be entitled to conclusively rely on the Investment Policy provided to it by the Board as the Investment Policy in effect at the time any investment is made. All investment income shall be retained in the Fund, Account or Sub-Account to which the investment is credited from which such income is derived.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein. In computing the amounts in such Funds, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

Except as otherwise provided in the Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any Fund, Account or Sub-Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged State Aid Revenues. Pursuant to Section 15(e) of the Act, the Board covenants under the Indenture, to provide for, collect and apply the Pledged State Aid Revenues; to the payment of the Bonds, the applicable Prior Authorization Bonds and any Additional Bonds and the provision of not less than an additional .10 times annual debt service on all such Bonds, applicable Prior Authorization Bonds and Additional Bonds.

The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged State Aid Revenues may be allocated and paid to the Board for application as provided in the Indenture.

Covenants Regarding Pledged Taxes. The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Indenture (the "Deposit Direction"). As long as any of the Bonds remain Outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of ad valorem property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

As long as there are Outstanding Bonds, the Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account under the Indenture as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal of and interest on the Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged Revenues Account is insufficient to meet the Annual Debt Service Requirement for the Bonds during the Applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "Covenants Regarding Pledged Taxes" under the caption "*Particular Covenants And Representations Of The Board*" in this Appendix, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Indenture. See "Events Of Default And Remedies" in this Appendix.

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

Tax Covenants. The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the Bonds, or any facilities financed or refinanced with such proceeds, to be used in any manner that would cause any Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the Bonds or other moneys to be invested in any manner that would cause any Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

Events of Default and Remedies

Events of Default. Each of the following events constitutes an Event of Default under the Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (d) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Indenture or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Trustee or after written notice thereof to the Board and to the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the

60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this Appendix; or

(e) If the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State.

Proceedings Brought by Trustee

THERE IS NO PROVISION FOR THE ACCELERATION OF THE BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE INDENTURE.

If an Event of Default shall happen under the Indenture and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Bonds or the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, or for an accounting against the Board as if the Board were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture or enforcing any of the rights or interests of the Owners of the Bonds under such Bonds or the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

All actions against the Board under the Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues, and the Pledged Taxes and the income therefrom (other than any amounts not constituting part of the Trust Estate) under the Indenture as follows and in the following order:

(a) To the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it; and

(b) To the payment of the principal of, Redemption Price and interest on the Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Bonds theretofore called for redemption and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption and, if the amount available shall not be sufficient to pay in full all such Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference; and

If and whenever all overdue installments of principal and Redemption Price of and interest on all Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Board all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Board, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment to the Board by the Trustee nor such restoration of the Board and the Trustee to their former positions and rights shall extend to or affect any subsequent default under such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions. No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of the State or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of such Bonds shall have any right in any manner whatsoever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Bonds.

Remedies Conferred By the Act. The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of the Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of the Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged State Aid Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of Bonds is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Rights and Remedies of Bond Insurer. Subject to (i) the provisions of the Indenture described under "*Bond Insurer Performance*," and (ii) as long as the Bond Insurance Policy is in full force and effect and the Bond Insurer has not failed to perform any of its obligations thereunder, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Insured Bonds or the Trustee for the benefit of the Owners of the Insured Bonds under the Indenture, except that the Owners of the Bonds (including the Owners of the Insured Bonds) shall retain the right to exercise all rights related to the enforcement of the tax covenants of the Board contained in the Indenture. The right of the Bond Insurer to control and direct the enforcement of all rights and remedies on behalf of the Owners of the Insured Bonds shall include the right to direct all matters relating to any bankruptcy or similar proceeding with respect to the Insured Bonds, including without limitation, the right to vote the Insured Bonds in connection with any plan of adjustment.

Waiver. Subject to the rights and remedies of the Bond Insurer, the Owners of not less than two-thirds in aggregate principal amount of Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Bonds, waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Indenture by giving not less than 60 days written notice to the Board, all Owners of the Bonds, the Bond Insurer (if any Insured Bonds are then Outstanding) and the other Fiduciaries, if any, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the Board or the Owners as provided in the Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed and accepted such appointment within a period of 60 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as described below under "– *Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *provided*, *however*, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the Board only with the written concurrence of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (excluding any Bonds held by or for the account of the Board). The Trustee may be removed at any time by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any such Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to the Board.

Appointment of Successor Trustee. In case at any time the Trustee shall resign, be removed or become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Board, each Fiduciary, the Bond Insurer and the predecessor Trustee. Pending such appointment, the Board shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by Owners as authorized in the Indenture.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or removal, the Trustee or the Owner of any Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by the Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged State Aid Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement the Indenture in connection with the issuance of Additional Bonds as authorized in the Indenture;

(f) To cure any ambiguity, omission or defect in the Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Bonds.

Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Required Consent of Bond Insurer. Subject to the provisions of the Indenture described under "*Bond Insurer Performance*," any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended, supplemented, modified or waived in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

Amendments

General. Exclusive of Supplemental Indentures as described above under the subheading "*Supplemental Indentures Not Requiring the Consent of Owners*", and subject to the provisions described below under subheading "*Consent of Owners*", the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of the Indenture or of any indenture supplemental thereto; *provided*, *however*, that nothing in the Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Bond, without the consent of the Owner of such Bond, (b) except for the pledge of the Pledged State Aid Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding, (c) a reduction in the aforesaid aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, (d) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (e) the loss of the exclusion from federal gross income of the Owners of the interest paid on such Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners of the Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as described below. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required aggregate principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided*, *however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in this paragraph, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Indenture and the rights and obligations of the Board and of the Owners of the Bonds may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all of the Outstanding Bonds. Such Supplemental Indenture shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Bonds have been filed with it. No mailing or publication of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

Notwithstanding the foregoing, as long as the Bond Insurance Policy is in full force and effect and the Bond Insurer has not failed to perform any of its obligations thereunder, the Bond Insurer shall be deemed the Owner of the Insured Bonds for purposes of consenting to any supplements or amendments to the Indenture as may be required under the Indenture.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the Board to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Board, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Board for any year or part thereof requested, and shall execute and deliver to the Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all or a portion of the Outstanding Bonds, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption, if applicable, of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any such Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (d) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal or Redemption Price, if applicable, of said Bonds, and (e) if any of said Bonds are not to be paid or redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of or interest on said Bonds, unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on said Bonds, at maturity or upon redemption, as the case may be.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Bonds at or prior to their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Bonds to which such Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

In the event that the principal of and/or interest on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Insured Bonds shall remain Outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied and shall not be considered paid by the Board, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Board to the Owners of the Insured Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

Bond Insurer Performance

Notwithstanding anything contained in the Indenture or the Bonds to the contrary, the existence of all rights given to the Bond Insurer with respect to the giving of consents or approvals, the receipt of notices and the direction of proceedings or otherwise are expressly conditioned upon the timely and full performance of the obligations of the Bond Insurer under the Bond Insurance Policy.

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APPENDIX A-2

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2018D INDENTURE

The Series 2018D Bonds offered through the attached Official Statement are secured under the Series 2018D Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by the Series 2018D Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2018D Indenture are on file with the Trustee. Summaries of the Indentures in regard to the Series 2018C Bonds are described in Appendix A-1.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means" any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the (i) Pledged State Aid Revenues with the Prior 2016 GSA Authorization Bonds and the Series 2018D Bonds secured by such Pledged State Aid Revenues and (ii) Pledged PPRT Revenues with the Prior 2016 PPRT Authorization Bonds and the Series 2018D Bonds.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to the Series 2018D Bonds and for any Bond Year, the sum of the interest on and principal of the Series 2018D Bonds that will become due and payable during such Bond Year, exclusive of any such interest scheduled to be paid from amounts held in the Capitalized Interest Sub-Account.

"*Applicable Bond Year*" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged Revenues Account for the Series 2018D Bonds to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the 2018D Indenture by resolution duly adopted by the Board.

"*Board*" means the Board of Education of the City of Chicago, as governed by the Chicago Board of Education, created and established pursuant to Article 34 of the School Code.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in the Series 2018D Indenture.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

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

"*Capital Improvement Program*" means the Capital Improvement Program of the Board, as from time to time approved and amended by the Board and on file in the office of the Secretary of the Board.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

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

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

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

"*Debt Service Fund*" means the Debt Service Fund established in the Series 2018D Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Series 2018D Indenture.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Escrow Agent*" means Amalgamated Bank of Chicago.

"*Escrow Agreement*" means the Eighth Restated Master Alternate Bonds Escrow Agreement, dated as of December 1, 2018, between the Board and the Escrow Agent (as defined in the Escrow Agreement), providing for the segregation and distribution of the Pledged PPRT Revenues delivered in connection with the issuance the Series 2018D Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues.

"*Event of Default*" means any event so designated and specified in the Series 2018D Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

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

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2019.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2018D Indenture.

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

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

(a) Government Obligations;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration

– General Services Administration
– U.S. Maritime Administration
– Small Business Administration
– Government National Mortgage Association (GNMA)
– U.S. Department of Housing & Urban Development (PHA's)
– Federal Housing Administration;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said act and the Regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State of Illinois;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Outstanding*" means, with respect to the Series 2018D Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the Series 2018D Indenture except:

(a) Any Series 2018D Bonds canceled by the Trustee at or prior to such date;

(b) Series 2018D Bonds (or portions of Series 2018D Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Series 2018D Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Series 2018D Bonds (or portions of Series 2018D Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the

2018D Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Series 2018D Bonds in lieu of or in substitution for which other Series 2018D Bonds shall have been authenticated and delivered pursuant to the Series 2018D Indenture; and

(d) Series 2018D Bonds deemed to have been paid as provided in the Series 2018D Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2018D Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Series 2018D Bonds and any successor or successors appointed by a Designated Official under the Series 2018D Indenture.

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

"*Personal Property Replacement Tax Revenues*" or "*PPRT Revenues*" means the amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act, as amended, or from such successor or replacement fund or act as may be enacted from time to time.

"*Pledged PPRT Revenues*" means that amount, not in excess of the amount available pursuant to the 2016 Authorization in any year, of Personal Property Replacement Tax Revenues received or to be received by the Board in any year remaining after any required allocation thereof to provide for the payment of the Statutory Claims in amounts each year as shall provide for the annual debt service payments on the Series 2018D Bonds and the provision of not less than an additional .25 times debt service thereon in each such year, in accordance with the allocation as set forth in the 2018D Indenture, all as pledged, in conjunction with the lien on the PPRT Revenues imposed by and arising under the Act and under the 2018D Indenture as security for the Series 2018D Bonds.

"*Pledged Revenues*" means collectively, the Pledged PPRT Revenues and the Pledged State Aid Revenues pledged under the Series 2018D Indenture for the payment of the Series 2018D Bonds.

"*Pledged Revenues Account*" means the account of that name in the Debt Service Fund established under the Series 2018D Indenture. The Pledged Revenues Account contains a separate PPRT Revenues Sub-Account" for PPRT Revenues and a separate State Aid Revenues Sub-Account for State Aid Revenues.

"*Pledged State Aid Revenues*" means State Aid Revenues, means that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2016 Authorization in any year, as shall provide for the annual debt service payments of the, the Series 2018D Bonds and the provision of not less than an additional .10 times debt service thereon in each such year, in accordance with the allocations therefore as set forth in the Series 2018 Indenture, all as pledged, in conjunction with the lien on the Pledged State Aid Revenues imposed by and arising under the Act and under this Indenture as security for the Bonds.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the Series 2018D Indenture as security for the Series 2018D Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Series 2018D Indenture.

"*PPRT Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2018D Indenture

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Series 2018D Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2018D Indenture.

"*Prior Authorization Bonds*" means the Prior 2016 GSA Authorization Bonds and the Prior 2016 PPRT Authorization Bonds.

"*Prior 2016 Authorization Bonds Debt Service Requirement*" means for any year, the sum of (i) in the case of the Series 2017B Bonds, the annual amount required for such year to pay annual debt service on Series 2017B Bonds and an additional 0.10 times such annual amount for such year; (ii) in the case of the Series 2017G Bonds, the annual amount required for such year to pay the annual debt service and to satisfy the 0.25 times annual debt service coverage requirement of the Series 2017G Bonds to the extent that Pledged PPRT Revenues are allocated for such purposes and the 0.10 times annual debt service coverage requirement to the extent that the Pledged State Aid Revenues are allocated for such purposes, as such allocations are set forth in *Exhibit C* – "*Allocation of Pledged Revenues for Debt Service and Coverage*" to the Trust Indenture dated November 1, 2017 between the Board and Amalgamated Bank of Chicago, as trustee, securing the Series 2017G Bonds; (iii) in the case of the Series 2017H Bonds, the annual amount required for such year to pay the annual debt service and satisfy the 0.25 times annual debt service coverage requirement of the Series 2017H Bonds to the extent that Pledged PPRT Revenues are allocated for such purposes and the 0.10 times annual debt service coverage requirement to the extent that the Pledged State Aid Revenues are allocated for such purposes, as such allocations are set forth in *Exhibit C* – "*Allocation of Pledged Revenues for Debt Service and Coverage*" to the Trust Indenture dated November 1, 2017 between the Board and Amalgamated Bank of Chicago, as trustee, securing the Series 2017H Bonds; and (iv) in the case of the Series 2018B Bonds, the annual amount required for such year to pay annual debt service of Series 2018B Bonds and an additional 0.10 times such annual amount for such year.

"*Prior 2016 GSA Authorization Bonds*" means the outstanding (i) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017B; (ii) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017G; (iii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017H; and (iv) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018B.

"*Prior 2016 PPRT Authorization Bonds*" means the outstanding (i) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018G; and (ii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017H;

"*Project*" means the construction, acquisition and equipping of, school and administrative buildings, site improvements and other real and personal property in and for the School District, all in accordance with the Capital Improvement Program.

"*Project Costs*" means the cost of acquisition, construction and equipping of the Project, including the cost of acquisition of all land, rights of way, property, rights, easements and interests acquired by the Board for such construction, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment determined to be necessary and desirable by the Board, the costs of issuance of the Series 2018D Bonds, financing charges, financial advisory fees, consultant fees, the cost of engineering and legal expenses, plans, specifications, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of construction any portion of the Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, the financing or such construction and the placing of the Project in operation.

"*Project Fund*" means the fund of that name established in the 2018D Indenture.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2018D Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for the Series 2018D Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Redemption Price*" means, with respect to any Series 2018D Bond, the amount payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2018D Indenture and designated as registrar for the Series 2018D Bonds, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

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

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series*" or "*Series of Bonds*" means the Series 2018D Bonds.

"*Series 2017B Bonds*" means the $215,000,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017B of the Board.

"*Series 2017G Bonds*" means the $126,500,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, of the Board issued pursuant to this Indenture.

"*Series 2017H Bonds*" means the $280,000,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board.

"*Series 2018D Bonds*" or "*Bonds*" means the $313,280,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D, of the Board.

"*Series 2018D Indenture*" means the Indenture securing and under which the Series 2018D Bonds are issued, dated as of December 1, 2018 by and between the Board and the Trustee.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement fund or act as may be enacted in the from time to time.

"*State Aid Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2018D Indenture.

"*Statutory Claims*" mean those claims, currently for pension or retirement obligations previously levied and collected from extensions of taxes against personal property, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to Section 12 of the State Revenue Sharing Act, or such successor or replacement act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2018D Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2018D Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2018D Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2018D Indenture.

"*2016 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 16-0824-RS5 on August 24, 2016, authorizing the issuance of alternate bonds pursuant to the Act in an amount not to exceed $945,000,000.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on each Series issued under the Series 2018D Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Indenture and in the Series 2018D Bonds contained, the Board pledges and grants in the Series 2018D Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Indenture:

(a) The Pledged Revenues and the Pledged Taxes, *provided* that (i) the pledge of the Pledged State Aid Revenues with respect to the Series 2018D Bonds is on a parity with the pledge of such revenues to the Prior 2016 GSA Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2016 Authorization from time to time in the future and payable from such Pledged State Aid Revenues and (ii) the pledge of the PPRT Revenues with respect to the Series 2018D Bonds is on a parity with the pledge of such revenues to the Prior 2016 PPRT Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2016 Authorization from time to time in the future and payable from such Pledged PPRT Revenues;

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2018D Indenture; and

(c) Any and all other moneys, securities and property furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other Persons to be held by the Trustee under the terms of the Series 2018D Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2018D Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge under said Indenture shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether such parties have notice of the lien and the pledge.

Except as provided in the Series 2018D Indenture, each and all of the Series 2018D Bonds shall have the same right, lien and privilege under such Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Indenture.

The Series 2018D Bonds are General Obligations

The Series 2018D Bonds are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged Revenues, the Pledged Taxes, as described in the Series 2018D Indenture. The Series 2018D Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Series 2018D Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Series 2018D Bonds have been paid from the Pledged Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Series 2018D Bonds, which are secured by a pledge of or lien on the Pledged Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Series 2018D Indenture, and shall not, except as expressly authorized in the Series 2018D Indenture, create or cause to be created any lien or charge on such Pledged Revenues, Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Series 2018D Indenture from time to time payable from (i) all or any portion of the Pledged Revenues or any other source of payment which may be pledged under the Act (ii) any such Additional Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Series 2018D Bonds and the Prior 2016 GSA Authorized Bonds and (iii) any such Additional Bonds shall share ratably and equally in the Pledged PPRT Revenues with the Series 2018D Bonds and the Prior 2016 PPRT Authorization Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Act as in existence on the date of issuance of the Additional Bonds.

The Board reserves the right under the Series 2018D Indenture to issue bonds or other evidences of indebtedness payable from Pledged Revenues subordinate to Series 2018D Bonds. Such subordinate obligations will be paid from Pledged Revenues available to the Board in each year in excess of those required to be deposited in the related Pledged Revenues Sub-Account during such Year.

Provisions Regarding Transfer and Exchange of Series 2018D Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds of each Series under the Series 2018D Indenture. Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the applicable Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond, the Board shall issue in the name of the transferee a new Series 2018D Bond or Series 2018D Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on, such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Board nor any Fiduciary shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Series 2018D Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2018D Bonds in accordance with the provisions of the Series 2018D Indenture. All Series 2018D Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2018D Bonds whether temporary or definitive, the Board, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. Neither the Trustee nor any Registrar shall be required to make any registration, transfer or exchange of any Bond after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund with the following Accounts within such Fund is established with the Trustee to be held and applied in accordance with the provisions of the Series 2018D Indenture:

(i) Pledged Revenues Account consisting of (1) the Deposit Sub-Account, (2) the Capitalized Interest Sub-Accounts and (3) the Payment Sub-Account which Payment Sub-Account shall further consist of (i) the Pledged State Aid Revenues Sub-Account and (ii) the Pledged PPRT Revenues Sub-Account;

(ii) the Pledged Taxes Account; and

(iii) Bond Payment Account, consisting of the Interest Sub-Account and the Principal Sub-Account.

Pledged Revenues Account. The Trustee shall deposit to the credit of the Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Series 2018D Bonds on such Interest Payment Date as described in the Series 2018D Indenture.

The Board receives State Aid Revenues directly from the State. Pursuant to the Escrow Agreement, the Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit certain Personal Property Replacement Tax Revenues with the Trustee as described below in accordance with the provisions of the Series 2018D Indenture.

The Pledged Revenues received by the Trustee pursuant to the Series 2018D Indenture shall be applied as follows:

(a) Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Series 2018D Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond

Year beginning on December 2 of such Year, as set forth in *Appendix N* to this Official Statement under the column Pledged PPRT Revenues.

(b) In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount to satisfy the requirement set forth in the preceding subparagraph (i), the Trustee shall (A) notify the Board of that fact and the amount of the shortfall and the Board shall take such actions as are necessary, pursuant to the Series 2018D Indenture, to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the Bond Year beginning on December 2 of the then-current Year and scheduled to be paid from Pledged PPRT Revenues as set forth in paragraph (i) above and (B) on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account.

(c) On or before each Deposit Date, the Board shall deposit to the credit of the State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Sub-Account to equal the interest on and principal of the Series 2018D Bonds scheduled to be paid from Pledged State Aid Revenues during the then-current Bond Year as set forth in Appendix N to this Official Statement with respect to the Series 2018D Bonds under the column Pledged State Aid Revenues. Once such deposit has been made, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied to otherwise provide funds for the payment of the debt service on the Series 2018D Bonds during the then-current Bond Year. The Board shall make the deposit required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence

In the event that on any Deposit Date there has been deposited to the credit of the State Aid Revenues Sub-Account an insufficient amount to satisfy the amount described in the preceding paragraph, the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the State Aid Revenues Sub-Account, to provide funds sufficient to satisfy such amount described in the preceding paragraph.

All amounts on deposit in the State Aid Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account, pursuant to the Series 2018D Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2018D Indenture and the Trustee shall provide notice to the Board that such amounts constitute State Aid Revenues.

All amounts on deposit in the Pledged PPRT Revenues Sub-Account on December 2 of each Year following the transfers required to be made to the Bond Payment Account pursuant to the Series 2018D Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2018D Indenture, which withdrawal shall be made prior to any deposit to the Pledged PPRT Revenues Sub-Account pursuant to each of the preceding subparagraphs.

If, on any Business Day, the amount on deposit in Payment Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of the Series 2018D Indenture.

Pledged Taxes Account. As described in the Series 2018D Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2018D Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Series 2018D Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account. There shall be transferred *first* from moneys on deposit in the Pledged Taxes Account, *second* pursuant to Board instructions, from moneys on deposit in the Interest Deposit Sub-Account and *third* from moneys on deposit in the Pledged Revenues Sub-Account: (i) first, to the Interest Sub-Account on or before each Interest Payment Date for any of the Outstanding Series 2018D Bonds, the amount required for the interest payable on such date, less the amounts then on deposit in the Interest Sub-Account and the Capitalized Interest Sub-Account and available for such payment and (ii) second, to the Principal Sub-Account on or before each December 1 on which Series 2018D Bonds mature or are subject to mandatory redemption, the amount required for the payment of the principal then to be paid less the amount then on deposit in the Principal Sub-Account and available for such payment.

The Trustee shall pay to the respective Paying Agents in immediately available funds on or before each date on which interest or principal is due on the Series 2018D Bonds the respective amounts on deposit in the Interest Sub-Account and the Principal Sub-Account described in clauses (i) and (ii) above necessary to pay such debt service. Such amounts shall be paid to the Owners of the Outstanding Series 2018D Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Series 2018D Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Series 2018D Bonds maturing on that December 1 or the principal portion of the Redemption Price of Outstanding Series 2018D Bonds required to be redeemed on that December 1 by the application of sinking fund installments pursuant to Series 2018D Indenture, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged State Aid Revenues. On or before the Deposit Date of each Year, (i) whenever funds are on deposit in the Pledged Revenues Account in an amount sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Series 2018D Bonds and (ii) whenever the funds on deposit in the Pledged Revenues Account are not sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in the Pledged Revenues Sub-Account to provide funds sufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year.

Capitalized Interest Sub-Account. The Trustee shall withdraw from the Capitalized Interest Sub-Account and transfer into the Interest Sub-Account, on each of the following Interest Payment Dates, the amount set forth opposite such date in the following table:

Interest Payment Date	Amount
June 1, 2019	$7,309,866.67
December 1, 2019	7,832,000.00
June 1, 2020	7,832,000.00
December 1, 2020	7,832,000.00

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Series 2018D Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official's written instructions as to both the suitability and legality of the directed investments. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. In the absence of written investment instructions from the Board, the Trustee shall not be responsible or liable for keeping the moneys held by it under the Series 2018D Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in the Series 2018D Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. The Board has provided a certified copy of the Investment Policy to the Trustee in connection with the initial delivery of the Bonds and the Board covenants and agrees to provide to the Trustee in a timely fashion any amendments to or revisions of such Investment Policy. The Trustee shall be entitled to conclusively rely on the Investment Policy provided to it by the Board as the Investment Policy in effect at the time any investment is made. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Series 2018D Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Series 2018D Indenture shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein. In computing the amounts in such Funds, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

Except as otherwise provided in the Series 2018D Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any Fund, Account or Sub-Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged Revenues. The Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. As long as any of the Series 2018D Bonds remain Outstanding, the Board will not modify or amend such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or procedures with respect to the allocation and distribution of the Personal Property Replacement Tax Revenues or (ii) necessary in connection with the issuance of Additional Bonds; *provided* that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Personal Property Replacement Tax Revenues to be allocated and paid to the Board during the Year.

Pursuant to Section 15(e) of the Act, the Board covenants under the Series 2018D Indenture, for so long as there are any Outstanding Series 2018D Bonds, to provide for, collect and apply the Pledged Revenues to: (i) the payment of the annual debt service on the Series 2018D Bonds and any Additional Bonds and the provision of (a) not less than an additional .25 times debt service on the Series 2018D Bonds and any Additional Bonds to the extent that PPRT Revenues are allocated for such coverage purposes and (b) not less than an additional .10 times debt service on the Series 2018D Bonds and any Additional Bonds to the extent that Pledged State Aid Revenues are allocated for such coverage purposes, as such allocations are set forth in *Exhibit C* – "*Allocation of Pledged Revenues for Debt Service and Coverage*" to the Series 2018D Indenture or in any trust indenture securing such Additional Bonds and (ii) the Prior 2016 Authorization Bonds Debt Service Requirement for each such year. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues may be allocated and paid to the Board for application as herein provided.

Covenants Regarding Pledged Taxes

The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2018D Indenture (the "*Deposit Direction*"). As long as any of the Series 2018D Bonds remain Outstanding, the Board will not modify or amend the applicable Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE SERIES 2018D BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Series 2018D Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

For as long as there are any Outstanding Series 2018D Bonds, the Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal and Redemption Price of and interest on the Series 2018D Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the applicable Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Series 2018D Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2018D Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged Revenues Account is insufficient to meet the Annual Debt Service Requirement for the Series 2018D Bonds during the Applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-4, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Series 2018D Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-4.

Accounts and Reports. The Board shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Pledged Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2018D Indenture, and which, together with all other books and financial records of the Board, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than twenty-five percent in aggregate principal amount of Series 2018D Bonds or their representatives duly authorized in writing.

Tax Covenants

The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Series 2018D Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the Series 2018D Bonds or other moneys to be invested in any manner that would cause any Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

Events of Default and Remedies

Events of Default. Each of the following events constitutes an Event of Default under the Series 2018D Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2018D Bond issued under such Indenture when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal or Redemption Price of any Series 2018D Bond issued under such Indenture when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (d) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Series 2018D Indenture or in the Series 2018D Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Trustee or after written notice thereof to the Board and to the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Series 2018D Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "Covenants Regarding Pledged Taxes" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-4; or

(e) If the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State.

Proceedings Brought by Trustee

THERE IS NO PROVISION FOR THE ACCELERATION OF THE SERIES 2018D BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE SERIES 2018D INDENTURE.

If an Event of Default shall happen under the Series 2018D Indenture and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in aggregate principal amount of the Series 2018D Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Series 2018D Bonds or the Series 2018D Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, or for an accounting against the Board as if the Board were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under such Indenture or enforcing any of the rights on interests of the Owners of the Series 2018D Bonds under such Series 2018D Bonds or the Series 2018D Indenture.

All rights of action under the Series 2018D Indenture may be enforced by the Trustee without the possession of any of the Series 2018D Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

All actions against the Board under the Series 2018D Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Series 2018D Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Series 2018D Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of the Series 2018D Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Series 2018D Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under the Series 2018D Indenture, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues, the Pledged PPRT Revenues and the Pledged Taxes to the extent any of them secure the Series 2018D Bonds issued under such Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Indenture as follows and in the following order:

(a) To the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it; and

(b) To the payment of the principal of, Redemption Price and interest on the Series 2018D Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2018D Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Series 2018D Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Series 2018D Bonds which shall have become due, whether at maturity or by call for redemption and, if the amount available shall not be sufficient to pay in full all such Series 2018D Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference; and

If and whenever all overdue installments of principal and Redemption Price of and interest on all the Series 2018D Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Series 2018D Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2018D Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Series 2018D Indenture or the Series 2018D Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Board all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of such Indenture to be deposited or pledged, with the Trustee), and thereupon the Board, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under such Indenture. No such payment to the Board by the Trustee nor such restoration of the Board and the Trustee to their former positions and rights shall extend to or affect any subsequent default under such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions. No Owner of any Series 2018D Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Series 2018D Indenture or the execution of any trust under such Indenture or for any remedy under said Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Series 2018D Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the relevant Indenture or by the laws of the State or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of such Series 2018D Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by such Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Series 2018D Bonds.

Remedies Conferred By the Act. The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of the Series 2018D Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Series 2018D Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive. No remedy by the terms of the Series 2018D Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2018D Bonds is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under such Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver. The Owners of not less than two-thirds in aggregate principal amount of the Series 2018D Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2018D Bonds, waive any past default under the Series 2018D Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Series 2018D Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Series 2018D Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2018D Bonds and the other Fiduciaries with respect to such Series, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the Board or the Owners as provided in the Series 2018D Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed and accepted such appointment within a period of 60 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as described below under "– *Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *provided, however*, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the Board only with the written concurrence of the Owners of a majority in aggregate principal amount of the Series 2018D Bonds then Outstanding (excluding any held by or for the account of the Board). The Trustee may be removed at any time by the Owners of a majority in aggregate principal amount of the Series 2018D Bonds then Outstanding, excluding any such Series 2018D Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to the Board. Copies of each such instrument shall be delivered by the Board to each Fiduciary.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Series 2018D Bonds then Outstanding, excluding any Series 2018D Bonds held by or for the account of the Board, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Board, each Fiduciary and the predecessor Trustee. Pending such appointment, the Board shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by Owners as herein authorized. The Board shall mail notice to each Fiduciary and to the Owners of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the Board shall, immediately and without further act, be superseded by a Trustee appointed by the Owners. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Board written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner may apply to any court of competent jurisdiction to appoint a successor. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Series 2018D Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the 2018D Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Series 2018D Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2018D Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Indenture in connection with the issuance of Additional Bonds as authorized in the 2018D Indenture;

(f) To cure any ambiguity, omission or defect in the 2018D Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Series 2018D Bonds.

Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Amendments

General. Exclusive of Supplemental Indentures as described above under the subheading "*Supplemental Indentures not requiring the Consent of Owners*", and subject to the provisions described below under subheading "*Consent of Owners*", the Owners of not less than a majority in aggregate principal amount of the Series 2018D Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2018D Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided, however*, that nothing in the Series 2018D Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Series 2018D Bond, without the consent of the Owner of such Series 2018D Bond, (b) a reduction in the amount of, or extension of the time of, any payment required by any sinking fund applicable to any Series 2018D Bonds without the consent of the Owners of all the Series 2018D Bonds which would be affected by the action to be taken, (c) except for the pledge of the Pledged Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Series 2018D Bonds at the time Outstanding, (d) a reduction in the aforesaid aggregate principal amount of Series 2018D Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Series 2018D Bonds at the time Outstanding that would be affected by the action to be taken, (e) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) the loss of the exclusion from federal gross income of the Owners of the interest paid on the Series 2018D Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners of the Series 2018D Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as described below. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required aggregate principal amount of Outstanding Series 2018D Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of the Series 2018D Indenture, is authorized or permitted by such Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Series 2018D Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Series 2018D Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Series 2018D Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Series 2018D Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds of such Series 2018D Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds of such Series 2018D Bonds and will be effective as provided in this paragraph, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Series 2018D Indenture and the rights and obligations of the Board and of the Owners of the Bonds may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all of the Outstanding Series

2018D Bonds. Such Supplemental Indenture shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Series 2018D Bonds have been filed with it. No mailing or publication of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all the Series 2018D Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Series 2018D Indenture, then the pledge of the Trust Estate under such Series 2018D Indenture and all covenants, agreements and other obligations of the Board to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Board, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Board for any year or part thereof requested, and shall execute and deliver to the Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all or a portion of the Outstanding Series 2018D Bonds, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Series 2018D Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under such Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any such Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (d) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal or Redemption Price, if applicable, of said Series 2018D Bonds, and (e) if any of said Series 2018D Bonds are not to be redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2018D Bonds a notice that such deposit has been made with the Trustee and that said Series 2018D Bonds are deemed to have been paid in accordance with the Series 2018D Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Series 2018D Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of or interest on said Series 2018D Bonds, unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on said Series 2018D Bonds, at maturity or upon redemption, as the case may be.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Series 2018D Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2018D Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Series 2018D Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Series 2018D Bonds at or prior to their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Series 2018D Bonds to which such Series 2018D Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2017

Prepared by the
Department of Finance

Rahm Emanuel, Mayor, City of Chicago
Frank M. Clark, Board President
Janice K. Jackson, EdD, Chief Executive Officer

Board of Education
CITY OF CHICAGO

Office of the Board
1 North Dearborn Street, Suite 950, Chicago, Illinois 60602
Telephone (773) 553-1600
Fax (773) 553-3453

January 24, 2018

Dear Stakeholders,

We are pleased to present you with the Chicago Public Schools (CPS) fiscal year 2017 financial results.

As a result of Illinois' historic education funding reform and two years of increased fiscal responsibility, CPS is on firmer financial footing than in many years.

Due to the courage and diligence of Illinois' lawmakers, CPS and districts throughout the state are now receiving the funding needed to consistently support high quality schools. This dramatic reform will allow CPS to complete the current school year without furloughs or economic layoffs, and the district now has the financial stability to provide schools with 2018-19 budgets far in advance of the coming school year to allow for effective and thoughtful planning.

In addition to improving the stability of operations, the district's financial turnaround is also attracting the attention of outside experts. In recent months, all major ratings agencies have acknowledged the district's financial improvement, which has allowed CPS to significantly reduce the cost of borrowing.

Despite financial challenges, CPS schools have been making significant progress for many years. A recent study by Stanford University found that Chicago students are progressing in the classroom at a faster rate than 96 percent of school districts in the United States, with gains found across all racial and economic subgroups. This promising research echoes findings from the University of Illinois at Chicago and the University of Chicago's Consortium on School Research, which show CPS students outpacing their peers in Illinois.

We are optimistic that as a result of funding reform and the district's commitment to fiscal responsibility, our schools are entering a new era of stability that will allow Chicago educators to further improve upon what has become one of the finest school districts in the country. As the district looks forward, we are putting an emphasis on stabilizing operations, supporting investments and resources throughout the city, and identifying opportunities to continue investment in high-quality academic programs that help prepare our students for a successful future.

Respectfully submitted,

Frank M. Clark	Janice K. Jackson, EdD
President	Chief Executive Officer
Chicago Board of Education	Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOARD OFFICIALS AS OF JANUARY 24, 2018

Chicago Board of Education
Frank M. Clark, President
Jaime Guzman, Vice President

Members
Mark F. Furlong
Alejandra Garza
Dr. Mahalia A. Hines
Gail D. Ward

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chicago Public Schools

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2016

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting is presented to

Chicago Public Schools

for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016.

The CAFR has been reviewed and met or exceeded ASBO International's Certificate of Excellence standards.

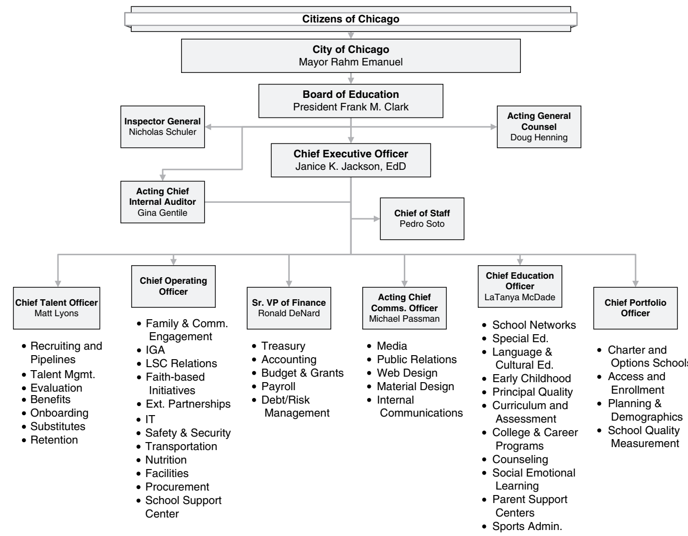
CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director

INTRODUCTORY SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
Organizational Chart



CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

Board Member Profiles

Frank M. Clark

Frank M. Clark was appointed President of the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is a trustee of The Lincoln Academy of Illinois, and a member of the RAND Corporation JIE Advisory Board. Mr. Clark also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Executive Committee of The Chicago Community Trust, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Directors for BMO Financial Corporation. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. He also serves on the board of directors for Aetna Inc. and Waste Management Inc. Mr. Clark received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He is also the recipient of numerous awards, including the Order of Lincoln Award, the state's highest honor for professional achievement and public service, the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by *Fortune* magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

Jaime Guzman

Jaime Guzman was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016 and was elected as Vice President on January 27, 2016. Mr. Guzman leads Chicago Youth Opportunity Programs for the Obama Foundation, including initiatives of the My Brother's Keeper Alliance, born out of President Obama's call to action to ensure that all of our nation's young people have the opportunity to live up to their full potential. He has nearly 20 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

Mark F. Furlong

Mark Furlong was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong

became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007-2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

Dr. Mahalia A. Hines

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

Gail D. Ward

Gail Ward was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the city's most accomplished selective enrollment high schools. Ms. Ward served in that role for seven years, a period when Payton ranked first in the state in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40 percent of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November, 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations, streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

The members of the Chicago Board of Education (the Board) have been appointed to serve terms ending as follows:

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Alejandra Garza	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Gail D. Ward	June 30, 2019
Vacancy	June 30, 2019

At the expiration of the term of each member, the Mayor shall appoint a successor for a four-year term from July 1 of the year in which the term commences. Any vacancy shall be filled by appointment of the Mayor for the unexpired term.

The Board elect annually from its members a president and vice president in such a manner as the Board determines.

INTRODUCTORY SECTION

Introductory Section

Department of Finance · 42 West Madison, 2nd Floor · Chicago, Illinois 60602-4413
Telephone: 773-553-2710 · Fax: 773-553-2711

January 24, 2018

Frank M. Clark, President,
Members of the Chicago Board of Education,
And Citizens of the City of Chicago:

The Comprehensive Annual Financial Report (CAFR) of Chicago Public Schools (CPS) for the fiscal year ended June 30, 2017, is hereby submitted. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of CPS. Responsibility for the accuracy of the data presented as well as completeness and fairness of presentation of this report rests with CPS management.

Illinois School Code (105 ILCS 5/34-9) requires CPS to submit an annual report of the financial records and transactions audited by independent certified public accountants. This document is submitted in fulfillment of this requirement. An audit was also conducted to meet the requirements of the Office of Management and Budget (OMB) Uniform Guidance (including the Single Audit Act Amendment of 1996, Government Auditing Standards and the OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). For fiscal year ended June 30, 2017, the independent auditors have issued an unmodified opinion on CPS' basic financial statements and other required supplementary information, etc. (See Independent Auditors' Report in the Financial Section of the document).

CPS ended fiscal year 2017 with a deficit of $275.2 million in the operating funds, due in part to declining state funding and massive pension obligations that were addressed by the state legislature at the beginning of fiscal year 2016. While CPS has continued to streamline operational costs, and has made some important progress in securing additional funding, the compounding financial challenges of declining state revenues, dramatically increasing pension costs, and limits on federal and local revenues persisted over the course of fiscal year 2017.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF CHICAGO PUBLIC SCHOOLS

CPS is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code (105 ILCS 5/34-9). The Chicago Board of Education is not a home-rule unit of government and operates a system of schools primarily for grades pre-kindergarten through twelve. CPS has no component units that are legally separate organizations for which CPS is financially accountable.

CPS is governed by a seven-member Board of Education appointed by the Mayor of the City of Chicago. Board members elect one member to serve as President of the Board. In addition, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected Local School Councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools, most notably the selection of principals. Refer to the CPS website for more information on Local School Councils.

As a large urban school district, our schools and students reflect the broad diversity of our city. In fiscal year 2017, CPS had 652 schools, including district-run traditional and options schools, charter and contract schools. Charter schools are public schools managed by independent operators, and approved and certified under the State charter law. They can offer a general K-12 educational program or may be approved to offer a program specifically targeting students who have dropped out or are at risk of dropping out. CPS currently authorizes 122 charter schools, serving just under 60,000 students.

Student enrollment as of September 2016 was 381,349 a decrease of 10,936 from the September 2015 level (392,285). Approximately 77.7% of our students come from low-income families and 18.0% are English Language Learners. CPS employs 37,345 workers, including 25,044 teaching positions.

LOCAL ECONOMIC OUTLOOK

The Chicago economy continues to improve and grow. However, it is important to note that CPS revenues are not economically sensitive. Property tax increases are capped at the rate of inflation; and Federal and State aid are allocated based on formulas and limited by federal and state appropriations. Therefore, our revenues are not directly affected by changes in the local economy. For more information regarding Chicago's local economy, refer to the City of Chicago budget book at http://www.cityofchicago.org/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html.

Local revenues included $2,715 million in property taxes and $227 million in personal property replacement taxes in fiscal year 2017. Property taxes support the General Operating Fund, Tort Fund and Debt Service Funds. Personal property replacement taxes support the General Operating and Debt Service Funds. In fiscal year 2017, there was $48.4 million in tax revenue for Capital Improvement Tax. This is due to the Chicago City Council authorizing a Capital Improvement Tax to be derived from property taxes collections levied in fiscal year 2017.

Tax abatements are a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled, and (b) the individual or entity promises to take a specific action after the agreement has been entered into, that contributes to economic development or otherwise benefits the governments or the citizens of those governments. CPS did not enter into or hold any direct tax abatement agreements during fiscal year 2017. Cook County enters into property tax abatements which do not directly reduce CPS property tax revenue. The purpose of these property tax abatements are to spur economic development and promote growth in residential housing. CPS views these abatements as a long-term strategy to increase student enrollment and promote a safe community around CPS schools. CPS monitors the incentives offered by the County and incorporates the impact of any modifications into CPS' annual budget process. Additional information on tax abatements that impact CPS can be found in Note 15 to the financial statement footnotes.

CURRENT CONDITION

The General Operating Fund expenditures budget for fiscal year 2017 was $5,411 million, $281 million below the fiscal year 2016 budget of $5,692 million. This reduction in budgeted expenditures for 2017 was largely driven by $173 million in mid-year budget reductions in fiscal year 2016 and $200 million of expense-reducing measures included in the fiscal year 2017 budget. In addition, CPS amended the fiscal year 2017 budget in February 2017 to reduce expenses by an additional $104 million, due to the

INTRODUCTORY SECTION

Introductory Section

failure of the state's pension funding bill. The reductions were partially offset by $61 million in contractual labor increases, $45 million increase in pension costs, a $14 million increase for interest on cash flow borrowing, over $70 million in additional grant funding and other cost increases. Actual General Operating Fund expenditures for fiscal year 2017 were $5,298 million, $113 million less than budgeted.

Total governmental funds revenues for fiscal year 2017 were $5,828 million, which is $555 million more than the $5,273 million fiscal year 2016 revenue. Total expenditures for fiscal year 2017 were $6,034 million, which were approximately $129 million lower than the prior year of $6,163 million.

CPS ended fiscal year 2017 with a combined fund balance of $1,095 million in all governmental funds, an increase of $645 million from fiscal year 2016's ending fund balance of $450 million.

CPS continues to trim administrative, central office and operational expenses in an effort to protect the classrooms. Due to the timing of collections of property tax revenues due from the new Chicago Teachers Pension Levy, CPS made cash payments of $483 million of the total $733 million amount payable to the CTPF as of June 30, 2017. The remaining $250 million was recorded as a payable due to the Fund at year end, but was collected and disbursed in full, prior to the end of CPS' 60 day revenue recognition period. Making the required payment from these legally restricted property tax monies collected subsequent to the end of the fiscal year, allowed CPS to refrain from borrowing the amount owed from outside parties and incurring additional interest costs.

Despite these challenges, CPS continues to prioritize our classrooms. Even as our resources become scarcer, we continued to seek more effective and innovative ways to educate our students. The past few years have been some of the most financially challenging in CPS' history, yet we continue to make strides. During this time, we have moved to a full school day, implemented full day kindergarten for all students, and expanded Pre-K programs throughout Chicago. We also successfully expanded Safe Passage so that students can focus on their studies and not their safety.

From fiscal years 2014 through 2017, charter schools were paid through the CPS' Student Based Budgeting system, with the same funding formula as CPS schools. They also received equitable shares of Title and other state and federal funding, and were reimbursed based on IEP needs. Following a 2017 change in law, charter schools are now funded a per pupil tuition rate based on the CPS' per capita tuition charge, which is differentiated based on the grades served and whether the charter school operates in a CPS or independent facility. They continue to receive a proportionate share of state and federal funds for serving special populations of students.

One-Time Resources: In past years, financial results have benefited from one-time fixes such as federal stimulus funding, bond restructuring and TIF surplus, which helped mask the depth of the structural deficit.

As its pension burden has increased, CPS has drawn down its prior years' reserves in order to balance the budget. To bridge the ebb and flow of revenue receipt and payments, CPS now relies on short-term borrowing. CPS receives its major revenue source, property taxes, in two installments: March and August. However, most CPS payments are made throughout the year, with two exceptions. Debt service is due in February right before the March installment is collected, and the pension payment is due in June, right before the August installment is received.

Overall, CPS' cash flow challenges are driven by its calendar. As previously stated, CPS receives the bulk of its annual property tax collections in March and August installments, and currently operates at a deficit financed by a short term line of credit. CPS ended the year with a total interest expense of $448 million compared to $365 million in fiscal year 2016. This represents an increase of $83 million in borrowing expense.

Pension Funding: Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2016, the Pension Fund reported $10,611 million in actuarial assets and $20,246 million in actuarial liabilities, for a funded ratio of 52.4%. In accordance with GASB 68, CPS has recorded a net pension liability of $11,011 million in the accompanying financial statements, 100% of which is recognized by CPS. For the reasons discussed in Note 12, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund.

Public Act 100-0465 increased CPS' maximum teacher pension property tax levy rate from 0.383% to 0.567%. The increase is initially estimated to generate approximately $130 million in additional revenue annually, which will go directly to the Pension Fund. This tax is not subject to the Property Tax Extension Limitation Law – more commonly known as "tax caps" – so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom. Although this incremental value of approximately $130 million does not impact CPS' financial statements for the fiscal year ending June 30, 2017, it will have a positive impact on future statements.

Debt Ratings: Investors who purchase municipal bonds use debt ratings as an indicator of the safety and security of the debt sold by that organization. CPS currently has bonds outstanding with credit ratings from Fitch Ratings, Kroll Bond Rating Agency, Moody's Investor Service and Standard & Poor's. In recent fiscal years and during fiscal year 2017, the rating agencies have made downgrades to their respective CPS' debt rating citing budget and pension concerns as rationale.

LONG-TERM FINANCIAL PLANNING

Throughout fiscal year 2017, CPS continued to face structural budget challenges, with our major revenue sources generally flat or declining at the state and federal level, pension costs increasing and property taxes capped. In addition, CPS remained the only school district in the state that must fund the vast majority of its teacher pension costs.

The structural budget deficit that persistent through fiscal year 2017 was due in part to inequitable state education funding prior to state funding reform in early fiscal year 2018, as well as escalating teacher pension costs. CPS has, and continues to, use short-term strategies to balance the General Operating Fund budget. The new state funding law significantly revised the amount of funding to be received by CPS from the State. The Act became effective in August 2017 and is expected to generate approximately $450 million of additional revenue in fiscal year 2018, which is comprised of $221 million in State funding of CPS' annual Teachers' Pension Fund contribution, $76 million in additional State Aid Revenues under the new Evidence Based Funding Formula, increased Teacher's Pension Fund contribution from property tax levy revenues of approximately $130 million, $19 million in State Grants and $4 million of other additional State revenues. These additional resources provide additional financial stability to CPS in the years to come.

State funding is driven by formula and as a result, CPS has become increasingly reliant on property tax revenue. Since 2007, the percentage of property tax revenue comprising the total budget has steadily increased from 36.7% in fiscal year 2007 to 41.5% in 2017. However, property taxes are capped at the rate of inflation. In fiscal year 2017, with inflation at 0.7%, the base property tax increased to $17 million. Though CPS is able to take advantage of new property that is added to the base property values, the annual increase in non-pension dedicated revenues remains modest and is not sufficient to make up for the continuing declines in state funding nor the dramatic increases in pension costs.

RELEVANT FINANCIAL POLICIES

Fund Accounting: CPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. See Notes 1 and 2 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types and account groups.

Internal Control Structure: CPS financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of CPS from loss, theft, or misuse and to ensure that reliable accounting data is available for the timely preparation of financial statements in

accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control: Annual budgets are prepared on a basis consistent with GAAP for the General Operating, Capital Projects and Debt Service Funds. The fiscal year begins on July 1 and ends June 30. Individual school units submit budgets based on the school improvement plans and approved by the Local School Councils. Administrative units submit budget requests to the Office of Management and Budget, which analyzes all requests and prepares a comprehensive budget, balancing revenues and appropriations of each fund. The budget is submitted to the Board of Education for appropriation.

The appropriated budget is prepared by fund, unit, and account. The legal level of budgetary control is at the account level, except for school-based discretionary programs. Board approval is required for all funding transfers except school-based discretionary program expenditures, which are governed by specific program policies and procedures. In addition, an amended budget is required for increases in total appropriation.

Budgetary control is maintained by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Capital Projects Funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year.

MAJOR INITIATIVES

At Chicago Public Schools, our mission is to provide a high-quality public education for every child in every neighborhood that prepares them for success in college, career, and community. Despite budget challenges, this crucial work continues with impressive results from our students. We have implemented cohesive strategies with educational, financial, community, and environmental initiatives, all of which impact our students and their families.

Educational Initiatives

Academic progress is crucial to our success as a district. We are seeing impressive results, with higher test scores, climbing graduation rates, improvement in college enrollment and persistence. This progress is remarkable and is a tribute to the hard-working educators, parents, and students committed to their classrooms.

We continue to invest in proven programs that expand access to high-quality education such as Advanced Placement courses, the largest network of International Baccalaureate programs in the nation, a math tutoring program that improves outcomes for at-risk high school students, or adding comprehensive dual language programming so that more students can be certified as bilingual before taking their post-secondary steps.

We are better preparing our students for the jobs of the future, by implementing a computer science curriculum and requiring a computer science credit to graduate high school. CPS has become a model district for those interested in incorporating computer science, first launching the CS4All Initiative in 2013, and now being the first district in the nation to elevate computer science to a core graduation requirement, separate from math and science.

In school year 2017, the Department of Social Science and Civic Engagement implemented a number of educational initiatives in order to expand access for all students to high quality social science curriculum, financial literacy, civic learning and student leadership opportunities. During the past year, a district-wide professional development for social science was developed over 1,000 educators were trained to implement the City Council mandated Burge reparations curriculum; curricular modules were developed for Financial Education and, the US Constitution (HS); the minimum graduation requirement for Financial Education was revised; and a number of pilot curricular projects with several social science education organizations including Facing History and Ourselves, Colonial Williamsburg, Harvard Business School, and the DBQ Project were implemented. In the area of Civic Engagement, over 90 new civics teachers have been trained, and in-depth civic-engagement-related instructional initiatives were provided to 62 additional civics course teachers.

While Chicago is already home to the largest network of IB schools in the nation, with a total of 51 authorized schools (22 high schools and 29 elementary) and 5 schools in the candidacy phase of the application process, CPS continues to add additional opportunities for student participation in IB programming. Results from the IB programme have revealed exceptional outcomes for CPS IB students, with graduation rates, college enrollment, and college persistence rates all outpacing their CPS and national peers. By providing access to the IB programme for our students, we are providing better options while allowing high school students to earn college credit, easing their transition to, and financial burden from, their college experience.

CPS' financial struggles continue as CPS looks for other funding sources to support the expansion of high quality programming. In April 2017 CPS submitted a Magnet Schools Assistance Program (MSAP) Grant application to the Department of Education. MSAP is a five year competitive grant in which districts can apply for up to $15 million dollars. CPS was one of 32 school districts to be awarded this grant for $14.9 million dollars. As a result of this grant, three new magnet STEM schools will be developed. CPS aspires to develop STEM schools where students have opportunities to engage in transdisciplinary learning experiences that will support them in developing the types of skills needed to effectively tackle unknown problems. Everyday in every STEM classroom in CPS, all students will: a) actively make sense of and construct solutions to complex problem, b) productively contribute to the learning community to support a culture of collaboration, risk taking, and innovation, and c) regularly reflect on and communicate their understanding of disciplinary ideas. Through these experiences and purposeful opportunities to face transdisciplinary challenges, students will graduate from CPS as knowledgeable, flexible, and resourceful problem solvers prepared to make the world a better place.

Finally, through a commitment to Social Emotional Learning, we are keeping more of our students in school and engaged. Based on research-based preventative structures and targeted interventions to address the root cause of students' behaviors, our students learn the skills they will need to succeed in life (like goal-setting, cooperation, and conflict resolution), as the number of suspensions and expulsions have dropped dramatically. We have also opened Parent Universities at a number of high schools, giving parents the chance to re-engage in our curriculum alongside their students, and enhance the learning process.

All of our children want to succeed, and it is our job to ensure that they can. We will continue our holistic approach to education to address achievement gaps, and best support our students as they move through our district.

Go Green Initiative

CPS is working to minimize its impact on the environment and teach students to be environmental stewards. The initiative is driven by a 5-year action plan which covers energy, waste and recycling, transportation and air, water and education and engagement.

Every CPS school can recycle paper, cardboard, newspaper, steel cans, plastic bottles, aluminum cans, and now milk cartons. Schools track how much they recycle online through the Weekly Recycling Report. Students have the opportunity to earn Service Learning hours in Recycling Clubs. Some schools compost food waste, outdoors or in worm bins, to reduce waste and teach students about decomposition. Teachers can find and share free items donated to CPS instead of making new purchases.

Our goal for the land initiative is to increase green space and gardens. In order to conserve water, many schools use rain gardens or green roofs for storm-water management. Schools can also attach

INTRODUCTORY SECTION

Introductory Section

rain barrels to small modular or shed gutters and catch rainwater for reuse in the garden. CPS has also established guidelines on the use of student transportation vehicles, cleaning supplies and other chemicals in an effort to improve air quality and reduce contribution to climate change. For example, idling a diesel school bus is prohibited by law and CPS contract. CPS janitors clean with green cleaning supplies, following the Illinois Green Cleaning Act. Finally, all CPS staff can save 40 percent on public transit commuting cost by taking part in the CPS transit benefits program to encourage the use of public transportation.

Community Schools Initiative

CPS manages the largest community schools system in the nation, known as the Community Schools Initiative (CSI). Awarded by the Coalition for Community Schools in 2006 with the Community Schools National Award for Excellence, CSI has launched more than 200 schools, in partnership with nearly 50 lead non-profit organizations, that serve as hubs of their communities to meet students' and families' academic and non-academic needs to develop educated citizens and strengthen local neighborhoods.

Community Schools bring together the academic and social supports needed to ensure that all students succeed by offering programs before, during and after the school day for students and their families. The programs are designed to support the school's academic program and expand the services offered within the community. Programs and services offered at each community school vary, but most community schools offer some combination of academic enrichment activities for students, adult education and English as a Second Language classes, student and adult technology training, art activities, recreation and health services.

Lastly, Community Schools assert a strong link between addressing students' psychosocial well-being and effective support for student learning. In particular, the improvement of student learning is linked to the accomplishment of three operational objectives: 1) to broaden and deepen the range of services, resources, and developmental opportunities available to students, in ways that promote student well-being and attachment to school, address academic and psychosocial deficits, and promote positive development; 2) to address the needs of parents and families, and strengthen the parent-school relationship as an asset to student learning; and, 3) to link classrooms and teachers to community resources and professionals in ways that support student learning.

Capital Improvement Program

The Capital budget plan includes improvement to school facilities as well as support for technology upgrades, major equipment replacement in schools and continuing CPS' efforts to make its facilities accessible to people with disabilities. The Capital budget reflects the funds for large construction, renovation, or investment projects with value that lasts for multiple years and are outside the scope of CPS' day-to-day operations. Total expenditures in the Capital Projects Fund in fiscal year 2017 were $205 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

In addition, the Capital Improvement Tax levy is an annual property tax levy dedicated exclusively to school construction projects. Beginning in fiscal year 2016, the Capital Improvement Tax levy will generated roughly $45 million in fiscal year 2016 and over $48 million in fiscal year 2017, which will be used to pay for the school construction projects and repay bonds issued to finance them. The property tax levy is authorized under state law and can be used only to fund capital projects.

Because the CIT bonds issued in fiscal year 2017 (backed by these CIT property tax revenues) can be used only for capital projects, the bonds have no impact on CPS' operating budget, which funds staff and other day-to-day expenses. This allows CPS to issue long-term debt for building projects without impacting classroom funding. Two ratings agencies rated the CIT bond offering investment grade, thus allowing CPS to achieve a lower borrowing cost. Fitch rated the upcoming CIT bonds A and Kroll rated the bonds BBB.

AWARDS AND ACKNOWLEDGEMENTS

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Education of the City of Chicago for its CAFR for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. CPS has received this award every year since 1996.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are again submitting it to GFOA.

CPS also received the Certificate of Excellence for Financial Reporting from the Association of School Business Officials International for the 16th consecutive year. We have included this award in the recognition of the importance of fiscal policies on our ability to educate our students and undertake the new initiatives outlined above.

***Acknowledgments*:** This report could not have been prepared without the commitment and dedication of the entire staff of the Department of Finance, the Chief Education Office and the Office of the Board. We wish to express our gratitude and appreciation to them for their dedicated efforts and professionalism.

Respectfully submitted,

Ronald DeNard
Senior Vice President of Finance

Melinda M. Gildart, CPA, MBA
Controller

BAKER TILLY

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Chicago Public Schools (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Chicago Public Schools' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Chicago Public Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Chicago Public Schools as of June 30, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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FINANCIAL SECTION

To the Board of Education of the City of Chicago
Chicago Public Schools

Emphasis of Matters

As discussed in Note 1, Chicago Public Schools adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. Our opinions are not modified with respect to this matter.

As discussed in Note 1, Chicago Public Schools adopted the provisions of GASB Statement No. 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chicago Public Schools' basic financial statements. The individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the year ended June 30, 2017 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

The basic financial statements of Chicago Public Schools as of and for the year ended June 30, 2016 (not presented herein) were audited by other auditors whose report contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 23, 2017, stated that the

To the Board of Education of the City of Chicago
Chicago Public Schools

individual fund schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the year ended June 30, 2016 were subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chicago Public Schools' basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

The basic financial statements of Chicago Public Schools' as of and for the year ended June 30, 2016, were audited by other auditors whose report dated January 23, 2017, contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The summarized comparative information presented herein as of and for the year ended June 30, 2016, has been derived from these audited financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018 on our consideration of Chicago Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chicago Public Schools' internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
January 24, 2018

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2017

Our discussion and analysis of the financial performance of Chicago Public Schools provides an overview of financial activities for the fiscal year ended June 30, 2017. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the transmittal letter, financial statements and notes to the basic financial statements to further enhance their understanding of CPS' financial performance.

FINANCIAL HIGHLIGHTS

The government-wide financial statements and Statement of Net Position shows liabilities and deferred inflows totaling $24.0 billion, an increase of $2.4 billion from fiscal year 2016, while assets and deferred outflows equaled $11.0 billion, with an increase of $1.4 billion, respectively. The overall increase in total liabilities and deferred inflows stems from combined increases in CPS' long-term debt borrowings of $709.3 million and higher pension and other post employment benefit obligations of $1.1 billion. The overall increase in total assets and deferred outflows is derived from a decrease in net capital assets of $155.8 million, higher cash on hand of $518 million from prior year, as well as increased cash held by the trustee of $501.6 million. CPS ended fiscal year 2017 with a deficit in net position of $13.011 billion, an increase in the deficit of $1.04 billion or 8.7% from the prior year. The Statement of Activities presents an increase in total expenses from fiscal year 2016 in governmental activities of $234 million, a net decrease of $43 million in grants and contributions and an increase in interest and investment earnings of $24 million.

CPS ended fiscal year 2017 with a combined fund balance for its governmental funds of $1.095 billion, an increase of $644.6 million or 143.3%, from fiscal year 2016. The fund balance decreased by $148.6 million in the General Operating Fund, increased by $685.3 million in the Capital Project Fund, and increased by $107.9 million in the Debt Service Fund. Total revenues in the general fund for fiscal year 2017 were $5.091 billion, which were $212.8 million or 4.4% higher than the prior year amount of $4.878 billion. Total expenses in the General Operating Fund for fiscal year 2017 were $5.298 billion, which decreased by $116 million or, 2.1% from the fiscal year 2016 amount of $5.415 billion. The General Operating Fund ended fiscal year 2017 with a negative fund balance of $275.2 million. Though CPS ended the year with a negative fund balance in the General Operating Fund, the decrease of $148.6 million was the smallest year over year decline since 2013. In addition, actual spending results in the General Operating Fund were $113 million less than projected spending for 2017.

In fiscal year 2017, the Board issued two series of long-term fixed rate bonds. First, $150 million in Unlimited Tax General Obligation (GO) Bonds which carried a discount of $13.7 million, and $730 million in Dedicated Revenue Capital Improvement Tax ("CIT") Bonds including a discount of $22 million. Both series were issued to provide funds for the Board's capital improvement program. Total expenditures in the Capital Projects Fund were $205 million and total debt service expenditures totaled $531 million.

Several bond rating changes related to the long-term debt of the Board occurred during fiscal year 2017, and subsequent to the year end. Within the fiscal year, Moody's Investor Service downgraded their General Obligation debt rating of the Board to "B3" negative outlook. Standard & Poor's downgraded its long-term bond rating of the Board to "B" negative outlook. Fitch Ratings lowered its rating to "B+" negative outlook. Finally, Kroll Bond Rating Agency affirmed its rating of "BBB" negative outlook on the Board's Series 2016A GO bonds and affirmed the "BBB-" negative outlook rating on the Board's remaining outstanding GO bonds. Subsequent to the end of fiscal year 2017, as a result of the passage of PA 100-465 with its' additional State and local sources of revenue, along with a hold harmless provision of the new State funding formula, all rating agencies revised their GO bond rating outlooks from negative to stable or positive. In addition, The Moody's Investor Service "B3" general

FINANCIAL SECTION

obligation rating of the Board was confirmed and the outlook was revised to stable on September 5, 2017. The Standard & Poor's "B" General Obligation rating of the Board was affirmed and the outlook was revised to stable on October 31, 2017. Fitch Ratings upgraded the Board's General Obligation rating to "BB-" with a stable outlook on October 27, 2017. On November 8, 2017, Kroll Bond Rating Agency revised their rating outlook to positive and affirmed its rating of "BBB" on the Board's Series 2016A, B and 2017B, C, D, E, F, G, H GO bonds and affirmed the "BBB-" rating on the Board's remaining outstanding GO bonds. All rating agencies expressed concern about the accumulated General Operating Fund deficit as a result of years of structurally imbalanced operations of the Board. However, the revised stable and positive outlooks reflects views by the rating agencies that additional State and local sources of revenue now available to the Board, along with a hold harmless provision of the new State funding formula, provide improved tools for operational and financial improvements going forward.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of Management's Discussion and Analysis and a series of financial statements and accompanying notes, both primarily focusing on the school district as a whole.

The government-wide financial statements including the Statement of Net Position and the Statement of Activities provide both short-term and long-term information about CPS' financial status. The fund financial statements provide a greater level of detail of how services are financed in the short-term as well as the remaining available resources for future spending. The accompanying notes provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the school district as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The ***Statement of Net Position*** presents information on all of CPS' assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, for the resulting net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The ***Statement of Activities*** presents information showing the details of change in net position during the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of CPS that are principally supported by taxes and inter-governmental revenues (governmental activities).

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

Condensed Statement of Net Position
(Millions of Dollars)

	Governmental Activities			
	2017	2016	Difference	% Change
Current Assets	$ 3,137	$ 2,561	$ 576	22.5%
Capital Assets, net	5,994	6,150	(156)	-2.5%
Non-current Assets	502	—	502	100.0%
Total Assets	$ 9,633	$ 8,711	$ 922	10.6%
Total deferred outflows of resources	$ 1,388	$ 952	$ 436	45.8%
Current Liabilities	$ 2,513	$ 1,707	$ 806	47.2%
Long-term liabilities:	21,342	19,561	1,781	9.1%
Total Liabilities	$ 23,855	$ 21,268	$ 2,587	12.2%
Total deferred inflows of resources	$ 176	$ 365	$ (189)	-51.8%
Net Position:				
Net investment in capital assets	$ (644)	$ (343)	$ (301)	-87.8%
Restricted for:				
Capital projects	126	—	126	100.0%
Debt service	630	511	119	23.3%
Grants and donations	52	65	(13)	-20.0%
Workers' comp/tort immunity	27	35	(8)	-22.9%
Unrestricted	(13,202)	(12,239)	(963)	-7.9%
Total net position (deficit)	$(13,011)	$(11,971)	$(1,040)	-8.7%

Current assets increased by $576.1 million primarily due to higher cash and investment balances, including bond proceeds, which were $520.1 million higher as of June 30, 2017. Receivables for property taxes were higher by $260.7 million (as the Board recorded the new levy for the Chicago Teachers' Pension Fund ("CTPF")). But overall, net receivables from State and Federal aid were down by $204.3 million, due to the change in the Illinois School Funding formula which resulted in a significant shift of funding away from Educational Block Grant programs (for which CPS has previously accrued) and into General State Aid. Refer to Note 3 to the basic financial statements for more detailed information on property taxes and state aid.

Capital assets, net of depreciation, decreased due to the sale of several properties, including adjustments for three school actions approved by the Board within fiscal year 2017, and the recording of asset impairments in relation to CPS software systems and other under-utilized assets. Refer to Note 6 to the basic financial statements for more detailed information on capital assets.

Non-current assets also increased by $501.6 million due to bond proceeds held with the trustee and other long term investments. Refer to Note 4 to the basic financial statements for more detailed information on cash and investments.

Deferred outflows of resources showed an increase of $436.1 million, which was directly attributable to an increase in deferred pension outflows in relation to GASB Statement No. 68. of $448 million and a decrease of $12 million in deferred charges stemming from refundings. Refer to Note 12 to the basic financial statements for more information on CPS' pension liabilities.

Current liabilities increased by $806 million from the issuance of new Grant Anticipation Notes (GANs), which had a balance of $386.9 million at year end, as well as a $249.9 million payable due to the Chicago Teacher's Pension Fund. Other reasons for the overall increase in current liabilities were due to: $80 million increase in Tax Anticipation Notes (TANs), a $44 million increase of interest

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payable in relation to the GANs and TANs outstanding balances, and a combined increase in accounts payable, other accrued liabilities and the current portion of long-term debt of $91 million. Combined decreases in other current liabilities such as unearned revenue, accrued payroll and benefits and amounts held for student activities of $46 million were also recorded as of June 30, 2017. Refer to Note 8 to the basic financial statements for more detailed information on short-term debt.

Long-term liabilities increased by nearly $1.8 billion, as a result of the increase in long-term debt of $709.3 million, from the issuance of the new CIT bond series, as well as the increase in the pension liability for CTPF of $988.1 million (primarily attributed to year over year investment losses recorded by the Pension Fund). The liability for Other Postemployment Benefits also increased by $138.9 million, in addition to other long-term accrued liabilities of $3.9 million, stemming from the recording of a long-term liability for Medicaid reimbursement overpayments of $5 million. Combined decreases in long-term liabilities include amounts for other benefits and claims and capitalized lease obligations to the Public Building Commission totaling $59.9 million. Refer to Note 9 to the basic financial statements for more detailed information on long-term debt.

Deferred inflows of resources, composed solely of deferred pension inflows related to GASB Statement No. 68, decreased by $188.8 million.

Net position (deficit) decreased by $1.040 billion to an $13.011 billion deficit. Of this amount, CPS recorded a net investment in capital assets of negative $644 million, combined restricted net position of $835 million, including $126 million for capital assets, $630 million for debt service, $52 million for grants and donations and $27 million for worker's compensation claims and torts. Restricted net position represents legal constraints from debt covenants and enabling legislation. The $13.202 billion of unrestricted deficit represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2017.

The following table presents the changes in net position to fiscal year 2017 from fiscal year 2016:

Changes in Net Position
(In Millions)

	Governmental Activities			
	2017	2016	Difference	% Change
Revenues:				
Program revenues:				
Charges for services	$ 2	$ 2	$ —	0.0%
Operating grants and contributions	1,156	1,147	9	0.8%
Capital grants and contributions	58	110	(52)	-47.3%
Total program revenues	$ 1,216	$ 1,259	$ (43)	-3.4%
General revenues:				
Property taxes	$ 2,696	$ 2,399	297	12.4%
Replacement taxes (PPRT)	228	162	66	40.7%
Non-program state aid	1,212	1,443	(231)	-16.0%
Interest and investment earnings	5	(19)	24	126.3%
Other	156	190	(34)	-17.9%
Gain on sale of capital assets	7	10	(3)	-30.0%
Total general revenues	$ 4,304	$ 4,185	$ 119	2.8%
Total revenues	$ 5,520	$ 5,444	$ 76	1.4%
Expenses:				
Instruction	$ 4,024	$ 3,870	$ 154	4.0%
Support Services:				
Pupil Support Services	472	470	2	0.4%
Administrative Support Services	301	319	(18)	-5.6%
Facilities Support Services	465	455	10	2.2%
Instructional Support Services	460	469	(9)	-1.9%
Food Services	214	211	3	1.4%
Community Services	40	37	3	8.1%
Interest expense	448	365	83	22.7%
Other	13	7	6	85.7%
Total expenses	$ 6,437	$ 6,203	$ 234	3.8%
Change in net position	$ (917)	$ (759)	$ (158)	-20.8%
Beginning net position (deficit)	(11,971)	(11,212)	(759)	-6.8%
Implementation of GASB 82	(123)	—	(123)	-100.0%
Beginning net position (deficit), as restated	(12,094)	(11,212)	(882)	-7.9%
Ending net position (deficit)	$(13,011)	$(11,971)	$(1,040)	-8.7%

The accompanying notes to the basic financial statements are an integral part of this statement.

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Pension Funding

Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2016, the Pension Fund reported $10,611 million in actuarial assets and $20,246 million in actuarial liabilities, for a funded ratio of 52.4%. In accordance with GASB 68, CPS has recorded a net pension liability of $11,011 million in the accompanying financial statements, 100% of which is recognized by CPS. For the reasons discussed in Note 12, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund.

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for fiscal year 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately $250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law more commonly known as "tax caps" so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17).

Capital Assets

At June 30, 2017, CPS had $5.994 billion invested in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease of $156 million or 2.5% over the prior fiscal year. Refer to Note 6 of the basic financial statements for more detailed information on capital assets.

(In Millions)	2017	2016	Difference	% Change
Land	$ 327	$ 314	$ 13	4.1%
Construction in progress	148	182	(34)	-18.7%
Buildings and improvements	9,392	9,242	150	1.6%
Equipment and administrative software	221	222	(1)	-0.5%
Internally developed software	6	7	(1)	-14.3%
Total capital assets	$10,094	$ 9,967	$ 127	1.3%
Less: accumulated depreciation	(4,100)	(3,817)	(283)	-7.4%
Total capital assets, net	$ 5,994	$ 6,150	$(156)	-2.5%

Debt and Capitalized Lease Obligations

In fiscal year 2017, the Board issued two series of long-term fixed rate bonds. First, $150 million in Unlimited Tax GO Bonds which carried a discount of $13.7 million, and $729.6 million in Dedicated Revenue Capital Improvement Tax Bonds including a discount of $22.3 million. The proceeds of the both series of bonds were used to finance expenditures related to the Board's capital improvement program, fund capitalized interest, and pay the cost of issuance. A portion of the proceeds of the CIT Bonds was also deposited into a consolidated debt service reserve fund.

A total of $57 million was deposited into a capitalized interest account to pay for future debt payments. CPS recorded net proceeds of $764.7 million in the Capital Improvement Fund. The debt service on the GO Bonds will be paid from General State Aid (GSA). The debt service on the CIT Bonds will be paid by a levy of a capital improvement tax that is outside the Board's property tax cap limitation. As of June 30, 2017, CPS had $8.228 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus $7.530 billion last year, an increase of 9.3%. For more detailed information, please refer to Notes 9 and 10 to the basic financial statements.

Overview of Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All CPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of CPS' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CPS' fund financial statements provide detailed information about the most significant funds. CPS' governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of CPS' services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of CPS' operations and the services it provides.

CPS maintains three governmental funds: General Operating, Capital Projects, and Debt Service. The following schedules present a summary of the General Operating Fund, Capital Projects Fund and Debt Service Fund revenues, and other financing sources by type and expenditures by program for the period ended June 30, 2017, as compared with June 30, 2016. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

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Governmental Funds
Total Revenues, Other Financing Sources and Expenditures
(In Millions)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Revenues:					
Property taxes	$2,715	$2,409	40.4%	$ 306	12.7%
Replacement taxes	228	162	3.4%	66	40.7%
State aid	1,709	1,552	25.5%	157	10.1%
Federal aid	784	809	11.7%	(25)	-3.1%
Interest and investment earnings	5	(96)	0.1%	101	105.2%
Other	387	437	5.8%	(50)	-11.4%
Subtotal	$5,828	$5,273	86.8%	$ 555	10.5%
Other financing sources	886	740	13.2%	146	19.7%
Total	$6,714	$6,013	100.0%	$ 701	11.7%
Expenditures:					
Current:					
Instruction	$2,859	$2,971	47.1%	$(112)	-3.8%
Pupil support services	441	448	7.3%	(7)	-1.6%
General support services	985	1,045	16.2%	(60)	-5.7%
Food services	200	201	3.3%	(1)	-0.5%
Community services	40	38	0.7%	2	5.3%
Teachers' pension and retirement benefits	709	664	11.7%	45	6.8%
Other	13	7	0.2%	6	85.7%
Capital outlay	217	308	3.6%	(91)	-29.5%
Debt service	570	481	9.4%	89	18.5%
Subtotal	$6,034	$6,163	99.4%	$(129)	-2.1%
Other financing uses	36	231	0.6%	(195)	-84.4%
Total	$6,070	$6,394	100.0%	$(324)	-5.1%
Net change in fund balances	$ 644	$ (381)			

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General Operating Fund

The general operating fund supports the day-to-day operation of educational and related activities.

Revenues and Other Financing Sources
(Millions of Dollars)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property taxes	$2,614	$2,314	50.8%	$ 300	13.0%
Replacement taxes (PPRT)	170	116	3.3%	54	46.6%
State aid	1,288	1,399	25.0%	(111)	-7.9%
Federal aid	752	776	14.6%	(24)	-3.1%
Interest and Investment earnings	2	1	0.0%	1	100.0%
Other	265	272	5.1%	(7)	-2.6%
Subtotal	$5,091	$4,878	98.9%	$ 213	4.4%
Other financing sources	59	50	1.1%	9	18.0%
Total	$5,150	$4,928	100.0%	$ 222	4.5%

Property tax revenues increased by $300 million in fiscal year 2017 as a result of a new 0.383% teacher pension levy approved by state statute. In addition, collections from the existing levies were higher due to growth in the Consumer Price Index for All Urban Consumers (CPI-U) of 0.7% and new property added to the tax base. Collections received on or before August 29, 2017 were recognized as revenues under the modified accrual basis of accounting.

Personal property replacement tax (PPRT) revenues are primarily composed of additional State income taxes on corporations and partnerships. These revenues increased by $54 million due to a state accounting system change which provided a one-time increase to the statewide PPRT Fund of $236 million. In addition, the State released local municipalities from making requested repayments attributed to the prior years' errors in distributing PPRT funds to local taxing districts.

State aid revenues decreased by $111 million, as a result of the delay in payments by the state, due primarily to the effects of the budget impasse and the bill backlog the State accrued over the last two years. While CPS' overall state aid allocation was considerably higher in fiscal year 2017 than in fiscal year 2016 (due to the state's enactment of a hold harmless for General State Aid, creation of a new Equity Grant, and increase in Early Childhood appropriations), payments not received by CPS within the revenue recognition period, were not recognized as revenue for governmental funds financial reporting purposes.

Federal aid decreased by $24 million in fiscal year 2017 due to the decrease of 6% of Title I allocation and smaller allocations decreases in other miscellaneous grants in fiscal year 2017.

Interest and investment earnings totaled $2 million for fiscal year 2017, which is a 100% increase from the prior year. The CPS investment policy dictates that investments in the operating fund are to be shorter in duration in order to maintain liquidity. CPS ended 2017 with higher investment earnings from the prior year mainly due to moderate increases in short-term interest rates and higher available cash on hand.

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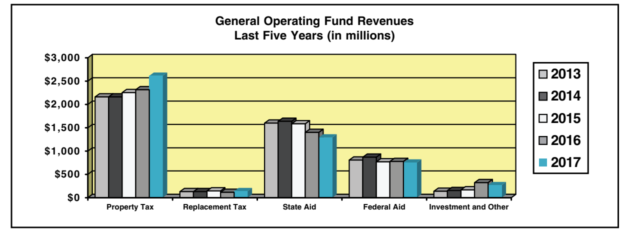
Other revenues are derived from local sources such as intergovernmental revenues, Tax Increment Financing ("TIF") surplus funds and other miscellaneous revenues. TIF surplus funds received, along with the new "Transit" TIF funds allocated to CPS from the City of Chicago accounted for $82 million of the $265 million recorded in fiscal year 2017.



Expenditures:
(In Millions)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Salaries	$2,397	$2,476	45.3%	$ (79)	-3.2%
Benefits	1,321	1,326	24.9%	(5)	-0.4%
Services	1,211	1,226	22.9%	(15)	-1.2%
Commodities	251	271	4.7%	(20)	-7.4%
Other	118	115	2.2%	3	2.6%
Total	$5,298	$5,414	100.0%	$(116)	-2.1%

Salaries decreased by $79 million or 3.2% due to a reduction in teacher and ESP employee headcount over the course of fiscal year 2017, which directly resulted in a reduction in salary expense. Expanded outsourcing of facilities management services also contributed to the additional decrease in salaries from 2016, as these costs shifted to vendor payments for professional services.

Benefits expenses decreased by a total of $5 million in fiscal year 2017. This change is a combined decrease comprised of $41 million in hospitalization expense (due to healthcare plan design change, lower claims, and lower enrollment from reduced staff and outsourcing) and $4 million in Medicare and Unemployment Compensation expense reductions. CPS also realized a $38 million increase in pension expense driven by growth in its contribution to the Chicago Teachers' Pension Fund.

Services expenses decreased by $15 million or 1.2%, driven by $37 million in reduced payments to charter schools. These reductions were the result of mid-year budget cuts and district-wide savings initiatives, from which charter schools received a proportionate reduction in funding. Conversely, professional services also showed increases of $26 million for non-technical services due to the expanded outsourcing of facilities management and other services, of which some of the costs were previously payroll expenses. Vendor contract fees for these services are included here.

Commodities expenses decreased in fiscal year 2017 by 7.4% or $20 million, due largely to lower spend on food services ($4 million); utility costs ($1 million); and instructional materials ($10 million). These costs were lower as a result of reductions in school discretionary spending and the implementation of deferred payment options for textbooks.

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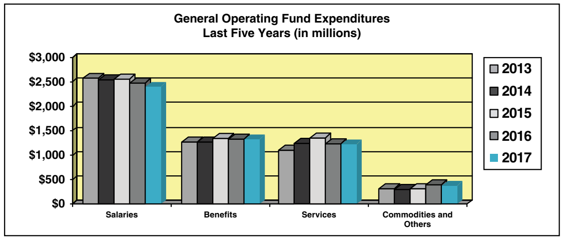

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The use of Capital Projects Funds is required for major capital acquisition and construction activities financed through borrowing or other financing agreements.

Revenues and Other Financing Sources
(In Millions)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property Taxes	$ 48	$ 43	5.2%	$ 5	11.6%
State aid	30	39	3.2%	(9)	-23.1%
Federal aid	7	8	0.8%	(1)	-12.5%
Interest and investment earnings	2	—	0.2%	2	100.0%
Other	21	63	2.3%	(42)	-66.7%
Subtotal	$108	$153	11.7%	$ (45)	-29.4%
Other financing sources	$818	$379	88.3%	$439	115.8%
Total	$926	$532	100.0%	$394	74.1%

Property tax revenues were collected in the Capital Projects Fund again in fiscal year 2017, as a result of the Chicago City Council authorized Capital Improvement Tax in 2016. Net collections received were $48 million, an increase of $5 million from fiscal year 2016. These funds are restricted for capital project expenditures only.

State aid revenues decreased by $9 million from fiscal year 2016 due to lower cash receipts for restricted state grants for capital construction.

Federal aid revenues in fiscal year 2017 decreased by $1 million due to a $5 million decrease in reimbursements for federal noise abatement grants offset by a $4 million increase in E-Rate reimbursements from the Federal Communications Commission.

Other revenues were $42 million or 66.7% lower in fiscal year 2017 from 2016, due to a decrease in capital project related cash reimbursements from Intergovernmental Agreement (IGA) revenues from the City of Chicago, other revenues in relation to the Modern Schools Across Chicago initiative and projects supported by TIF funds.

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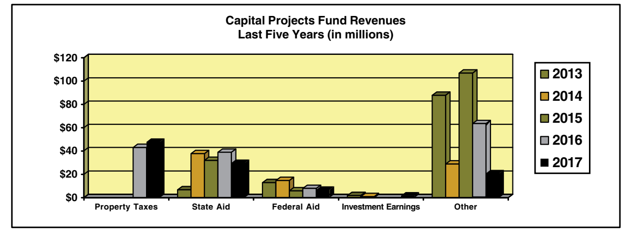
Other financing sources increased $439 million or 115.8% due to the CIT bond issuance in July 2016.

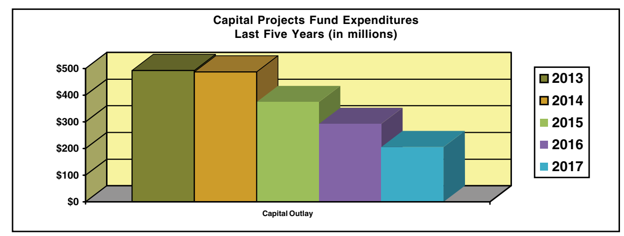


Expenditures:
(in Millions)

	2017 Amount	2016 Amount	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Capital Outlay	$205	$293	$(88)	-30%

Capital outlay

The actual spending on capital outlay decreased in 2017, as a result of CPS' limited capital market access at the time the annual capital plan was being developed. Fewer projects were initiated in 2016, which led to lower spending in 2017 (due to the extended time needed to complete many capital projects). Capital spending in fiscal year 2017 was funded from both capital dedicated property tax revenues and bond proceeds from prior year issuances. Encumbrances in the capital funds as of June 30, 2017 totaled $266.2 million.

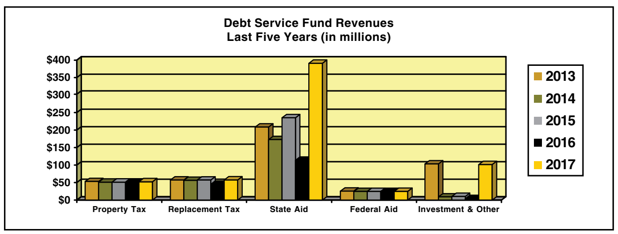


Debt Service Fund

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest on bonds and lease obligations.

Revenues and Other Financing Sources
(In Millions)

	2017 Amount	2016 Amount	2017 Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease) from 2016
Property taxes	$ 53	$ 52	7.6%	$ 1	1.9%
Replacement taxes (PPRT)	58	46	8.3%	12	26.1%
State aid	391	114	56.1%	277	243.0%
Federal aid	25	25	3.6%	—	0.0%
Interest and investment earnings	1	(97)	0.1%	98	101.0%
Other	101	102	14.5%	(1)	-1.0%
Subtotal	$629	$242	90.2%	$ 387	159.9%
Other financing sources	68	296	9.8%	(228)	-77.0%
Total	$697	$538	100.0%	$ 159	29.6%



Property tax revenues remained flat from fiscal year 2016, as there was no change in the levy extension, which drives the collection of these funds used to pay down debt service obligations.

Personal property replacement tax (PPRT) revenues increased by $12 million or 26.1% from fiscal year 2016, as a result of a state accounting system change which provided a one-time increase to the statewide PPRT Fund.

State aid revenues related to debt service for fiscal year 2017 are comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). A total of $391 million in revenues from these and other sources was allocated to support outstanding debt, an increase of $277 million from fiscal year 2016, due to bond restructuring which temporarily suppressed costs associated with the debt service requirements in fiscal year 2016.

Federal aid totaling $25 million in fiscal year 2017 remained unchanged from fiscal year 2016. These revenues are attributed to receipts on behalf of Federal subsidies from the issuance of Build America Bonds ("BABs").

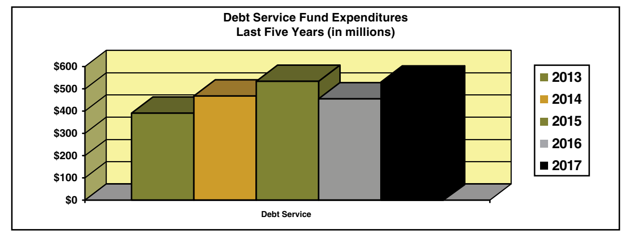
Interest and investment earnings totaled $1 million in 2017 after showing net investment losses of $93 and $97 million in 2015 and 2016, respectively. These prior year losses were a result of the termination of various interest rate swap agreements. The Board also recognized revenue due to the termination of an investment agreement, which netted $4 million in funds to be returned back the Board, as well as the recording of market value changes of securities in compliance with applicable GASB standards.

Other revenues account for one-time local revenues and/or the disbursement of property tax revenues from the City of Chicago (based on specific IGAs) allocated for debt service. These revenues were $1 million lower than in fiscal year 2016.

Other financing sources reflect a decrease of $228 million in fiscal year 2017 due to net proceeds received from debt issuances in the current year totaling just $67.9 million versus $296.1 million in the prior year.

Expenditures:
(in Millions)

	2017 Amount	2016 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Debt Service	$531	$455	$76	17%



Debt service costs

The overall debt service cost for fiscal year 2017 increased by $76 million, primarily due to the principal repayments on new issues. The amount paid for other fees was similar when compared to fiscal year 2016.

Notes to the Basic Financial Statements

The notes to the basic financial statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Comparative Budgets for General Operating Fund

In August 2015, the Board adopted a balanced budget for fiscal year 2016 that reflected total resources including $79 million of available fund balances, and appropriations of $5.691 billion.

In August 2016, the Board adopted a balanced budget for fiscal year 2017 that reflected total resources including $81 million of available fund balances, and appropriations of $5.460 billion. In February 2017, the Board adopted a final amended budget for fiscal year 2017 that reflected total resources including $81 million of available fund balances, and appropriations of $5.411 billion.

General Operating Fund Budget and Actual

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The following schedule presents a summary of the operating fund revenues, expenditures, and other financing sources in comparison with the final budget for the period ended June 30, 2017.

The General Operating Fund ended fiscal year 2017 with a deficit of $148 million, which compared unfavorably with the budgeted deficit of $81 million. Major budget-to-actual variances are described below:

Revenues, Other Financing Sources & Expenditures
General Operating Fund
Budget to Actual Comparison
(In millions)

	Fiscal Year 2017 Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Appropriations	Fiscal Year 2017 Actual	Over (under) Budget
Revenues:					
Property taxes	$2,608	$ —	$2,608	$2,614	$ 6
Replacement taxes	131	—	131	170	39
State aid	1,499	—	1,499	1,288	(211)
Federal aid	830	—	830	752	(78)
Interest and investment earnings	—	—	—	2	2
Other	263	—	263	265	2
Subtotal	$5,330	$ —	$5,330	$5,091	(239)
Other financing sources (uses)	—	—	—	59	59
Total	$5,330	$ —	$5,330	$5,149	$(181)
Expenditures:					
Current:					
Salaries	$2,350	$ 68	$2,418	$2,397	$ (21)
Benefits	1,361	(33)	1,328	1,321	(7)
Services	1,194	92	1,286	1,211	(76)
Commodities	249	23	272	251	(21)
Other	257	(150)	107	118	11
Total	$5,411	$ —	$5,411	$5,298	$(113)
Change in fund balances	$ (81)			$ (148)	

Property tax revenues received in fiscal year 2017 generated a positive variance of $6 million in property tax revenue and was due to a combination of a higher collections percentage, as compared to original estimates.

Personal property replacement taxes (PPRT) revenues received by CPS were $39 million higher than budgeted. This was driven largely due to the fact that CPS budgeted to repay over-allocated PPRT revenues received in prior years, based on an error found in the Illinois Department of Revenue's (IDOR) calculation of the PPRT Fund distribution rate. As a result, local governments were informed their PPRT revenues would be considerably lower going forward, due to the correction of this error. Given this information, CPS budgeted fiscal year 2017 revenues lower than fiscal year 2016. In combination with reductions in budgeted PPRT Fund revenues, IDOR has since implemented a new accounting system which provided a one-time bump in PPRT Fund revenues and thereby exceeded any downward adjustment in distribution rate that was budgeted.

FINANCIAL SECTION

State aid received by CPS in fiscal year 2017 was $211 million lower than anticipated. The fiscal year 2017 budget relied on a state contribution of $111 million for the normal cost to the Chicago Teachers' Pension Fund, which upon veto of the legislation that would have provided such funding, never came to fruition. In addition, the state backlog of bills caused a delay in the payment of block grant funding for CPS.

Federal aid revenues were $78 million below budget due to a lower than expected spend. Lunchroom revenue was $4 million below budget because fewer meals were served, thus reducing CPS' reimbursement (but with an associated cost reduction). Medicaid revenues received were lower by $21 million than budgeted due to lower than projected enrollment and reimbursement rates. Other reimbursement based federal grant revenues were lower due to reduced spending in those grants. Title I was $24 million below budget due to historic underspend at the school and district level. Title II ($3 million) and Title III ($5 million) were below budget because of lower claim amounts due to slower spending. Perkins, GEAR Up, and 21st Century ($6 million) grants were below budget also due to delayed grant allocations and slower spending. School Improvement Grants and other submitted expected grants were lower because of $15 million in anticipated grant funding that was not received during the school year.

Other local revenues comprise of miscellaneous or one-time receipts such as appropriated fund-balance, TIF surplus funds, rental income, daycare fees, private foundation grants, school internal account fund transfers, and flow-through employer contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago. Other local revenues were $2 million higher than budget for fiscal year 2017. CPS saw a $15 million shortfall in TIF surplus revenues due to timing of payments budgeted in fiscal year 2017 offset by higher than projected revenues from funds raised by schools, City of Chicago pension contributions for employees enrolled in the Municipal Employees' Annuity and Benefit Fund of Chicago, and other miscellaneous revenue sources.

Expenditures

Actual General Operating Fund expenditures were $113 million under budget. CPS attributes these results to tighter spending restrictions, organization-wide savings initiatives, and mid-year budget cuts to make up for the shortfall in state revenue.

The variance is primarily due to the following:

Salaries expenses for the fiscal year 2017 totaled $2.397 billion and resulted in a $21 million positive variance from budget. Teacher salaries finished nearly on budget while career service salaries finished with a positive variance of $21 million due to budget reductions and central hiring slowdowns.

Benefits costs are composed of health care (medical, dental, other), unemployment compensation, workers compensation, and pension costs. Benefit costs for fiscal year 2017 were $1.325 billion and were $7 million under budget due primarily to lower than expected spending on health care claims. For budgetary purposes, all funding is paid to charters as a "charter tuition" expense (aggregated under Services, below). However, pension payments made on behalf of eligible charter schools teachers are recorded as pension expense (included in this category). Charter schools currently reimburse CPS for this expense and the offsetting revenue is also recognized.

Services related to student transportation, tuition for charter schools and special education purposes, including contractual and professional services, telephone, printing and equipment rental, were budgeted at $1.286 billion for fiscal year 2017. CPS ended the year $75 million below budget in this category. The biggest positive variance to budget was a $33 million underspend on charter school tuition, due to charter schools receiving a proportionate share of central and school-based budget cuts. The remaining $43 million of underspend was driven by spending slowdowns, district-wide savings initiatives, transportation savings, and reduced professional development.

Commodities expenditures of $251 million are derived from utility, food for school breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by $21 million. Savings on supplies totaled $10 million and was due primarily to mid-year budget reductions to schools and central office departments. Utilities costs were $6 million lower than budget due to lower than anticipated electric and gas consumption and favorable commodity pricing. Savings of $2 million in food costs was the result of fewer meals served than were budgeted. An additional $2 million in textbook savings was due to school underspend.

Other expenditures includes equipment, facility rental, insurance, repairs, and for budgetary purposes, contingencies for new grants. In total, spending for the "other" category ended the year at $11 million over budget. This category included budgeted savings for various organizational savings initiatives, including some that did not materialize, driving the negative variance to budget.

Requests for Information

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. Additional details can be requested by mail at the following address:

The Chicago Public Schools
Department of Finance
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602

Or visit our website at: http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx for a complete copy of this report and other financial information.

(Please note that some amounts may not tie to the financial statements due to rounding.)

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF NET POSITION

June 30, 2017

(Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES
Assets:	
Current Assets:	
Cash and investments	$ 120,596
Cash and investments in escrow	952,521
Cash and investments held in school internal accounts	41,288
Property taxes receivable, net of allowance	1,395,299
Other receivables:	
Replacement taxes	32,296
State aid, net of allowance	431,478
Federal aid, net of allowance	98,148
Other, net of allowance	62,889
Other assets	2,677
Total current assets:	$ 3,137,192
Non-current Assets:	
Cash and investments in escrow	501,641
Land and construction in progress	475,038
Buildings, building improvements and equipment, net of accumulated depreciation	5,519,324
Total non-current assets:	$ 6,496,003
Total Assets	$ 9,633,195
Deferred Outflows of Resources:	
Deferred Charge on refunding	140,759
Deferred pension outflows	1,246,918
Total deferred outflow of resources:	$ 1,387,677
Liabilities:	
Current Liabilities:	
Accounts payable	404,731
Accrued payroll and benefits	201,984
Amount held for student activities	41,288
Due to Teacher's Pension Fund	249,990
Grant Anticipation Note	386,994
Tax Anticipation Note	950,000
Other accrued liabilities	12,589
Unearned revenue	1,389
Interest payable	72,863
Current portion of long-term debt and capitalized lease obligations	191,439
Total current liabilities:	$ 2,513,267
Long-term liabilities, net of current portion:	
Debt, net of premiums and discounts	7,780,380
Capitalized lease obligations	74,395
Other accrued liabilities	17,251
Net pension liability	11,011,400
Other postemployment benefits	2,034,016
Other benefits and claims	424,372
Total long-term liabilities:	$ 21,341,814
Total liabilities	$ 23,855,081
Deferred Inflows of Resources:	
Deferred pension inflows	176,460
Total deferred inflow of resources:	$ 176,460
Net position (deficit):	
Net investment in capital assets	(644,224)
Restricted for:	
Debt service	630,308
Capital projects	125,516
Grants and donations	52,287
Worker's comp/tort immunity	27,344
Unrestricted	(13,201,900)
Total Net Position (deficit)	$(13,010,669)

The accompanying notes to the basic financial statements are an integral part of this statement.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(Thousands of dollars)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Governmental activities:					
Instruction	$4,024,653	$ 647	$ 602,886	$38,823	$(3,382,297)
Support services:					
Pupil support services	472,176	—	70,612	4,555	(397,009)
Administrative support services	301,053	—	106,389	2,904	(191,760)
Facilities support services	465,170	—	69,564	4,487	(391,119)
Instructional support services	460,568	—	68,876	4,443	(387,249)
Food services	213,920	1,522	232,129	2,064	21,795
Community services	39,625	—	5,926	382	(33,317)
Interest expense	448,126	—	—	—	(448,126)
Other	12,691	—	—	—	(12,691)
Total governmental activities	$6,437,982	$2,169	$1,156,382	$57,658	$(5,221,773)
General revenues:					
Taxes:					
Property taxes					$ 2,696,046
Replacement taxes					227,921
Non-program state aid					1,212,143
Interest and investment earnings					5,442
Other					156,369
Gain on sale of capital assets					7,008
Total general revenues					$ 4,304,929
Change in net position					(916,844)
Net position — beginning (deficit) as restated					(12,093,825)
Net position — ending (deficit)					$(13,010,669)

The accompanying notes to the basic financial statements are an integral part of this statement.

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2017
(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 120,075	$ —	$ 521	$ 120,596
Cash and investments in escrow	137,916	715,985	600,261	1,454,162
Cash and investments held in school internal accounts	41,288	—	—	41,288
Receivables:				
Property taxes, net of allowance	1,348,307	22,774	24,218	1,395,299
Replacement taxes	32,296	—	—	32,296
State aid, net of allowance	428,160	3,318	—	431,478
Federal aid, net of allowance	95,038	—	3,110	98,148
Other, net of allowance	15,390	6,281	41,218	62,889
Due from other funds	89,336	76,082	—	165,418
Other assets	—	—	2,356	2,356
Total assets	$2,307,806	$824,440	$671,684	$3,803,930
Liabilities, deferred inflows of resources and fund balances (deficits)				
Liabilities:				
Accounts payable	$ 376,904	$ 23,458	$ 4,369	$ 404,731
Accrued payroll and benefits	132,427	—	—	132,427
Amount held for student activities	41,288	—	—	41,288
Due to other funds	76,082	2,967	86,369	165,418
Due to Teacher's Pension Fund	249,990	—	—	249,990
Tax Anticipation Notes	950,000	—	—	950,000
Grant Anticipation Notes	386,994	—	—	386,994
Unearned revenue	1,389	—	—	1,389
Interest Payable	36,534	—	—	36,534
Total liabilities	$2,251,608	$ 26,425	$ 90,738	$2,368,771
Deferred inflows of resources:				
Unavailable property tax revenue	$ 40,273	$ 182	$ 670	$ 41,125
Other unavailable revenue	291,155	5,247	3,110	299,512
Total deferred inflows of resources	$ 331,428	$ 5,429	$ 3,780	$ 340,637
Fund balances (deficits):				
Nonspendable	$ 429	$ —	$ 2,356	$ 2,785
Restricted for grants and donations	51,858	—	—	51,858
Restricted for workers' comp/tort immunity	27,344	—	—	27,344
Restricted for capital improvement program	—	792,586	—	792,586
Restricted for debt service	—	—	660,501	660,501
Unassigned	(354,861)	—	(85,691)	(440,552)
Total fund balances (deficits)	$ (275,230)	$792,586	$577,166	$1,094,522
Total liabilities, deferred inflows of resources and fund balances (deficit)	$2,307,806	$824,440	$671,684	$3,803,930

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

(Thousands of dollars)

Total fund balances — governmental funds		$ 1,094,522
Certain items that are recorded as expenditures in the governmental funds are treated as assets in the Statement of Net Position. These items include:		
Prepaid bond insurance costs		321
Deferred outflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		1,387,677
The cost of capital assets (land, buildings and improvements, equipment and software) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of CPS as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in the governmental funds.		
Cost of capital assets		10,094,415
Accumulated depreciation		(4,100,053)
Liabilities applicable to CPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Debt, interest payable on debt and other long-term obligations are not recorded in the governmental funds but they are reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Other accrued liabilities	$ (29,840)	
Debt, net of premiums and discounts	(7,928,314)	
Capitalized lease obligations	(117,900)	
Net pension liability	(11,011,400)	
Net other postemployment benefits obligation	(2,034,016)	
Other benefits and claims	(493,929)	
		(21,615,399)
Interest payable		(36,329)
Certain revenues are deferred inflows of resources in the governmental funds because they are not available but are recognized as revenue in the government-wide financial statements.		
Property tax revenue		41,125
Other		299,512
Deferred inflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		(176,460)
Net position (deficit)		$(13,010,669)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2017	Total Fiscal Year Ended June 30, 2016
Revenues:					
Property taxes	$2,613,889	$ 48,409	$ 52,658	$2,714,956	$2,408,416
Replacement taxes.	169,637	—	58,284	227,921	161,535
State aid	1,287,702	30,150	391,013	1,708,865	1,552,325
Federal aid	752,295	6,653	24,995	783,943	808,999
Interest and investment earnings	1,964	2,077	1,401	5,442	(95,650)
Other	265,099	21,090	100,856	387,045	437,042
Total revenues	$5,090,586	$108,379	$629,207	$5,828,172	$5,272,667
Expenditures:					
Current:					
Instruction	$2,859,105	$ —	$ —	$2,859,105	$2,970,553
Pupil support services	441,324	—	—	441,324	448,254
Administrative support services	281,383	—	—	281,383	303,785
Facilities support services	376,376	—	—	376,376	380,989
Instructional support services	327,184	—	—	327,184	359,966
Food services	199,944	—	—	199,944	201,377
Community services.	39,607	—	—	39,607	37,497
Teachers' pension and retirement benefits	708,941	—	—	708,941	664,123
Other	12,691	—	—	12,691	7,388
Capital outlay	12,468	204,835	—	217,303	308,091
Debt service	38,735	—	530,959	569,694	481,419
Total expenditures	$5,297,758	$204,835	$530,959	$6,033,552	$6,163,442
Revenues in excess of (less than) expenditures	$ (207,172)	$ (96,456)	$ 98,248	$ (205,380)	$ (890,775)
Other financing sources (uses):					
Gross amounts from debt issuances	$ —	$811,619	$ 67,961	$ 879,580	$ 724,999
Discounts	—	(36,097)	—	(36,097)	(110,071)
Insurance proceeds	224	—	—	224	—
Sales of general capital assets	—	6,272	—	6,272	15,012
Payment to refunded bond escrow agent	—	—	—	—	(120,856)
Transfers in / (out)	58,350	—	(58,350)	—	—
Total other financing sources (uses)	$ 58,574	$781,794	$ 9,611	$ 849,979	$ 509,084
Net change in fund balances (deficits)	$ (148,598)	$685,338	$107,859	$ 644,599	$ (381,691)
Fund balances (deficits), beginning of period	(126,632)	107,248	469,307	449,923	831,614
Fund balances (deficits), end of period	$ (275,230)	$792,586	$577,166	$1,094,522	$ 449,923

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

(Thousands of dollars)

Total net change in fund balances — governmental funds		$644,599
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Capital outlay/equipment	$ 146,808	
Depreciation expense	(303,302)	
		(156,494)
In the Statement of Activities, gain or loss on disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds are recorded		736
Proceeds from sales of bonds are reported in the governmental funds as a source of financing, whereas they are recorded as long-term liabilities in the Statement of Net Position		(879,580)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		152,813
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities however, interest cost is recognized as the interest accrues, regardless of when it is due		(22,251)
Government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		27,104
Since some property taxes and intergovernmental amounts will not be collected for several months after CPS' fiscal year end, they are not considered as "available" revenues in the governmental funds and are instead recorded as unavailable revenues. They are, however, recorded as revenues in the Statement of Activities. The following represents the change in related unavailable revenue balances.		
Property taxes		(27,960)
Federal grants		4,542
State grants and other revenues		(293,265)
In the Statement of Activities, pollution remediation obligation, vacant property demolition obligation, legal settlements, sick pay, vacation pay, workers' compensation and unemployment insurance, general and automobile liability, net pension liability, and other postemployment benefits are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paid when the amounts become due. The following represents the change during the year for these obligations.		
Pollution remediation obligation		(10,512)
Vacant property demolition obligation		1,005
Tort liabilities and other claims		(1,516)
Other litigation and claims		(5,143)
Sick pay		21,560
Vacation pay		1,740
Workers' compensation and unemployment insurance		601
General and automobile liability		(7,577)
Net pension liability		(228,275)
Other postemployment benefits — teacher		(138,971)
Change in net position		$(916,844)

The accompanying notes to the basic financial statements are an integral part of this statement.

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of the City of Chicago (the Board) or the Chicago Public Schools (CPS), is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the boundaries of the City of Chicago. The Board is established under and governed by the Illinois School Code and maintains a system of schools primarily for kindergarten through twelfth grade.

As a result of legislation passed by the Illinois General Assembly, which became effective on June 30, 1995, the Mayor of the City of Chicago appoints the members of the Board. CPS is excluded from the City's reporting entity because it does not meet the financial accountability criteria for inclusion established by the Governmental Accounting Standards Board (GASB).

The City of Chicago, the Public Building Commission of Chicago (PBC) and the Public School Teachers' Pension and Retirement Fund of Chicago are deemed to be related organizations but separate entities, and are not included as part of the CPS reporting entity. No fiscal dependency exists between these organizations. These units are excluded from the CPS reporting entity because they do not meet the criteria for inclusion as established by GASB.

New Accounting Standards

During fiscal year 2017, CPS adopted the following GASB Statements:

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability, and establishes requirements for those pensions and pension plans that are not administered through a trust and pensions and pension plans not covered by Statements 67 and 68. This implementation of the statement had no financial impact on CPS.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This Statement also sets forth note disclosure requirements for defined contribution OPEB plans. This implementation of the statement had no financial impact on CPS.
- GASB 77, *Tax Abatement Disclosures.* This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. See Note 15 for additional information on tax abatements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost–sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer(either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This implementation of the statement had no financial impact on CPS.
- GASB 80, *Blending Requirements for Certain Component Units — An Amendment of GASB Statement No. 14.* This Statement amends the blending requirements for the financial statement presentation of component units for all state and local governments established in paragraph 53 of Statement *No.14, The financial Reporting Entity, as amended*. This implementation of the statement had no financial impact on CPS.
- GASB 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68 and No.73.* This Statement addresses issues with (1) the presentation of payroll-related measures in required supplementary information stated in Statements No. 67 *Financial Reporting for Pension Plans* and No. 68 *Accounting and Financial Reporting for Pensions*, (2) the selection of Assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, stated in Statements No. 67, No. 68, and No.73 *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*, and (3) the classification of payments made by employers to satisfy employee contribution requirements as stated by Statements No. 67 and No. 68. Implementation of this pronouncement resulted in a restatement of beginning Net Position. See Note 12 for the impact of the implementation of this pronouncement and additional information on pensions.

Other accounting standards that CPS is currently reviewing for applicability and potential impact on future financial statements include:

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Statement issued in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplemental information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the fiscal year ending June 30, 2018. This Statement will have an effect on CPS and the OPEB liability will be added to the Statement of Net Position.
- GASB 81, *Irrevocable Split-Interest Agreements*. Statement issued in March 2016. This Statement provides accounting and financial reporting guidance for irrevocable split-interest agreements in

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

which a government is a beneficiary. This Statement is effective for the fiscal year ending June 30, 2018. This Statement will have no effect on CPS

- GASB 83, *Certain Asset Retirement Obligations*. Statement issued in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for the fiscal year ending June 30, 2019. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 84, *Fiduciary Activities*. Statement issued in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for CPS' fiscal year ending June 30, 2020, but CPS plans to early adopt the standard in fiscal year 2019.
- GASB 85, *Omnibus 2017*. Statement issued in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for CPS' fiscal year ending June 30, 2018. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 86, *Certain Debt Extinguishment Issues*. Statement issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for CPS' fiscal year ending June 30, 2018. Management has not determined what impact, if any, this Statement will have on its financial statements.
- GASB 87, *Leases*. Statement issued in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for CPS' fiscal year ending June 30, 2021. Management has not determined what impact, if any, this Statement will have on its financial statements.

Description of Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the GASB requirements of accounting and financial reporting for non-exchange transactions. Deferred outflows of resources represent consumption of resources that are applicable to future reporting periods and are reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that are applicable to future reporting periods and are reported in a separate section after liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside CPS' taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

CPS reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of CPS. Interfund balances have been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. State and Federal grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, State aid, Federal aid, replacement taxes, IGA, and other revenue are considered to be available if collected within 60 days of fiscal year end.

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, other postemployment benefits, pension benefits and pollution remediation obligations, are recorded only when payment is due.

Funds

CPS reports its financial activities through the use of "fund accounting". This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

Governmental Funds

a. General Operating Fund

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

- Educational Program
- Supplementary General State Aid Program
- School Food Service Program
- Elementary and Secondary Education Act (ESEA) Program
- Individuals with Disabilities Education Act (IDEA) Program
- Workers' and Unemployment Compensation/Tort Immunity Program
- Public Building Commission Operations and Maintenance Program
- Chicago Teacher's Pension Fund Pension Levy Program
- Other Government-Funded Programs

b. Capital Projects Fund

The Capital Projects Fund includes the following programs:

Capital Asset Program — This program is for the receipt and expenditure of the proceeds from the sale of certain Board real estate and other miscellaneous capital projects revenues from various sources as designated by the Board.

Capital Improvement Program — This program is for the receipt and expenditure of proceeds from the sale of Unlimited Tax GO Bonds, (PBC) Building Revenue Bonds, State of Illinois Construction Grants, Federal E-rate capital subsidies and other revenues for the purpose of building and improving schools as designated by the Board. The bonds are being repaid in the Debt Service Fund.

c. Debt Service Fund

The Debt Service Fund includes the following programs:

Bond Redemption and Interest Program — This program is for the receipt and expenditure of Replacement Taxes, City of Chicago IGA revenue, State of Illinois Construction Grants, General State Aid and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the PBC for school buildings are recorded in this program. The title to these properties passes to the City of Chicago, in trust for the use of CPS, at the end of the lease terms.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Deposits and Investments

CPS' cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, State statutes authorize CPS to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool. CPS' investments are reported at fair value.

Cash and Investments in Escrow

Certain proceeds of CPS' bond issuances, as well as certain assets set aside for their repayment, are classified as cash and investments in escrow on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Property Tax Receivable

CPS records its property tax receivable amounts equal to the current year tax levy net of an allowance for estimated uncollectible amounts. The allowance is recorded at 3.5% of the gross levy.

A calendar year's property tax levies are billed (extended) in two installments in the subsequent calendar year. Calendar year 2016 property taxes were levied for fiscal year 2017 in August 2016 and were billed in fiscal year 2017. In 2017, the installment due dates were March 1 and August 1. Property taxes unpaid after these dates accrue interest at the rate of 1.5% per month. The treasurers of Cook and DuPage counties, who distribute such receipts to CPS, receive collections of property tax installments. CPS' property tax becomes a lien on real property on January 1 of the year for which it is levied. CPS does not record a receivable nor related deferred inflows of resources until the Board passes the levy for the current fiscal year.

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

Capital Assets

Capital assets—which include land, construction in progress, buildings, building improvements, equipment and software—are reported in the governmental activities columns in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment and administrative software/systems is a unit cost of $25,000 or more. CPS capitalizes internally developed software with a capitalization threshold of $75,000 or more. Donated capital assets are recorded at acquisition value.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Beginning in fiscal year 2005, CPS implemented procedures related to impairment of assets. Generally, a capital asset is considered impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle.

Depreciation of buildings, building improvements, equipment and software is calculated using the straight-line method. CPS' capital assets have the following estimated useful lives:

Assets	Years
Buildings and building improvements	25-50
Administrative software/systems	20
Internally developed software	3
Equipment	5

Depreciation of buildings and building improvements placed in service prior to fiscal year 2002 was calculated using a composite rate that CPS estimated to be 32 years. For items placed in service subsequent to fiscal year 2001, CPS utilizes the estimated useful lives for specific components within the range noted above.

Vacation and Sick Pay

CPS provides vacation and sick pay benefits for substantially all of its employees. Accrued sick pay benefits were computed using the termination payment method. The liability for accrued vacation pay benefits was computed using the employees' actual daily wages. Please refer to Note 11 for accruals.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable as reported includes the unamortized balances of bond premiums and discounts. Prepaid insurance costs are reported as other assets.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions — In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago and additions to/deductions from the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago fiduciary net position have been determined on the same basis as they are reported by the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

Within the governmental fund types, CPS' fund balances are reported in one of the following classifications:

Nonspendable — includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted — includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed — includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of CPS highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless CPS removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. CPS' highest level of decision-making authority rests with CPS' Board of Education. CPS passes formal resolutions to commit their fund balances. There are no committed fund balances as of June 30, 2017.

Assigned — includes amounts that are constrained by CPS intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) CPS' Board of Education itself or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. As of fiscal year 2017, CPS' Board has not delegated the authority to assign amounts to be used for specific purposes to a body or official. CPS' Board of Education assigns amounts for a specific purpose within the General Operating Fund. Within the other governmental fund types (debt service and capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned — includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

In the General Operating Fund and other governmental funds (capital projects and debt service fund types), it is CPS' policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Note: There is a negative fund balance in the General Operating Fund.

Net Position

The Statement of Net Position includes the following:

Net investment in capital assets — the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted for debt service — the component of net position with constraints placed on the use of debt service resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted for capital projects — the component of net position with constraints placed on the use of capital project resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for grants and donations — the component of net position that reports the difference between assets and liabilities of the certain programs that consists of assets with constraints placed on the use of resources are either: a) externally imposed by grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for workers' compensation/tort immunity — the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted — consists of net position that does not meet the criteria of the five preceding categories.

Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPS' financial statements for the year ending June 30, 2016, from which the summarized information was derived.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating, Capital Projects and Debt Service funds. Unencumbered appropriations, in General Operating and Debt Service funds, lapse at fiscal year-end.

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

The Capital Projects Fund is budgeted on a project-by-project basis. Budgeted amounts in the Capital Projects Fund represent the entire project budget for projects that were expected to commence in fiscal year 2017. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE

a. Property Taxes — CPS levies property taxes using tax levy rates established by statute and an equalized assessed valuation (EAV) estimated by CPS. The maximum billing (extension) of property taxes for the rate-limited Educational Levy in any calendar year is limited to the lesser of the tax rate established by statute multiplied by the EAV known at the time the final calendar year tax bills are calculated by the Cook and DuPage County Clerks, or the tax rates established by statute multiplied by the prior year EAV. Property taxes for the levies that are not rate-limited are levied based on the estimated requirements for such funds.

As part of the annual budgetary process, CPS adopts a resolution each December in which it is determined to levy real estate taxes. In fiscal year 2017, CPS adopted a resolution for tax levy in August 2016 because that tied public discussion of the tax levy more closely with the budget that the levy was going to fund and CPS needed to do short term borrowing against the levy. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in prescribed form must be published and a public hearing must be held if the aggregate annual levy exceeds 105% of the levy of the preceding year.

Since the 1994 levy year, CPS has been subject to the Property Tax Extension Limitation Law (PTELL). The PTELL, commonly known as the property-tax cap, is designed to limit the increases in property taxes billed for non-home rule taxing districts. The growth in a taxing district's aggregate extension base is limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The CPI used is for all urban consumers for all items as published by the U.S. Department of Labor, Bureau of Labor Statistics. This limitation can be increased for a taxing body with voter approval. The PTELL allows a taxing district to receive a limited annual increase in tax extensions on existing property, plus an additional amount for new construction. This limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation.

Legal limitations on tax rates and the rates extended in calendar years 2017 and 2016 are shown below.

	Maximum 2017 Legal Limit	Tax Rates Extended Per $100 of EAV 2017	2016
General Operating Fund:			
Educational	(A)	$3.115	$3.205
Teachers Pension	(B)	0.367	N/A
Workers' and Unemployment Compensation/Tort Immunity	(C)	0.107	0.111
Debt Service Fund:			
Public Building Commission Leases Program	(D)	0.072	0.075
Capital Projects Fund:			
Capital Improvement	(E)	0.065	0.064
		$3.726	$3.455

FINANCIAL SECTION

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

A. The maximum legal limit for educational purposes under PTELL cannot exceed $4.00 per $100 of EAV (105 ILCS 5/34-53), and the total amount billed (extended) under the General Operating Fund is subject to the PTELL as described above.

B. The tax cap limitation contained in the PTELL does not apply to the taxes levies by CPS for the Teacher Pension. The law creating the Teacher Pension levy became effective in 2016 (105 ILCS 5/34-53). For calendar year 2016 the Teacher Pension levy tax rate cannot exceed $0.383 per $100 of EAV and for calendar year 2017 and all later years the tax rate cannot exceed $0.567 per $100 of EAV. Property tax collections for the Teacher Pension levy are paid directly to the Chicago Teacher Pension Fund by the County Treasurer. The Board authorized the initial Teacher Pension levy for $271.8 million in calendar year 2016 for collection in 2017.

C. These tax rates are not limited by law, but are subject to the PTELL as described above.

D. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS to make its lease payments related to the certificates of participation debt obligations.

E. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS for the Capital Improvement Tax (CIT). Per (105 ILCS 5/34-53.5), the CIT act became effective in 2002 and requires the initial levy of the CIT made by the Board to be authorized by a one-time approval of the Chicago City Council, which approved the CIT in 2015. The Board authorized the initial levy of the CIT for $45 million in calendar year 2015 for collection in 2016. The CIT Act establishes maximum authorized amounts of the CIT that can be levied each calendar year equal to the cumulative inflationary growth on a base of $142.5 million starting in 2003.

Note: The City of Chicago established a Transit TIF levy to provide a portion of the matching funds required to leverage more than $1 billion in federal funding for Chicago Transit Authority capital projects. The City received its first Transit TIF distribution on July 11, 2017. A portion of the levy was distributed to various taxing districts within the city including Chicago Public Schools. The incremental revenue generated by the Transit TIF attributable to CPS is projected to be $9.3 million (gross). The tax cap limitation contained in the PTELL does not apply to the taxes received by CPS for the Transit TIF.

b. State Aid — The components of State Aid as reported in the financial statements are as follows $(000's):

	Fund Financial Statements	Government Wide-Financial Statements
Revenues:		
General state aid unrestricted	$ 813,716	$ 813,735
Supplementary general state aid	261,000	261,000
Educational services block grant	448,721	137,408
Other restricted state revenue	185,428	212,339
Total state aid	$1,708,865	$1,424,482
Program Revenues:		
Operating grants and contributions		(212,339)
Non-program general state aid		$1,212,143

NOTE 4. CASH DEPOSITS AND INVESTMENTS

Cash and investments held in the name of CPS are controlled and managed by CPS' Treasury Department; however, custody is maintained by the Treasurer of the City of Chicago, who is the designated ex-officio Treasurer of CPS under the Illinois School Code. Custody is not maintained by the Treasurer of the City of Chicago for cash and investments in escrow and the schools' internal accounts. The cash and investments in escrow in the General Operating Fund represent deposits for the repayment of short term borrowing held by an escrow agent. The cash and investments in escrow in the Debt Service Fund represent the amount available for debt service payments on the Unlimited Tax GO Bonds and PBC Leases. The cash and investments in escrow in the Capital Projects Fund represent the unspent proceeds from the Unlimited Tax GO Bonds and other revenues.

Cash and Deposits

With the exception of school internal accounts, as designated by the Board, the Municipal Code of Chicago requires that cash be deposited only in chartered banks or savings and loan associations that are on the City of Chicago's approved depository listing. The ordinances allow only regularly organized State or national banks insured by the Federal Deposit Insurance Corporation, and Federal and State savings and loan associations insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation located within the City of Chicago, to be designated depositories.

Custodial Credit Risk — Custodial credit risk for deposits is the risk that in the event of a financial institution failure, CPS deposits may not be returned. The CPS Investment Policy requires collateral with an aggregate market value of not less than 110% of the original acquisition price, including principal and accrued interest, on depository account balances, banker's acceptances and certificates of deposit unless the bank meets certain rating and/or asset size requirements unless either: 1) the bank has assets exceeding $500 million; or 2) the applicable instrument is insured at the time of purchase by an entity with long-term ratings in one of the highest 2 classifications without regard to gradation, in which case collateralization is not required. Collateral for CPS' bank accounts are held by a third-party custodian in the name of the City of Chicago Treasurer for the benefit of CPS. Collateral shall be only those securities authorized as allowable investments.

As of June 30, 2017, the book amount of CPS' deposit accounts was $28.3 million. The bank balances totaled $43.1 million as of June 30, 2017. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2017. The bank balance was covered by Federal depository insurance and by collateral held by third-party custodians.

Cash and Investments Held in School Internal Accounts, and the corresponding liability, Amount Held for Student Activities, represent the book balance for checking and investments for individual schools.

Investments

CPS' investments are authorized under the Illinois Compiled Statutes Finance Investment Act. The CPS Investment Policy is derived from this Act. The CPS Investment Policy authorizes CPS to invest in obligations guaranteed by the full faith and credit of the U.S. Government, certificates of deposit constituting direct obligations of banks, commercial paper, money market mutual funds, repurchase agreements, certain U.S. Government agency securities, and certain State and municipal securities that are rated at the time of purchase at A1/A+ or better by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision. All mutual funds purchased invest in eligible securities outlined in the parameters of the CPS Investment Policy and meet certain other regulatory requirements.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

The CPS Investment Policy contains the following stated objectives:

- Safety of Principal. Investments shall be undertaken in a manner that provides for the preservation of principal in the overall portfolio.
- Liquidity. The investment portfolio shall be sufficiently liquid to meet all reasonably anticipated operating and cash flow requirements.
- Rate of Return. The investment portfolio shall be constructed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.
- Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

Custodial Credit Risk — All CPS investment securities shall be held by a third party custodian in accordance with municipal ordinances to the extent required by state statute. The CPS treasurer shall periodically review the approved depositories to evaluate counterparty risk. In order to further reduce custodial risk, investments are registered and held in the name of CPS. The collateral requirements for investments with depository balances is the same as those for cash and deposits (disclosed above). Repurchase agreement investments are required to have collateral not less than 102% of the acquisition price.

At June 30, 2017, CPS had the following investments $(000's) and maturities:

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1-5 Years	Maturities 5-10 Years
Repurchase Agreements	A-/Baa2	$ 11,457	$ —	$11,457	$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	2,100	2,100	—	—
U.S. Treasury Notes	AA+/Aaa	91,660	—	6,590	85,070
U.S. Government State & Local Government Securities SLGS	AA+/Aaa	43,213	43,213	—	—
Money Market Mutal Funds	AAAm/Aaa-mf	1,439,312	1,439,312	—	—
Total Investments		$1,587,742	$1,484,625	$18,047	$85,070
Cash & CDs		28,304	—	—	—
Total Cash and Investments		$1,616,046	$1,484,625	$18,047	$85,070

Interest Rate Risk — The CPS Investment Policy requires maintenance of a two-tiered portfolio which limits the average maturity of the Liquidity Cash Management tier of the portfolio to six months, limits the average maturity of the Enhanced Cash Management tier of the portfolio to five years and limits the maturity of any single issue in the Enhanced Cash Management tier of the portfolio to 10 years.

Credit Risk — The CPS Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services. As of June 30, 2017, Moody's Investment Service rated CPS' investments in banker's acceptances and commercial paper A1+ or A1 by Standard and Poor's, and P-1 by Moody's. As of June 30, 2017, Standard and Poor's rated CPS' investments in money market mutual funds AAAm/Aaa-mf and municipal securities as A1/A+ or better as required by the CPS Investment Policy.

Concentration of Credit Risk — As of June 30, 2017, no issuer represented over 5% of total investments. Investments issued by the U.S. government and government agencies and investments in mutual funds are excluded from the concentration of credit risk.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

CPS categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CPS has the following recurring fair value measurements $(000's) as of June 30, 2017 using a matrix pricing model:

		Fair Value Measurements Using		
	June 30, 2017	Level 1	Level 2	Level 3
Investments by fair market level:				
Debt securities				
U.S. Treasury Note	$91,660	$—	$91,660	$—
Total Investments measured at fair value	$91,660	$—	$91,660	$—

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools are measured at amortized cost and therefore excluded from the above fair value table. This exclusion includes money market funds, commercial paper, repurchase agreements and agency obligations held by CPS in the amount of $1,496 million.

The following table provides a summary of CPS' total cash and investments by fund type as of June 30, 2017 $(000's):

Fund	Amount
General Operating Fund	$ 299,279
Capital Projects Fund	715,985
Debt Service Fund	600,782
Total Cash and Investments	$1,616,046

FINANCIAL SECTION

FINANCIAL SECTION

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2017 for CPS, net of the applicable allowance for uncollectible accounts, are as follows $(000's):

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fund Financial Statements	Government-Wide Financial Statements
Property taxes	$1,441,287	$24,450	$26,079	$1,491,816	$1,491,816
Replacement taxes	32,296	—	—	32,296	32,296
State aid	432,002	4,030	—	436,032	436,032
Federal aid	95,130	—	3,110	98,240	98,240
Other	20,093	12,398	41,218	73,709	73,709
Total receivables	$2,020,808	$40,878	$70,407	$2,132,093	$2,132,093
Less: Allowance for uncollectibles — property tax	(92,980)	(1,676)	(1,861)	(96,517)	(96,517)
Less: Allowance for uncollectibles — state aid	(3,842)	(712)	—	(4,554)	(4,554)
Less: Allowance for uncollectibles — federal aid	(92)	—	—	(92)	(92)
Less: Allowance for uncollectibles — other	(4,703)	(6,117)	—	(10,820)	(10,820)
Total receivables, net	$1,919,191	$32,373	$68,546	$2,020,110	$2,020,110

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2017, the components of unavailable revenue reported in the fund financial statements are as follows $(000's):

Unavailable property tax revenue	$ 41,125
Other unavailable revenue	299,512
Total deferred inflows of resources	$340,637

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows $(000's):

Government-wide activities:	Beginning Balance	Increases	Decreases and Transfers to In-Service	Ending Balance
Capital assets, not being depreciated:				
Land	$ 313,529	$ 14,906	$ (1,693)	$ 326,742
Construction in progress	182,387	168,808	(202,899)	148,296
Total capital assets not being depreciated	$ 495,916	$ 183,714	$(204,592)	$ 475,038
Capital assets being depreciated:				
Buildings and improvements	$ 9,241,738	$ 178,766	$ (28,054)	$ 9,392,450
Equipment and administrative software	222,322	544	(2,051)	220,815
Internally developed software	6,889	176	(953)	6,112
Total capital assets being depreciated	$ 9,470,949	$ 179,486	$ (31,058)	$ 9,619,377
Total capital assets	$ 9,966,865	$ 363,200	$(235,650)	$10,094,415
Less accumulated depreciation for:				
Buildings and improvements	$(3,699,816)	$(280,266)	$ 17,544	$ (3,962,538)
Equipment and administrative software	(110,849)	(22,687)	1,497	(132,039)
Internally developed software	(6,080)	(349)	953	(5,476)
Total accumulated depreciation	$(3,816,745)	$(303,302)	$ 19,994	$ (4,100,053)
Capital assets, net of depreciation	$ 6,150,120	$ 59,898	$(215,656)	$ 5,994,362

Depreciation and impairment expenses were charged to functions/programs of CPS as follows $(000's):

	Depreciation Expenses	Impairment Expenses
Governmental activities:		
Instruction	$190,196	$ 8,375
Pupil support services	29,358	1,293
Administrative support services	18,719	824
Facilities support services	25,038	1,103
Instructional support services	21,765	958
Food services	13,301	586
Total depreciation expense	$298,377	$13,139

Asset Impairment

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. In the absence of a property appraisal, the book values of these assets are adjusted to zero. Management reviews capital assets at year end for impairment.

At year end, CPS determined that most of the IMPACT system (for student attendance), originally implemented in fiscal year 2008 through 2009, with an estimated useful life of 20 years, has a

FINANCIAL SECTION

NOTE 6. CAPITAL ASSETS (continued)

remaining useful life of just 2 years. Accelerated depreciation of $4.9 million was recorded to reflect this change in useful life. This accelerated depreciation is included in the impairment expense totals for fiscal year 2017.

During fiscal year 2017, as CPS reviewed pending real estate transactions related to school actions for closed schools, CPS recognized impairments totaling $8.2 million related to various properties.

NOTE 7. INTERFUND TRANSFERS AND BALANCES

Interfund Balances

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying governmental fund financial statements.

General Operating Fund $(000's):	
Due To Capital Improvement Program	$(76,082)
Due From Capital Asset Program	2,967
Due From Bond Redemption and Interest Program	86,369
Total — Net due from (to) other funds	$ 13,254
Capital Projects Fund $(000's):	
Capital Asset Program — Due To General Operating Fund	$ (2,967)
Capital Improvement Program — Due From General Operating Fund	76,082
Total — Net due from (to) other funds	$ 73,115
Debt Service Fund $(000's):	
Bond Redemption and Interest Program — Due to General Operating Fund	$(86,369)

The purpose of interfund balances is to present transactions that are to be repaid between major programs at year end. The balances result from operating transactions between funds and are repaid during the fiscal year within the normal course of business.

The interfund balance due to the Capital Improvement Program from the General Operating Fund is expected to be repaid through a future bond issue.

Interfund Transfers

In fiscal year 2017, CPS transferred to the General Operating Fund $58.3 million of debt restructuring savings from the Bond Redemption and Interest Program.

NOTE 8. SHORT TERM DEBT

2016 Tax Anticipation Notes

During fiscal year 2017, the Board closed on four series of 2016 Educational Purposes Tax Anticipation Notes (TANs) with a total capacity of $1.55 billion for working capital purposes. Series 2016A1, A2, A3 TANs were issued as a direct placement with JP Morgan, and Series 2016A4 was issued as a direct placement with PNC Bank. Each series of TANs issued during fiscal year 2017 was structured as a single draws. The TANs provided liquidity support within the fiscal year.

NOTE 8. SHORT TERM DEBT (continued)

The 2016 TANs issued were first issued as follows $(000's):

Description	Initial Advance Date	Amount
Series 2016A1	September 8, 2016	$325,000
Series 2016A2	October 3, 2016	$150,000
Series 2016A3	November 10, 2016	$475,000
Series 2016A4	January 12, 2017	$600,000

Each of the TANs are backed by the Board's 2016 Education Property Tax Levy collected in two installments in 2017. The tax levy collected by the counties are disbursed to a trustee and used to repay the TANs. When balances of the issues are fully repaid, all remaining levy monies are disbursed to the Board. The repayment date for the Series 2016A1, A2, A3 TANs is the earlier of 60 days after the second installment due date of tax year 2016 property taxes or December 15, 2017. The repayment date for the 2016A4 TANs was March 31, 2017.

2017 Grant Anticipation Notes

During fiscal year 2017, the Board closed on two series of 2017 Grant Anticipation Notes (GANs) with a total capacity of $387 million for working capital purposes. Series 2017A, B GANs were issued as a direct placement with JP Morgan. The Series 2017A, B GANs were structured as single draws. The GANs provided liquidity support within the fiscal year.

The 2017 GANs issued were first issued as follows $(000's):

Description	Initial Advance Date	Amount
Series 2017A	June 19, 2017	$275,000
Series 2017B	June 26, 2017	$112,000

Each of the GANs are backed by monies expected to be received by the Board and derived from certain grants from the State of Illinois. The grants were appropriated by the State for the fiscal year ended June 30, 2017, but they had not been received by the Board as of the time of the issuance of either series of GANs.

At such time as the pledged grants are paid by the State to the Board, the monies will be deposited with a trustee and used to repay the GANs. On December 28, 2017, any remaining outstanding Series 2017A, B GANs shall be subject to mandatory exchange for a tax anticipation note (TAN) in a principal amount not less than the sum of the outstanding GANs. The TAN will then be payable from the Board's levy of real property taxes for the 2017 tax levy year for educational purposes.

Outstanding Short-Term Notes Balances

As of June 30, 2017, a total of $1.34 billion in short-term notes issued by the Board were outstanding. The outstanding short-term notes consisted of $950 million in TANs and $387 million in GANs. Any amount of short-term notes paid off subsequent to year end is discussed further in Note 16.

Short-term debt activity for the year ended June 30, 2017 was as follows $(000's):

Short-Term Debt	Balance July 1, 2016	Draws	Repayments	Balance June 30, 2017
Tax Anticipation Notes	$870,000	$1,550,000	$(1,470,000)	$ 950,000
Grant Anticipation Notes	—	387,000	(6)	386,994
Total Short-term Debt	$870,000	$1,937,000	$(1,470,006)	$1,336,994

NOTE 9. LONG-TERM DEBT

Long-term Obligations

Long-term Debt activity for the fiscal year ended June 30, 2017 was as follows $(000's):

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
General Obligation Long-term Debt	$ 6,578,983	$ 150,000	$(111,708)	$ 6,617,275	$114,752
Capital Improvement Tax Long-term Debt	—	729,580	—	729,580	—
Add unamortized premium (discount)	(26,250)	(36,097)	(3,145)	(65,492)	—
Add Arbitrage Liability	—	164	—	164	164
Add accretion of capital appreciation bonds	634,157	54,286	(41,656)	646,787	33,018
Subtotal of debt, net of premiums and discounts	$ 7,186,890	$ 897,933	$(156,509)	$ 7,928,314	$147,934
Capitalized lease obligations	159,005	—	(41,105)	117,900	43,505
Total debt and capitalized lease obligations	$ 7,345,895	$ 897,933	$(197,614)	$ 8,046,214	$191,439
Other liabilities:					
Other accrued liabilities	$ 15,446	$ 14,484	$ (90)	$ 29,840	$ 12,589
Net pension liability	10,023,263	988,137	—	11,011,400	—
Net other postemployment benefits obligation	1,895,045	138,971	—	2,034,016	—
Other benefits and claims	508,737	48,147	(62,955)	493,929	69,557
Total other liabilities:	$12,442,491	$1,189,739	$ (63,045)	$13,569,185	$ 82,146
Total long-term obligations:	$19,788,386	$2,087,672	$(260,659)	$21,615,399	$273,585

General Obligation and Capital Improvement Tax Bonds

CPS issued the following long-term debt in fiscal year 2017.

Unlimited Tax GO Bonds (Dedicated Revenue) Series 2016B

In July 2016, CPS issued $150.0 million Unlimited Tax GO Bonds (Dedicated Revenue) as fixed-rate, Series 2016B. The proceeds of the Bonds were used to provide funds for the capital improvements, fund capitalized interest, and pay costs of issuance.

Dedicated Capital Improvement Tax Bonds Series 2016

In January 2017, CPS issued $729.6 million Dedicated Capital Improvement Tax Bonds. The proceeds of the Bonds were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance.

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NOTE 9. LONG-TERM DEBT (continued)

The current portion of long-term debt and long-term lease obligations is comprised of the following $(000's):

Bonds	$114,752
Arbitrage Liability	164
Accreted Interest	33,018
Subtotal	$147,934
Lease Obligations	43,505
Total Current Portion	$191,439

The Unlimited Tax GO Bonds are being repaid in the Debt Service Fund from Replacement Tax revenue, revenue from Intergovernmental Agreements with the City of Chicago, subsidies from the federal government, General State Aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

Interest rates on fixed rate bonds range from 1.75% to 7.00%, except that CPS does not pay or accrue interest on the Series 2006A and Series 2003C Bonds. These bond series were issued as "Qualified Zone Academy Bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended. "Eligible taxpayers," as defined in Section 1397E of the Internal Revenue Code, who own these bonds will be entitled to a credit against taxable income. As of June 30, 2017 there were no hedged variable rate bonds outstanding. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June 2017, and remain the same for the life of the bonds. Debt service requirements for the Unlimited Tax GO Bonds are scheduled as follows $(000's):

	Fixed Rate Bonds		Variable Rate Bonds		
Fiscal Year(s)	Principal	Interest	Principal	Estimated Interest*	Total**
2018	$ 114,752	$ 310,021	$ —	$ 49,884	$ 474,657
2019	149,030	305,678	28,555	49,388	532,651
2020	159,381	314,315	30,870	47,358	551,924
2021	182,995	323,722	32,505	45,158	584,380
2022	167,753	318,192	34,105	42,839	562,889
2023-2027	1,165,221	1,475,574	309,415	170,121	3,120,331
2028-2032	1,009,238	1,506,362	483,945	76,329	3,075,874
2033-2037	768,880	666,515	134,530	8,382	1,578,307
2038-2042	1,197,520	384,264	—	—	1,581,784
2043-2047	648,580	77,405	—	—	725,985
Total	$5,563,350	$5,682,048	$1,053,925	$489,459	$12,788,782

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NOTE 9. LONG-TERM DEBT (continued)

* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2017, calculated at:

- Series 2008A — 1.80050% x outstanding principal
- Series 2008B — 1.80050% x outstanding principal
- Series 2011C-1 — 9.00000% x outstanding principal
- Series 2011C-2 — 9.00000% x outstanding principal
- Series 2013A-1 — 9.00000% x outstanding principal
- Series 2013A-2 — 7.50000% x outstanding principal
- Series 2013A-3 — 1.74000% x outstanding principal
- Series 2015A — 9.00000% x outstanding principal
- Series 2015G — 9.00000% x outstanding principal

** Does not include debt backed by leases with the Public Building Commission that are discussed in Note 10.

Floating Rate Note Securities

Unlimited Tax GO Refunding Bonds (Dedicated Revenues), Series 2011C-1 and 2011C-2

In December 2011, the Board issued $51.0 million (Series 2011C-1) and $44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D.

For the Series 2011C-1, an initial index floating rate period was set up to February 29, 2016. During this initial period, the rate was reset monthly and equal to the Securities Industry and Financial Markets (SIFMA) Index plus 95 basis points. The Series 2011C-1 bonds were callable beginning on September 1, 2015. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-1 bonds, after the end of the initial index floating rate period on March 1, 2016, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2016 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2011C-1 bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

For the Series 2011C-2, an initial index floating rate period was set up to February 28, 2017. During this initial period, the rate was reset monthly and equal to the SIFMA Index plus 110 basis points. The Series 2011C-2 bonds were callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-2 bonds, after the end of the initial index floating rate period on March 1, 2017, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2011C-2 bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

Unlimited Tax GO Refunding Bonds (Dedicated Revenues), Series 2013A-1, 2013A-2 and 2013A-3

In May 2013, the Board issued $122.6 million (Series 2013A-1), $124.3 million (Series 2013A-2), and $157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B.

For the Series 2013A-1, an initial index floating rate period was set up to June 1, 2016. During this initial period, the rate was reset monthly and equal to 70% of one month London Interbank Offered Rate (LIBOR) plus 58 basis points. The Series 2013A-1 bonds are callable beginning on December 1, NOTE 9. LONG-TERM DEBT (continued)

2015. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-1 bonds, after the end of the initial index floating rate period on June 1, 2016, the rate will be equal to 7.50%. On the 91st day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning June 1, 2016 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2016 and the next 90 days thereafter the rate was equal to 7.50%. On the 91st day and thereafter, the rate was equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-2, an initial index floating rate period was set up to June 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 75 basis points. The Series 2013A-2 bonds are callable beginning on December 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-2 bonds, after the end of the initial index floating rate period on June 1, 2017, the rate will be equal to 7.50%. On the 91st day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning June 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2017 the rate was equal to 7.50%. On the 91st day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-3, an initial index floating rate period was set up to June 1, 2018. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 83 basis points. The Series 2013A-3 bonds are callable beginning on December 1, 2017. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A-3 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91st day and thereafter the rate will be equal to 9.00% until such time that the issue is refinanced.

Unlimited Tax GO Refunding Bonds (Dedicated Alternate Revenues), Series 2015A and 2015G

In March 2015, the Board issued $89.2 million (Series 2015A) and $88.9 million (2015G) variable rate bonds. The bonds refunded the former Series 2000B and 2011D.

For Series 2015A and the Series 2015G, an initial index floating rate period was set up to March 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 400 basis points. Both the Series 2015A and the Series 2015G bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2015A or Series 2015G bonds, after the end of the initial index floating rate period on March 1, 2017, the rate will be equal to 9.00% until such time that the issue is refinanced. For the period beginning March 1, 2017 and continuing through June 30, 2017, the Board had not remarketed, redeemed or tendered for the Series 2015A or Series 2015G bonds, as a result the rate adjusted to 9.00% until such time that the issue is refinanced.

Direct Placements

Unlimited Tax GO Refunding Bonds (Dedicated Alternate Revenues), Series 2008A and 2008B

In May 2008, the Board issued $262.8 million (Series 2008A) and $241.0 million (Series 2008B) variable rate bonds in direct placements with Dexia Credit Local. The interest rate for each series is reset monthly, and is equal to the one month LIBOR rate plus 75 basis points with no expiration until maturity. The bonds are subject to optional redemption prior to their maturity date at the option of the Board, in whole or in part (and, if in part, in an authorized denomination ($100,000 and any integral multiple thereof of $5,000 in excess thereof)) on any LIBOR interest payment date (monthly), at a redemption price equal to 100 percent of the principal amount thereof and accrued interest, if any, to the redemption date.

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NOTE 9. LONG-TERM DEBT (continued)

Accreted Interest

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows ($000's):

Series	Accreted Interest July 1, 2016	Increase	Payment	Accreted Interest June 30, 2017
1997A	$ 9,513	$ 343	$ (9,856)	$ —
1998B-1	367,673	31,879	(12,197)	387,355
1999A	256,971	22,064	(19,603)	259,432
	$634,157	$54,286	$(41,656)	$646,787

Dedicated Revenue Capital Improvement Tax Bonds

Dedicated Revenue Capital Improvement Tax Bonds ("CIT Bonds") issued by the Board are limited obligations payable from and secured by a levy of Capital Improvement Taxes. The CIT Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of the principal of or interest on the CIT Bonds. In January 2017, CPS issued the first series of CIT Bonds in the amount of $729.6 million. The bonds were issued at a fixed rated and designated as Dedicated Revenue Capital Improvement Tax Bonds (Dedicated Alternate Revenue), Series 2016. The proceeds of the Bonds were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance. Debt service requirements for the Series 2016 CIT Bonds are as follows ($000's):

Fiscal Year(s)	Principal	Interest*	Total
2018	$ —	$ 43,539	$ 43,539
2019	—	43,539	43,539
2020	—	43,539	43,539
2021	—	43,539	43,539
2022	—	43,539	43,539
2023-2027	—	217,695	217,695
2028-2032	—	217,695	217,695
2033-2037	195,980	196,286	392,266
2038-2042	261,760	130,497	392,257
2043-2047	271,840	41,963	313,803
Total	$729,580	$1,021,831	$1,751,411

* Fixed Rate.

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Chicago Public Schools

NOTE 9. LONG-TERM DEBT (continued)

The following is a summary of changes in Long-term Debt outstanding $(000's):

Series	Orginal Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding July 1, 2016	Accreted Interest	Principal and Accreted Interest July 1, 2016	Issuances	Retirements	Principal Outstanding June 30, 2017	Accreted Interest	Principal and Accreted Interest June 30, 2017
CIT 2016	$729,580	Capital Improvement	6.25%	4/1/2046	$ —	$ —	$ —	$729,580	$ —	$ 729,580	$ —	$ 729,580
2016B	150,000	Capital Improvement	6.50%	12/1/2046	—	—	—	150,000	—	150,000	—	150,000
2016A	725,000	Capital Improvement/Refunding	7.00%	12/1/2044	725,000	—	725,000	—	—	725,000	—	725,000
2015G	88,900	Refunding	Variable	3/1/2032	88,900	—	88,900	—	(5,400)	83,500	—	83,500
2015E	20,000	Capital Improvement	5.13%	12/1/2032	20,000	—	20,000	—	—	20,000	—	20,000
2015C	280,000	Capital Improvement	5.25%	12/1/2039	280,000	—	280,000	—	—	280,000	—	280,000
2015A	89,200	Refunding	Variable	3/1/2032	89,200	—	89,200	—	(5,200)	84,000	—	84,000
2013A-3	157,055	Refunding	Variable	3/1/2036	157,055	—	157,055	—	—	157,055	—	157,055
2013A-2	124,320	Refunding	Variable	3/1/2035	124,320	—	124,320	—	—	124,320	—	124,320
2013A-1	122,605	Refunding	Variable	3/1/2026	89,990	—	89,990	—	(8,975)	81,015	—	81,015
2012B	109,825	Refunding	5.00%	12/1/2034	109,825	—	109,825	—	—	109,825	—	109,825
2012A	468,915	Capital Improvement	5.00%	12/1/2042	468,915	—	468,915	—	—	468,915	—	468,915
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—	44,100	—	(2,600)	41,500	—	41,500
2011C-1	51,000	Refunding	Variable	3/1/2032	43,600	—	43,600	—	(1,400)	42,200	—	42,200
2011A	402,410	Capital Improvement	5.00% to 5.50%	12/1/2041	402,410	—	402,410	—	—	402,410	—	402,410
2010G	72,915	Refunding	2.77% to 4.18%	12/1/2017	22,735	—	22,735	—	(17,500)	5,235	—	5,235
2010F	183,750	Refunding	5.00%	12/1/2031	169,155	—	169,155	—	(7,855)	161,300	—	161,300
2010D	125,000	Capital Improvement	6.52%	3/1/2036	125,000	—	125,000	—	—	125,000	—	125,000
2010C	257,125	Capital Improvement	6.32%	11/1/2029	257,125	—	257,125	—	—	257,125	—	257,125
2009G	254,240	Capital Improvement	1.75%	12/15/2025	254,240	—	254,240	—	—	254,240	—	254,240
2009E	518,210	Capital Improvement	4.682% to 6.14%	12/1/2039	518,210	—	518,210	—	—	518,210	—	518,210
2009D	75,720	Refunding	1.00% to 5.00%	12/1/2023	45,340	—	45,340	—	(4,400)	40,940	—	40,940
2008C	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	—	464,655	—	—	464,655	—	464,655
2008B	240,975	Refunding	Variable	3/1/2034	185,350	—	185,350	—	(7,800)	177,550	—	177,550
2008A	262,785	Refunding	Variable	12/1/2030	262,785	—	262,785	—	—	262,785	—	262,785
2007D	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	169,195	—	169,195	—		169,195	—	169,195
2007C	6,870	Refunding	4.00% to 4.375%	12/1/2021	4,150	—	4,150	—	(410)	3,740	—	3,740
2007B	197,765	Refunding	5.00%	12/1/2024	197,765	—	197,765	—	—	197,765	—	197,765
2006B	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	289,525	—	289,525	—	(8,795)	280,730	—	280,730
2006A	6,853	Capital Improvement	0.00%	6/1/2021	6,853	—	6,853	—	—	6,853	—	6,853
2005B	52,595	Refunding	5.00% to 5.50%	12/1/2021	22,735	—	22,735	—	—	22,735	—	22,735
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	174,365	—	174,365	—	(7,085)	167,280	—	167,280
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	74,480	—	74,480	—	(3,790)	70,690	—	70,690
2003C	4,585	Capital Improvement	0.00%	10/27/2017	4,585	—	4,585	—	—	4,585	—	4,585
2002A	48,970	Capital Improvement	3.00% to 5.25%	12/1/2022	28,360	—	28,360	—	(3,475)	24,885	—	24,885
1999A	532,553	Capital Improvement/Refunding	4.30% to 5.30%	12/1/2031	405,325	256,971	662,296	—	(13,432)	391,893	259,432	651,325
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	248,346	367,673	616,019	—	(8,202)	240,144	387,355	627,499
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	5,389	9,513	14,902	—	(5,389)	—	—	—
Total Bonds					$6,578,983	$634,157	$7,213,140	$879,580	$(111,708)	$7,346,855	$646,787	$7,993,642
Less Current Portion							(115,805)					(147,770)
For Net Premium/ (Discount)							(26,250)					(65,491)
Total Long-term Debt, net of Current Portion and Premium/Discount							$7,071,085					$7,780,381

CPS has no defeased bonds to report as of June 30, 2017.

NOTE 10. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the PBC. The PBC constructs, rehabilitates and equips school buildings and facilities for use by CPS. The annual lease rentals are funded by a tax levy established when CPS approved such construction.

The leases are structured so that annual rentals will exceed the PBC's requirements for debt service and other estimated expenses. This ensures that the PBC will receive adequate revenue to cover these obligations. The PBC can authorize rent surpluses to be used either to reduce future rental payments or to finance construction of other CPS projects.

In 2006, CPS entered into a $3.7 million lease with an option to purchase with the Teachers Academy of Math and Science. The assets acquired under this lease are land and building at a cost of $0.7 million and $3.0 million, respectively. The accumulated amortization as of June 30, 2017 amounted to $0.65 million. The term of the lease commenced October 1, 2005, and shall end February 1, 2021. This end date represents the maturity date of bonds issued for the premises by the Illinois Development Finance Authority Bonds. Debt service includes principal and interest and all other costs associated with these bonds. Additionally, CPS will assume all operating costs and personnel costs of the premises.

The future PBC lease rentals and other capitalized leases due at June 30, 2017, are as follows $(000's):

Fiscal Year(s)	PBC Lease Rentals	Other	Total
2018	$ 52,069	$ 424	$ 52,493
2019	52,099	424	52,523
2020	30,635	424	31,059
2021	—	647	647
Total Rentals	$134,803	$1,919	$136,722
Less — Interest and other costs	(17,953)	(869)	(18,822)
Principal amount of rental due	$116,850	$1,050	$117,900

Following is a summary of changes in PBC Leases and Capitalized Lease outstanding $(000's):

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
PBC Leases	$157,780	$ —	$(40,930)	$116,850
Other Capitalized Leases	1,225	—	(175)	1,050
Total Lease Obligations	$159,005	$ —	$(41,105)	$117,900
Less: Current Portion PBC Leases				(43,330)
Current Portion Other Capitalized Leases				(175)
Total Long-Term Leases Outstanding				$ 74,395

Operating Leases

CPS is a lessee in numerous operating leases associated with the rental of trucks, automobiles, office equipment and real property. The lease arrangements are both cancelable and non-cancelable with some having structured rent increases. None of the operating leases are considered to be contingent leases.

NOTE 10. LEASE OBLIGATIONS (continued)

Total expenditures for operating leases for the fiscal year ending June 30, 2017 were $18.4 million. The following is a summary of operating lease commitments as of June 30, 2017 ($000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2018	$ 3,225	$ 14,750	$ 17,975
2019	1,872	14,831	16,703
2020	1,211	14,362	15,573
2021	361	14,237	14,598
2022	—	12,907	12,907
2023-2027	—	51,255	51,255
2028-2030	—	15,775	15,775
Total Operating Lease Commitments	$ 6,669	$138,117	$144,786

NOTE 11. OTHER BENEFITS AND CLAIMS

Sick Pay Benefits

CPS provides sick pay benefits for substantially all of its employees. Eligible employees were able to accumulate a maximum of 325 sick days granted before July 1, 2012. If an employee either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement, or dies, the employee is entitled to receive, as additional cash compensation, all or a portion of these accumulated sick leave days. CPS budgets an amount each year in the General Operating Fund for these estimated payments to employees terminated in the current fiscal year.

Effective July 1, 2012 any sick days granted that remain unused at the end of the fiscal year will not be carried over to the next fiscal year. The Board shall not pay out to any employee the value or any part of the value of any sick days granted on and after July 1, 2012 that are unused at the time the employee separates from the Board employment for any reason.

Vacation Pay Benefits

For eligible employees, the maximum number of accumulated unused vacation days permitted is 20 days for those employees with up to 10 years of service; 25 days for those with 11 to 20 years of service; and 30 days for those with more than 20 years of service. Eligible employees, an employee who either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement; or dies, are entitled to receive 100% of accumulated vacation days at their current salary rate. These amounts will be liquidated from the General Operating Fund.

Workers' Compensation, General and Automobile and Tort Liabilities and Other Claims

CPS is substantially self-insured and assumes risk of loss as follows:

CPS maintains commercial excess property insurance for "all risks" of physical loss or damage with limits of $100.0 million and Boiler and Machinery Insurance with limits of $100.0 million. CPS maintains commercial excess liability insurance with limits of $55.0 million in excess of a $10.0 million self-insured retention per loss for claims arising from general, automobile, school board legal, employment practices, and miscellaneous professional liability; additional liability coverage includes special events, fiduciary, foreign travel package, and catastrophic student accident insurance (under Public Act 98-0166, also known as "Rocky's Law"). During fiscal years 2017, 2016, and 2015 there were no casualty claims made in excess of the self-insured retention. For fiscal year 2017, CPS had the following deductibles/retentions:

Property	$ 5,000,000
Boiler and HVAC	$ 50,000
General Liability	$10,000,000
Student Catastrophic Insurance (Rocky's Law)	$ 25,000

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

As discussed in Note 14, there are pending workers' compensation and tort claims involving CPS which have arisen out of the ordinary conduct of business. CPS budgets an amount each year in the Workers' and Unemployment Compensation/Tort Immunity Fund for the estimated claims, of which the expenditures are met through an annual tax levy.

CPS' estimate of liabilities for workers' compensation claims, general and automobile claims are actuarially determined based on loss estimates established by the respective claim administrators. Tort liabilities are based on loss estimates established by the respective trial attorneys. CPS accrues for the estimated workers' compensation, general and automobile claims and tort claims in the General Operating Fund when there is likelihood that an unfavorable outcome is probable and those expenditures will be liquidated with expendable available financial resources. Total expenditures reported in the fund financial statements amounted to $34.0 million for claims paid during the fiscal year. No liabilities have been recorded at the fund level for unpaid claims as unpaid claims are not expected to be paid with available financial resources.

The following is a summary of changes to other long-term liabilities ($000's) at the government-wide level:

	Balance July 1, 2016	Increase/ (Decrease)	Payments	Balance June 30, 2017
Accrued sick pay benefits	$311,378	$11,537	$(33,097)	$289,818
Accrued vacation pay benefits	51,260	3,953	(5,693)	49,520
Accrued workers' compensation claims	114,891	18,547	(19,148)	114,290
Accrued general and automobile claims	13,508	10,410	(2,833)	21,085
Tort liabilities and other claims	17,700	1,516	—	19,216
Total	$508,737	$45,963	$(60,771)	$493,929
Less: Current portion of accrued sick pay benefits				(28,149)
Less: Current portion of accrued vacation pay benefits				(6,756)
Less: Current portion of accrued workers' compensation claims				(22,265)
Less: Current portion of accrued general and automobile claims				(12,387)
Total long-term other benefits and claims				$424,372

The following is activity related to workers' compensation claims and general and automobile claims $(000's):

Balance July 1, 2015	Additions	Payments	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
$140,911	$10,016	$(22,528)	$128,399	$28,957	$(21,981)	$135,375

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of $48.7 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes $30.2 million for estimated medical claims incurred but not reported as of June 30, 2017. The following is the activity related to medical claims for which CPS is self-insured $(000's):

Balance July 1, 2015	Additions	Payments	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
$52,704	$392,891	$(385,333)	$60,262	$349,407	$(360,931)	$48,738

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CPS' contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Pension — Certified Teachers and Administrators

Plan Description: Pension benefits for certified teachers and administrators are provided under a defined benefit cost-sharing multiple employer plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago (the "CTPF") in which CPS is the major contributor. Copies of the Pension Fund Annual Report are available on the website of the Public School Teachers' Pension & Retirement Fund of Chicago at http://www.ctpf.org/.

Article 17 of the Illinois Pension Code governs the retirement, survivor and disability benefits provided by the CTPF. Participation in the CTPF is mandatory for all certified members of the teaching force, including those employed by charter schools, and employees of the Pension Fund. As of the June 30, 2016, CTPF Annual report, there were 29,543 active participants in the Pension Fund, substantially all of whom were employees of CPS.

Benefits Provided: An employee hired before January 1, 2011 (Tier 1) may retire at age 55 with at least 20 years of service or at age 62 with 5 years of service. If retirement occurs before age 60, the service retirement pension is reduced ½ of 1% for each month that the age of the member is below 60. However, there is no reduction if the employee has at least 34 years of service.

For service earned before July 1, 1998, the amount of the monthly service retirement pension is 1.67% of highest average salary for the first 10 years, 1.90% for each of the next 10 years, 2.10% for each of the following 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the amount of the monthly service retirement pension is 2.2% of highest average salary for each year of service. Service earned before July 1, 1998 can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary within the last four years for each year of prior service, up to a maximum of 20%, which upgrades all service years. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service. The highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years. The maximum pension payable is 75% of the highest annual salary or $1,500 per month, whichever is greater.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension legislation (Public Act 96-0889) created a second tier of benefits for teachers who first become participants under the fund on or after January 1, 2011. Under this act, such a member is entitled to a pension after attainment of age 67 with at least 10 years of service. However, such a member can elect to retire at age 62 with at least 10 years of service and receive a retirement annuity reduced by 0.5% for each month that his or her age is under 67. In addition, the annual final average salary may not exceed $111,572 for 2016. The final average salary limit is calculated annually as the Social Security Wage Base at the time Public Act 96-0889 was created $(106,800) increased by the lesser of 3% or one-half of the annual increase in the Consumer Price Index-U during the preceding calendar year.

Contributions: Participating members contribute 9% of salary, allocated as follows: 7.5% for retirement pension, 0.5% for automatic annual increases and 1% for survivor's pension. In fiscal year 2017, total employee contributions were $153.3 million, as in previous fiscal years, CPS paid a portion (7% or $119.2 million) of the required employees' contribution. For employees hired on or after January 1, 2017, CPS paid only 3.5% of the required 9.0% employee contributions in fiscal year 2017. A portion of grant funds from the Federal government and General Operating Fund revenues provide the funding for the 7% portion. The remaining portion (2%) is withheld from teachers' salaries.

State law requires statutorily determined employer contributions. Under the Illinois Pension Code, required employer contributions — with the exception of federal funds — are calculated by the Pension Fund's actuary; however, the formula set forth in the Pension Code is not the same as the Annual Required Contribution or the Actuarially Determined Contribution as those terms are defined by GASB. During the fiscal year ended June 30, 2017, total employer contributions to the plan were $733.2 million. Of this amount, $19.0 million were Charter School contributions. On June 30, 2016, PA 99-0521 was signed into law and reinstates the ability of the Board of Education to levy a property tax dedicated to paying teacher pensions. As of June 30, 2017, $250.0 million of levy funds was owed to the CTPF for a fiscal year 2017 statutorily required contribution. This amount was recorded in the Statement of Net Position as an account payable and a deferred outflow of resources by CPS. These funds are included in CPS' contribution to increase the funded ratio to 90%. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows (amounts in thousands):

Retirement Benefit Contributions:	
A contribution to increase funded ratio to 90%	$688,908
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded program	25,275
Charter school contributions	19,017
Total CPS Contributions	$733,200
Contributions from the State of Illinois	1,015
CPS contributions on-behalf of employees	119,240
Total CTPF contributions	$853,455

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability recognized by CPS is $11.011 billion or 100%. Further discussions with the State and Pension Fund related to the overall net pension liability will occur to determine a reasonable allocation of future plan costs between the entities that contribute to the plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Total pension expense for the 2017 fiscal year was $962.5 million.

Employer Deferral of Fiscal Year 2017 Pension Contributions: CPS paid $733.2 million in contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

liability measurement date as of June 30, 2016. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2017. As June 30, 2017, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources (amounts in thousands):

	Deferred inflow of resources	Deferred outflow of resources
Difference between expected and actual experience	$176,460	$ —
Net difference between projected and actual investment earnings on pension plan investments	—	513,718
Contributions after the measurement date	—	733,200
Totals	$176,460	$1,246,918

The $733.2 million reported as deferred outflows of resources related to pensions resulting from CPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The annual difference between expected and actual experience is amortized into pension expense over the average expected remaining service lives of active and inactive members calculated at the beginning of the year in which the difference occurs. The difference between projected and actual investment earnings on pension plan investments is amortized over a five-year closed period beginning in the year in which the difference occurs. The amounts of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Years Ended June 30:	Amount
2018	$ 2,344
2019	2,344
2020	193,623
2021	138,947
Thereafter	—
Total	$337,258

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NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Assumptions and Other Inputs

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 — June 30, 2012. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	27 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.75%, net of investment expense
Projected salary increases	4.25% to 15.75%, varying by age
Inflation	2.75%
Cost-of-living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

For healthy participants, mortality rates were based on the RP-2000 Combined Healthy Mortality Table for males and females, as appropriate, set back 2 years and adjusted for mortality improvements generationally from 2004 based on Scale AA. For disabled participants, mortality rates were based on the RP-2000 Disabled Mortality Table, set back three years with generational improvement from 2004 using Scale AA. The RP-2000 Disabled Mortality Table, set back 3 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	61.0%	5.3%
Fixed Income	23.0%	0.8%
Real Estate	9.0%	3.8%
Private Equity	5.0%	6.0%
Hedge Funds	0.0%	3.0%
Infrastructure	2.0%	N/A
Commodities	0.0%	0.5%
Cash Equivalents	0.0%	0.0%
Total	100%	

FINANCIAL SECTION

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made as specified by Public Act 96-0889. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents CPS' net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts in thousands):

1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
$13,703,876	$11,011,400	$8,784,802

Implementation of GASB pronouncement: During fiscal year 2017, CPS implemented GASB pronouncement No. 82 — *Pension Issues — An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The implementation of this GASB resulted in a change in the treatment of how CPS handled contributions made by CPS on behalf of plan members. Specifically, contributions of this nature are now expensed as an employee benefit and not treated as a pension contribution. As a result, CPS made a restatement to reduce the beginning Net Position and deferred outflow of resources balances by $123.1 million.

Additional information regarding the CTPF basic financial statements including the Plan Net Position can be found in the CTPF comprehensive annual financial report by accessing the website at www.ctpf.org.

Pension — Other Personnel

Plan Description: All career service employees of CPS, except CPS employees who are members of the Public School Teachers' Pension and Retirement Fund, participate in the Municipal Employees' Annuity and Benefit Fund of Chicago (the "MEABF"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2016, CPS employed approximately 16,468 of the 30,296 active participants in the Annuity Fund.

Benefits Provided: If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions.

Tier 1 employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 60 or more with at least 10 years of service or age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per each year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a)(17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $850 per month.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted ½ percent for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

The highest salary for annuity purposes may not exceed the base of $106,800 beginning in 2011 and shall be adjusted annually by the lesser of a) 3% of that amount, including all prior adjustments, or b) ½ of the annual unadjusted percentage increase in the Consumer Price Index-U for the 12 months ending with the September preceding November 1, including all prior adjustments. The annual salary rate limitations for fiscal year 2015 and fiscal year 2016 were $111,600 and $112,500, respectively.

Contributions: Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (8.5%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of $106,800 adjusted by inflation. In fiscal year 2016, as in previous fiscal years, CPS agreed to pay a portion (7% for union and 5% for non-union members or $34.0 million) of the required employees' contribution for most employees. CPS also receives a portion of the cost of providing pension benefits from grants by the federal government for career service employees paid from certain federally-funded programs. The amount reflected as career service pension expenditures in the accompanying governmental fund financial statements is $65.5 million, $61.4 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $4.1 million is funded under federally-funded programs. The portion funded by the City of Chicago and Federal Government is also reflected as revenue in the General Operating Fund.

Employer Proportionate Share of Net Pension Liability: At December 31, 2016, the MEABF reported a net pension liability (NPL) of $18.855 billion. The amount of the proportionate share of the net pension liability recognized for CPS is $0. The proportionate share of the City's net pension liability associated with CPS is $7.529 billion or 39.9%. The net pension liability was measured as of December 31, 2016. The basis of allocation used in the proportionate share of net pension liability was CPS' proportionate share of covered payroll to the plan's total covered payroll for the 2016 calendar year, which approximates CPS' 2017 fiscal year.

Employer Proportionate Share of Pension Expense: The employer's proportionate share of collective pension expense is recognized as on-behalf payments as both revenue and expenditure/expense in CPS' financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported employee contributions made to MEABF during fiscal year 2017. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of $61.4 million for fiscal year 2017.

Employer Deferral of Fiscal Year 2017 Pension Contributions: CPS paid $4.1 million in federal, trust or grant contributions for the fiscal year ended June 30, 2017. Some contributions were made subsequent to the pension liability measurement date of December 31, 2016. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2017. Total pension expense for fiscal year 2017 was $65.5 million.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2005 — December 31, 2009. They are the same as the assumptions used in the December 31, 2015 actuarial valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry Age Normal
Actuarial Value of Assets	5 year smoothed market
Amortization Method	Level dollar amoritization
Remaining Amortization Period	30 years, open
Actuarial assumptions:	
Investment rate of return	7.50%, net of investment expense
Projected salary increases	4.5% - 8.25%, varying by years of service
Inflation	3.00%
Cost of living adjustments	Tier 1: 3.0% compound. Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

Post-retirement rates were based on the RP-2000 Combined Healthy Mortality Tables with mortality improvements projected to 2010 using Scale AA. The mortality rates for pre-retirement were based on the post-retirement mortality assumption, multiplied by 85% for males and 70% for females. The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26%	4.8%
International Equity	22%	5.0%
Fixed Income	27%	0.5%
Real Estate	10%	5.2%
Private Equity	5%	8.6%
Hedge Funds	10%	2.8%
Total	100%	

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Discount Rate: The discount rate used to measure the total pension liability was 3.91%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made as specified by Public Act 98-0641. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MEABF's Net Pension Liability to Changes in the Discount Rate: The amount of the proportionate share of the net pension liability recognized for CPS is $0. Therefore, changes in the discount rate would not affect CPS. However, regarding the sensitivity of MEABF's net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.91%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts in thousands):

1% Decrease (2.91%)	Current Discount (3.91%)	1% Increase (4.91%)
$22,351,267	$18,855,044	$15,983,851

Additional information regarding the MEABF basic financial statements including the Plan Net Position can be found in the MEABF comprehensive annual financial report by accessing the website at www.meabf.org.

Other Post Employment Benefits (OPEB)

Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple employer plan administered by the Pension Fund. The actuarial analysis is contained in the Pension Fund Annual Report and is available via the website of the Public School Teachers' Pension & Retirement Fund at http://www.ctpf.org/.

The Pension Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in a health insurance program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers. Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 50% of the individual member's cost for calendar years 2016, 2015 and 2014. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB 45. The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although CPS does not contribute directly to retirees' health care premiums, the impact does require increased contributions by CPS to build assets to the 90% requirement. As of June 30, 2016, there were 18,063 retirees and beneficiaries currently receiving health benefits in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CPS' annual OPEB cost for fiscal year 2017 are as follows (amounts in thousands):

Annual required contribution	$ 149,474
Interest on net OPEB obligation	66,327
Adjustment to annual required contribution	(76,830)
Annual OPEB cost	$ 138,971
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	$ 138,971
Net OPEB obligation, beginning of year	1,895,045
Net OPEB obligation, end of year	$2,034,016

The three-year trend information for the fund is as follows (amounts in thousands):

	2017	2016	2015
Annual OPEB cost	$ 138,971	$ 105,604	$ 109,194
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	$2,034,016	$1,895,045	$1,789,441

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent, closed
Remaining amortization period	27 years
Asset valuation method	Market
Actuarial assumptions:	
Discount rate	3.50%
Medical trend rate	7.75% graded to 4.5% over 8 years
Inflation	2.75%

As of the June 30, 2016 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $2.223 billion, and the actuarial value of assets was $20.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $2.202 billion, and a funded ratio of 0.91%. The covered payroll (annual payroll of active employees covered by the plan) was $2.071 billion, and the ratio of the UAAL to the covered payroll was 106.34%.

FINANCIAL SECTION

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Other Personnel

Actuarial studies on other personnel (personnel other than teachers and administrators) determined that no OPEB liability exists for those employees as of June 30, 2017.

NOTE 13. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

1) At the end of the fiscal year 2017, the General Operating Fund reported:

- $429 thousand of nonspendable fund balance for donations in which the principal may not be spent.
- Restricted fund balance consisted of $51.8 million for grants and donations and $27.3 million for tort liabilities.
- There is a negative fund balance in the general operating fund. This is due to the operating deficit of expenditures exceeding revenues.

2) At the end of the fiscal year 2017, the Debt Service Fund reported $2.4 million of nonspendable fund balance for prepaid items.

b. Statement of Net Position

The Statement of Net Position reports $835.4 million of restricted fund balance, of which $630.3 million is restricted for debt service, $125.5 million is restricted for capital projects, $52.3 million is restricted for programs funded by grants and donations, and $27.3 million is restricted for worker's comp/tort liabilities.

NOTE 14. LITIGATION AND CONTINGENCIES

a. State and Federal Aid Receipts

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of CPS management any potential adjustments to the Federal or State aid recorded by CPS through June 30, 2017 resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements as of June 30, 2017.

b. Pollution Remediation Obligation

In fiscal year 2017, CPS recorded a pollution remediation obligation of $12.6 million as current year expense in the Statement of Activities.

Several CPS facilities contain hazardous contaminates such as lead and asbestos, which is continually monitored by the school district. CPS' pollution remediation obligation is primarily related to the removal of lead and asbestos during the remodeling and/or expansion of CPS facilities. The pollution remediation obligation is derived from construction contracts and the amount assumes no unexpected change orders.

c. Vacant Property

In fiscal year 2013, CPS closed 47 schools of which some of the schools were identified to be demolished. In accordance with GASB 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* CPS recorded a liability for the estimated demolition cost of $18.7 million at June 30, 2013. In fiscal year 2016, three (3) of the buildings identified to be demolished were sold, decreasing the estimated liability to $13.3 million. In fiscal year 2017, an additional building was sold, decreasing the estimated liability by an additional $1 million. As of June 30, 2017, the estimated liability is $12.3 million.

NOTE 14. LITIGATION AND CONTINGENCIES (continued)

d. Financial Guarantees

As of June 30, 2017, CPS has entered into one nonexchange financial guarantee. The guarantee agreement is with Perspectives Charter Schools, effective July 1, 2003, which is a Charter School under the Chicago Board of Education. Perspectives Charter Schools has a Reimbursement Agreement with Harris Trust and Savings Bank and CPS has guaranteed to pay Harris Trust and Savings Bank all outstanding debt if Perspectives Charter Schools defaults in reimbursing the Bank according to the terms listed in the reimbursement agreement. This amount is not to exceed the lesser of $4.5 million (Principal Amount) or the carrying debt amount less $1 million. The guarantee agreement shall be of no further force or effect as of July 1, 2033, or after the gross available amount of the letter of credit has been reduced to $1 million or less. The gross available amount is scheduled to be reduced to $1 million as of July 1, 2031. Per the June 30, 2016 audited financial statements of Perspectives Charter Schools, the most recent audited financial information available, the outstanding balance of the revenue bonds is $4.1 million. Once the July 1, 2016 annual payment of $0.2 million is made the June 30, 2017 outstanding balance of the revenue bonds will be $3.9 million. This guarantee is still in place as of June 30, 2017, and CPS is not aware of any qualitative factors that would trigger an event of default. Therefore, CPS is not required to record a liability for this guarantee under GASB 70.

e. State Medicaid Reimbursement Overpayments

State of Illinois Medicaid billing rates for CPS Fee-For-Service reimbursements, are adjusted in arrears by the Illinois Department of Healthcare and Family Services (IHFS) on future claims. According to the State's analysis, overpayments were made to CPS in prior fiscal years, including fiscal year 2014 and 2015. IHFS estimates that the total CPS prior year overpayments for fiscal year 2014 rate adjustments amount to $2.1 million. CPS' contracted third party administrator for Medicaid determined that over payments for fiscal year 2015 rate adjustments are approximately $5.0 million. CPS recorded liabilities for both amounts as of June 30, 2017. Retroactive rate adjustments for fiscal year 2016 and fiscal year 2017 have not yet been determined.

f. Other Litigation and Claims

There are approximately five lawsuits and one union grievance that represent issues in which the financial loss to CPS has been determined to be a potential liability by CPS' law department in fiscal year 2017.

There are numerous other claims and pending legal actions involving CPS, including actions concerned with civil rights of employees, workers' compensation, torts and other matters, arising out of CPS' ordinary conduct of its business. Certain actions involve alleged damages in substantial amounts. The amounts of liability, if any, on these claims as of June 30, 2017, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However in fiscal year 2016, CPS had recorded a general accrual not specific to any pending legal action for these amounts and it remains in fiscal year 2017. In the opinion of CPS management and legal counsel, the final resolution of these claims and legal actions will not be material to CPS' financial statements as of June 30, 2017.

The liability for other litigation and claims, not including workers' compensation and general liability, increased by $1.5 million from $17.7 million in fiscal year 2016 to $19.2 million in fiscal year 2017.

NOTE 15 — TAX ABATEMENT

Tax abatements are a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

NOTE 15 — TAX ABATEMENT (continued)

Various tax incentive programs exist between Cook County and local businesses and developers that effect tax revenues received by CPS. These programs are Class 6b, Class 7a, Class 7b and Class 9 and are subject to approval by Cook County's Assessor Office based on applicable criteria. Businesses and developers are granted these incentives based on property classification.

The purpose of the Class 6b program is to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings. Properties receiving a Class 6b incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, and 20% in the 12th year. In calendar year 2016, there were 392 parcels receiving this incentive in the City of Chicago.

The purpose of the Class 7a and Class 7b programs are to encourage commercial development throughout Cook County in need of commercial development, which would not be economically feasible without the incentive. Properties receiving a Class 7a or 7b incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, and 20% in the 12th year. In calendar year 2016, there were 112 parcels receiving this incentive in the City of Chicago.

The purpose of the Class 9 programs are to reduce the assessment rate on rental projects for low-income multi-family rental buildings that involve substantial rehab or new construction, and where at least 35% of the units have 'affordable rents.' Properties receiving a Class 9 incentive are assessed at 10% of market value for an initial 10 year period, renewable upon application for additional 10 year periods. In calendar year 2016, there were 1,327 parcels receiving this incentive in the City of Chicago.

The goal of these programs are to attract new industry, commercial and real estate entities, stimulate expansion and retention of existing businesses, and increase employment opportunities.

In the absence of these incentives, the property tax would be assessed at 25% of its market value. These incentives constitutes a substantial reduction in the level of assessment and results in significant tax savings for eligible applicants. For the fiscal year 2017, the total estimated impact of these incentives to CPS is a reduction in property taxes for those properties in the amount of $37.5 million.

NOTE 16 — SUBSEQUENT EVENTS

Repayment of 2016 Tax Anticipation Notes

To finance cash flow deficits in fiscal year 2017, the Board issued $1.55 billion in aggregate principal amount of 2016 Tax Anticipation Notes in multiple series (the "2016 TANs") in anticipation of collection of its 2016 tax levy in 2017 in the amount of approximately $2.34 billion.

At the end of fiscal year 2017, the Board had outstanding $950 million of 2016 TANs. In August 2017, the Board repaid and ended all its Series 2016 TANs whereby no 2016 TANs remained outstanding.

Repayment of 2017 Grant Anticipation Notes

To finance cash flow deficits in fiscal year 2017, the Board issued $387 million in aggregate principal amount of 2017 Grant Anticipation Notes in two series (the "2017 GANs") in anticipation of the receipt of certain grants from the State of Illinois.

At the end of fiscal year 2017, the Board had outstanding $387 million of 2017 GANs. In September 2017, the Board repaid and ended all its Series 2017 GANs whereby no 2017 GANs remained outstanding.

NOTE 16 — SUBSEQUENT EVENTS (continued)

Issuance of 2017 Tax Anticipation Notes

After the end of fiscal year 2017, for fiscal year 2018, the Board approved a levy of *ad valorem* property taxes of approximately $2.423 billion for educational purposes (the "2017 Tax Levy") to be collected in calendar year 2018 and authorized the issuance of not to exceed $1.550 billion principal amount of 2017 Tax Anticipation Notes (the "2017 TANs") in anticipation of the collection of the 2017 Tax Levy. As of December 15, 2017, the Board has currently issued and has outstanding 2017 TANs in the total aggregate amount of $600 million. The Board expects to issue additional TANs throughout fiscal year 2018 to fund its cash flow needs in an amount up to the authorized amount of $1.55 billion.

The Series 2017 TANs sub-series designations are as follows: (1) $93.5 million Series 2017A1 tax anticipation notes closed on September 28, 2017; (2) $56.5 million of Series 2017A2 tax anticipation notes closed on September 28, 2017; (3) $200 million Series 2017B tax anticipation notes closed on October 6, 2017; and (4) $200 million Series 2017C tax anticipation notes closed on October 27, 2017; (5) $50 million Series 2017D tax anticipation notes closed on December 8, 2017. The Series 2017A1 and A2 TANs totaling $150 million were privately placed with Morgan Stanley. The Series 2017BC TANs were privately placed with PNC Bank. The Series 2017D TANs were privately placed with Capital Research and Management Company. The 2017 Tax Levy will be intercepted by a trustee, and it will be used to repay each issue.

The interest rate on each of the series of the Series 2017 TANs is a variable and equal to the lesser of: (i) the sum of (A) the product of (I) 0.70 multiplied by (II) one month LIBOR Rate, plus (B) 2.75%.

Principal of and interest on the 2017 TANs is payable on the respective sub-series maturity date of each series of the 2017 TANs from the revenues from the 2017 Tax Levy. Property taxes are payable in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill. The maturity date of the 2017A1, A2, B, C and D TANs is April 2, 2018.

Issuance of Unlimited Tax GO Bonds (Dedicated Alternate Revenue) Series 2017AB

On July 13, 2017, the Board issued fixed-rate $500.0 million Unlimited Tax GO Bonds (Dedicated Alternate Revenue), Series 2017AB (the "Series 2017AB Bonds") with an original issue discount of $33.4 million.

The proceeds of the Series 2017AB Bonds were used to provide working capital funds to the Board, finance the continued implementation of the Board's Capital Improvement Program, and pay the costs of issuance on the Series 2017AB Bonds.

The Series 2017AB Bonds are general obligations of the Board. The full faith, credit and the taxing power of the Board are pledged to the punctual payment of the principal and interest on the Series 2017AB Bonds. The debt service on the Series 2017AB Bonds will be paid from General State Aid Revenues.

Issuance of Unlimited Tax GO Bonds (Dedicated Alternate Revenue) Series 2017CDEFGH

On November 30, 2017, the Board issued fixed-rate $745 million Unlimited Tax GO Refunding Bonds (Dedicated Revenue), Series 2017CDEFG (the "Series 2017CDEFG Bonds"), and $280 million Unlimited Tax GO Bonds (Dedicated Revenue), Series 2017H (the "Series 2017H Bonds"), with an original issue premium of $30.3 million.

The proceeds of the Series 2017CDEFG Bonds were used to provide funds to refund or restructure certain outstanding bonds of the Board and fund capitalized interest on the Series 2017CDEFG Bonds, while the proceeds of the Series 2017H Bonds were used to finance the continued implementation of the Board's Capital Improvement Program.

FINANCIAL SECTION

NOTE 16 — SUBSEQUENT EVENTS (continued)

The Series 2017CDEFGH Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Series 2017CDEFGH Bonds. The debt service on the Series 2017CDEFGH Bonds will be paid from General State Aid Revenues, Personal Property Tax Revenues and Intergovernmental Agreement Revenues.

Issuance of Dedicated Capital Improvement Tax Bonds Series 2017

On November 30, 2017, the Board issued $64.9 million fixed-rate Dedicated Capital Improvement Tax Bonds, Series 2017 (the "2017 CIT Bonds") with an original issue premium of $5.6 million.

The proceeds of the 2017 CIT Bonds will be used to finance certain permitted capital improvement projects, make a deposit to a consolidated debt service reserve fund, fund capitalized interest on the 2017 CIT Bonds through April 1, 2018, and pay costs of issuance of the 2017 CIT Bonds.

The 2017 Bonds are limited obligations of the Board payable from and secured by revenues derived and to be derived by the Board from the levy of the CIT. The Board authorized the initial levy of the CIT in calendar year 2015 for collection in calendar year 2016. The CIT levy was created by the Illinois State Legislature in 2002, but not previously implemented. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the 2017 CIT Bonds.

State Funding of the Board Under Public Act 100-465

In August 2017, Public Act 100-465 ("PA 100-465") became effective. It provides a significant revision to the State's funding of the Board. One of the largest of these revisions related to PA 100-465, was that it established a new Evidence Based Funding Formula ("EBF Formula") for allocating state revenues to school districts beginning with the 2017-2018 school year. It replaced the State's previous method of allocating operating dollars to schools in Illinois. Under PA 100-465, the Board expects to receive significant additional revenues in fiscal year 2018 with final amounts still to be determined.

Teacher's Pension Fund Property Tax Levy and State Contributions

In August 2017, as a result of PA 100-465, the Board became authorized to increase its current 0.383% annual teacher's pension fund property tax levy on all real property within the boundaries of the school district to a maximum rate of 0.567%. The Board first authorized this increase of the levy to the maximum rate for the Tax Year 2017 in October 2017. The proceeds from this additional tax are expected to be approximately $130 million in fiscal year 2018 and will be paid directly to the Pension Fund to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. The Board's fiscal year 2018 budget reflects that a total of $405 million in revenue attributable to the overall 0.567% levy will be credited to its required Statutory Contribution to the Pension Fund due in June 2018; however, the Board and the Pension Fund have been in discussions since the summer of 2016 regarding the mechanisms by which the amounts of the tax levy attributable to the second installment may be credited to the Board's annual contribution due on June 30 of the year in which the tax is collected and an agreement on this credit has not been finalized with the Pension Fund.

NOTE 16 — SUBSEQUENT EVENTS (continued)

In addition, PA 100-465, provided for an increase in the required State Contribution to the Pension Fund in an amount of $221 million for fiscal year 2018 to cover "normal pension costs" of the Board teachers and other covered employees, similar to State funding that is provided to other schools districts in the State for teacher's pensions. This increase in State Contribution will bring the total contribution for fiscal year 2018 to $223 million by the State.

Teacher's Pension Fund Reduction of Actuarial Assumption Rate

As a result of board actions on September 21, 2017, the Teacher's Pension Fund Board approved a reduction of the actuarial assumption investment return rate from 7.75% to 7.50% to be effective as of June 30, 2017. At their December 14, 2017 meeting, the Teacher's Pension Fund Board approved an additional 0.25% reduction of the actuarial assumption investment return rate from 7.50% to 7.25%, a new consumer price index assumption of 2.5%, and a reduction in the wage inflation assumption from 3.50% to 3.25%, to be effective as of June 30, 2017. These changes will be effective for CPS in fiscal year 2018.

Revocation of Charter School which leases CPS facility

In December 2017, the Board approved the revocation of the charter of the Architecture, Construction and Engineering Technical Charter School (ACE Tech HS), effective as of July 1, 2018. ACE Tech HS currently leases a CPS property at 5410 S. State Street, which houses the charter school. The lease agreement states that it will be revoked upon revocation of the charter. At this time, CPS is determining future utilization of this property. Accordingly, CPS has determined that the assets associated with the property are not considered impaired.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES BY OBJECT
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL — GENERAL OPERATING FUND
For the Fiscal Year Ended June 30, 2017
(Thousands of Dollars)

	Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Budget	Fiscal Year Actual	Over (Under) Budget
Revenues:					
Property taxes	$2,607,809	$ —	$2,607,809	$2,613,889	$ 6,080
Replacement taxes	130,531	—	130,531	169,637	39,106
State aid	1,498,897	—	1,498,897	1,287,702	(211,195)
Federal aid	829,839	—	829,839	752,295	(77,544)
Interest and investment earnings	—	—	—	1,964	1,964
Other	263,148	—	263,148	265,099	1,951
Total revenues	$5,330,224	$ —	$5,330,224	$5,090,586	$(239,638)
Expenditures:					
Salaries —					
Teachers' salaries	$1,773,479	$ 41,524	$1,815,003	$1,815,309	$ 306
Career service salaries	576,398	26,372	602,770	581,665	(21,105)
Commodities —					
Energy	75,719	(595)	75,124	69,067	(6,057)
Food	97,095	(655)	96,440	94,911	(1,529)
Textbook	37,602	7,629	45,231	43,255	(1,976)
Supplies	38,056	16,315	54,371	44,040	(10,331)
Other	394	5	399	221	(178)
Services —					
Professional and special services	309,401	56,544	365,945	357,258	(8,687)
Charter Schools	677,988	22,947	700,935	668,412	(32,523)
Transportation	98,439	3,792	102,231	95,974	(6,257)
Tuition	59,630	1,437	61,067	53,668	(7,399)
Telephone and telecommunications	28,499	4,558	33,057	21,998	(11,059)
Other	20,430	3,034	23,464	13,814	(9,650)
Equipment — educational	24,451	9,607	34,058	30,967	(3,091)
Building and Sites —					
Repair and replacements	20,236	(725)	19,511	18,319	(1,192)
Capital outlay	301	1,785	2,086	1,017	(1,069)
Teachers' pension	843,643	4,384	848,027	853,474	5,447
Career service pension	92,607	9,612	102,219	99,428	(2,791)
Hospitalization and dental insurance	359,126	(43,316)	315,810	306,871	(8,939)
Medicare	36,449	(1,961)	34,488	33,658	(830)
Unemployment compensation	8,499	(1,165)	7,334	7,040	(294)
Workers compensation	20,593	(487)	20,106	20,531	425
Rent	15,023	1,714	16,737	14,638	(2,099)
Debt service	34,000	—	34,000	38,735	4,735
Other	163,015	(162,355)	660	13,488	12,828
Total expenditures	$5,411,073	$ —	$5,411,073	$5,297,758	$(113,315)
Revenues in excess of (less than) expenditures	$ (80,849)	$ —	$ (80,849)	$ (207,172)	$(126,323)
Other financing sources (uses):					
Insurance proceeds	$ —	$ —	$ —	$ 224	$ 224
Transfers in / (out)	—	—	—	58,350	58,350
Total other financing sources (uses)	$ —	$ —	$ —	$ 58,574	$ 58,574
Net change in fund balances	$ (80,849)	$ —	$ (80,849)	$ (148,598)	$ (67,749)
Fund balances, beginning of period	(126,632)	—	(126,632)	(126,632)	—
Fund balances, end of period	$ (207,481)	$ —	$ (207,481)	$ (275,230)	$ (67,749)

See Independent Auditors' Report.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Three Fiscal Years Ended June 30, 2017

(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago:

	2015	2016	2017
CPS Proportion of the Net Pension Liability	100.00%	100.00%	100.00%
CPS Proportionate Share of the Net Pension Liability	$9,501,206	$10,023,263	$11,011,400
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	—	—	—
Total	$9,501,206	$10,023,263	$11,011,400
CPS Covered Employee Payroll	$2,233,281	$ 2,273,551	$ 2,281,269
CPS Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	425.44%	440.86%	482.69%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%	51.61%	47.78%

Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015	2016	2017
CPS Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
CPS Proportionate Share of the Net Pension Liability	$ —	$ —	$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with CPS	2,779,767	7,829,700	7,529,116
Total	$2,779,767	$7,829,700	$7,529,116
Covered Employee Payroll	$ 625,161	$ 691,178	$ 657,649
CPS Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%	20.30%	19.05%

NOTES:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See Independent Auditors' Report.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF CPS' CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS

For the Three Fiscal Years Ended June 30, 2017

(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

Year Ended	Total Contractually Required Contributions	Contributions made on behalf of CPS by the State of Illinois	CPS Contributions related to the Contractually Required contributions	Total Contributions	Contribution Deficiency (Excess)	CPS' Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	$745,386	$ 1,016	$733,200	$734,216	$11,170	$2,030,175	36.17%
June 30, 2016	687,965	12,105	675,860	687,965	—	2,281,269	30.16%
June 30, 2015	696,522	62,145	634,377	696,522	—	2,273,551	30.64%

NOTE:

The contribution deficiency consists of amounts that are made on behalf of CPS by the State of Illinois, which the State will pay in fiscal year 2018. CPS is not required to make any additional contributions.

Municipal Employees' Annuity and Benefit Fund of Chicago

Year Ended	Contractually Required Contributions	Contributions made on behalf of CPS by the City of Chicago	Total Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	$387,381	$61,382	$61,382	$325,999	$657,649	9.33%
June 30, 2016	288,660	61,885	61,885	226,775	691,178	8.95%
June 30, 2015	327,225	58,200	58,200	269,025	625,161	9.31%

NOTE:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available.

The Schedule is intended to show information for 10 years.

See Independent Auditors' Report.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits
(Thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2016	$20,230	$2,222,546	$2,202,316	0.91%	$2,071,041	106.34%
6/30/2015	21,713	1,910,992	1,889,279	1.14%	2,155,604	87.64%
6/30/2014	35,977	1,938,856	1,902,879	1.86%	2,233,281	85.21%
6/30/2013	35,797	2,386,106	2,350,309	1.50%	2,239,347	104.96%
6/30/2012	34,125	3,110,316	3,076,191	1.10%	2,224,903	138.26%
6/30/2011	31,325	3,071,517	3,040,192	1.02%	2,090,132	145.45%
6/30/2010	34,858	2,864,877	2,830,019	1.22%	2,107,934	134.26%
6/30/2009	49,692	2,670,283	2,620,591	1.86%	1,996,194	131.28%
6/30/2008	44,989	2,407,122	2,362,133	1.87%	1,914,559	123.38%
6/30/2007	47,402	2,022,008	1,974,606	2.34%	1,863,182	105.98%

See Independent Auditors' Report.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

General Operating Fund

The General Operating Fund is the primary operating fund of the Board. It was created in response to the provisions of P.A. 89-15 which consolidated all of the rate-limited tax levies into the Board's general education tax levy. All information in this fund is presented in accordance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. The General Operating Fund includes all the revenues and expenditures of the following programs: Educational Program; CTPF Pension Levy Program; Supplementary General State Aid Program; School Food Service Program; Elementary and Secondary Education Act Program; Individuals with Disabilities Education Act Program; Workers' and Unemployment Compensation/Tort Immunity Program; Public Building Commission Operations and Maintenance Program, and Other Government-funded Programs.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE

FINAL APPROPRIATIONS AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

	Final Budget	Fiscal Year 2017 Actual	Over (Under) Budget	Fiscal Year 2016 Actual	2017 Over (Under) 2016
Revenues:					
Property taxes	$2,607,809	$2,613,889	$ 6,080	$2,313,469	$ 300,420
Replacement taxes	130,531	169,637	39,106	115,961	53,676
State aid	1,498,897	1,287,702	(211,195)	1,398,855	(111,153)
Interest and investment earnings	—	1,964	1,964	1,347	617
Federal aid	829,839	752,295	(77,544)	776,278	(23,983)
Other	263,148	265,099	1,951	271,857	(6,758)
Total revenues	$5,330,224	$5,090,586	$(239,638)	$4,877,767	$ 212,819
Expenditures:					
Teachers' salaries	$1,815,003	$1,815,309	$ 306	$1,869,683	$ (54,374)
Career service salaries	602,770	581,665	(21,105)	605,817	(24,152)
Energy	75,124	69,067	(6,057)	70,227	(1,160)
Food	96,440	94,911	(1,529)	98,777	(3,866)
Textbook	45,231	43,255	(1,976)	54,856	(11,601)
Supplies	54,371	44,040	(10,331)	47,085	(3,045)
Other commodities	399	221	(178)	294	(73)
Professional fees	365,945	357,258	(8,687)	314,732	42,526
Charter Schools	700,935	668,412	(32,523)	704,981	(36,569)
Transportation	102,231	95,974	(6,257)	104,450	(8,476)
Tuition	61,067	53,668	(7,399)	61,028	(7,360)
Telephone and telecommunications	33,057	21,998	(11,059)	24,579	(2,581)
Other services	23,464	13,814	(9,650)	16,471	(2,657)
Equipment – educational	34,058	30,967	(3,091)	45,407	(14,440)
Repair and replacements	19,511	18,319	(1,192)	18,853	(534)
Capital outlay	2,086	1,017	(1,069)	1,135	(118)
Teachers' pension	848,027	853,474	5,447	811,051	42,423
Career service pension	102,219	99,428	(2,791)	102,762	(3,334)
Hospitalization and dental insurance	315,810	306,871	(8,939)	348,083	(41,212)
Medicare	34,488	33,658	(830)	34,824	(1,166)
Unemployment compensation	7,334	7,040	(294)	9,438	(2,398)
Workers compensation	20,106	20,531	425	20,338	193
Rent	16,737	14,638	(2,099)	16,011	(1,373)
Debt service	34,000	38,735	4,735	25,003	13,732
Other fixed charges	660	13,488	12,828	8,961	4,527
Total expenditures	$5,411,073	$5,297,758	$(113,315)	$5,414,846	$(117,088)
Revenues in excess of (less than) expenditures	$ (80,849)	$ (207,172)	$(126,323)	$ (537,079)	$ 329,907
Other financing sources (uses):					
Insurance proceeds	$ —	$ 224	$ 224	$ —	$ 224
Transfers in / (out)	—	58,350	58,350	50,162	8,188
Total other financing sources (uses)	$ —	$ 58,574	$ 58,574	$ 50,162	$ 8,412
Net change in fund balances	$ (80,849)	$ (148,598)	$ (67,749)	$ (486,917)	$ 338,319
Fund balances, beginning of period	(126,632)	(126,632)	—	360,285	(486,917)
Fund balances, end of period	$ (207,481)	$ (275,230)	$ (67,749)	$ (126,632)	$(148,598)

FINANCIAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Capital Projects Fund

The Capital Projects Fund is for the receipts and expenditures of revenues for Board capital projects. This fund includes the Capital Asset Program and the Capital Improvement Program.

Capital Asset Program:

This program is for the receipts and expenditures of proceeds from the sale of certain Board real estate, and other miscellaneous capital project revenues from various sources as designated by the Board.

Capital Improvement Program:

This program is for the receipts and expenditures of proceeds from the sale of Unlimited Tax GO Bonds, Public Building Commission Building Revenue Bonds, State of Illinois construction grant receipts and federal E-rate capital subsidies for the purpose of building and improving schools at the designation of the Board.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
Property taxes	$ —	$ 48,409	$ 48,409
State aid	—	30,150	30,150
Federal aid	—	6,653	6,653
Interest and investment earnings	—	2,077	2,077
Other	—	21,090	21,090
Total revenues	$ —	$108,379	$108,379
Expenditures:			
Capital outlay	$ 105	$204,730	$204,835
Total expenditures	$ 105	$204,730	$204,835
Revenues in excess of expenses	$ (105)	$ (96,351)	$ (96,456)
Other financing sources:			
Gross amounts from debt issuances	$ —	$811,619	$811,619
Discounts	—	(36,097)	(36,097)
Sales of general capital assets	6,272	—	6,272
Total other financing sources (uses)	$ 6,272	$775,522	$781,794
Net change in fund balances	$ 6,167	$679,171	$685,338
Fund balances, beginning of period	40,820	66,428	107,248
Fund balances, end of period	$46,987	$745,599	$792,586

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL ASSET PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Expenditures:					
Services	$ 16	$ 105	$ 89	$ 41	$ 64
Educational equipment	8	—	(8)	—	—
Capital outlay	5,996	—	(5,996)	197	(197)
Total expenditures	$ 6,020	$ 105	$ (5,915)	$ 238	$ (133)
Revenues less than expenditures	$ (6,020)	$ (105)	$ 5,915	$ (238)	$ 133
Other financing sources:					
Sales of general capital assets	$ —	$ 6,272	$ 6,272	$15,012	$ (8,740)
Total other financing sources (uses)	$ —	$ 6,272	$ 6,272	$15,012	$ (8,740)
Net change in fund balance	$ (6,020)	$ 6,167	$12,187	$14,774	$ (8,607)
Fund balance, beginning of period	40,820	40,820	—	26,046	14,774
Fund balance, end of period	$34,800	$46,987	$12,187	$40,820	$ 6,167

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Property taxes	$ —	$ 48,409	$ 48,409	$ 42,588	$ 5,821
State aid	14,772	30,150	15,378	39,430	(9,280)
Federal aid	6,000	6,653	653	7,707	(1,054)
Interest and investment earnings	—	2,077	2,077	84	1,993
Other	39,432	21,090	(18,342)	62,910	(41,820)
Total revenues	$ 60,204	$108,379	$ 48,175	$ 152,719	$ (44,340)
Expenditures:					
Salaries	$ 730	$ 676	$ (54)	$ 824	$ (148)
Services	10,111	13,415	3,304	16,828	(3,413)
Educational equipment	86	3	(83)	—	3
Capital outlay	1,197,777	184,446	(1,013,331)	269,049	(84,603)
Pension	106	106	—	146	(40)
Hospitalization and dental insurance	43	43	—	65	(22)
Medicare	9	9	—	11	(2)
Unemployment compensation	2	2	—	3	(1)
Workers compensation	6	6	—	7	(1)
Other	830	6,024	5,194	6,140	(116)
Total expenditures	$ 1,209,700	$204,730	$(1,004,970)	$ 293,073	$ (88,343)
Revenues in excess of expenditures	$(1,149,496)	$ (96,351)	$ 1,053,145	$(140,354)	$ 44,003
Other financing sources:					
Gross amounts from debt issuances	$ 330,975	$811,619	$ 480,644	$ 428,892	$382,727
Discounts	—	(36,097)	(36,097)	(64,953)	28,856
Total other financing sources	$ 330,975	$775,522	$ 444,547	$ 363,939	$411,583
Net change in fund balance	$ (818,521)	$679,171	$ 1,497,692	$ 223,585	$455,586
Fund balance, beginning of period	66,428	66,428	—	(157,157)	223,585
Fund balance, end of period	$ (752,093)	$745,599	$ 1,497,692	$ 66,428	$679,171

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Debt Service Fund

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest and redemption for GO bonds by the Board and for lease payments to the Public Building Commission. The fund includes the Bond Redemption and Interest Program and the Public Building Commission Leases Program.

Bond Redemption and Interest Program:

This program is for the receipt and expenditure of replacement taxes, City of Chicago Intergovernmental Agreement Revenue, State of Illinois construction grant receipts and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program:

This program is for the receipt and expenditure of tax levies and for State of Illinois construction grant receipts for the rental of school buildings from the Public Building Commission.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2017
(Thousands of Dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ —	$52,658	$ 52,658
Replacement taxes	58,284	—	58,284
State aid	391,013	—	391,013
Federal aid	24,995	—	24,995
Interest and investment earnings	1,260	141	1,401
Other	100,856	—	100,856
Total revenues	$576,408	$52,799	$629,207
Expenditures:			
Current:			
Debt service	$478,939	$52,020	$530,959
Total expenditures	$478,939	$52,020	$530,959
Revenues in excess of (less than) expenditures	$ 97,469	$ 779	$ 98,248
Other financing sources (uses):			
Gross amounts from debt issuances	$ 67,961	$ —	$ 67,961
Transfers in / (out)	(58,245)	(105)	(58,350)
Total other financing sources (uses)	$ 9,716	$ (105)	$ 9,611
Net change in fund balances	$107,185	$ 674	$107,859
Fund balances, beginning of period	410,989	58,318	469,307
Fund balances, end of period	$518,174	$58,992	$577,166

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOND REDEMPTION AND INTEREST PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Replacement taxes	$ 58,284	$ 58,284	$ —	$ 45,574	$ 12,710
State aid	373,413	391,013	17,600	114,041	276,972
Federal aid	24,827	24,995	168	25,015	(20)
Interest and investment earnings	—	1,260	1,260	(97,225)	98,485
Other	95,500	100,856	5,356	102,274	(1,418)
Total revenues	$552,024	$576,408	$ 24,384	$ 189,679	$ 386,729
Expenditures:					
Debt Service	$511,715	$478,939	$(32,776)	$ 403,288	$ 75,651
Total expenditures	$511,715	$478,939	$(32,776)	$ 403,288	$ 75,651
Revenues less than expenditures	$ 40,309	$ 97,469	$ 57,160	$(213,609)	$ 311,078
Other financing sources:					
Gross amounts from debt issuances	$ —	$ 67,961	$ 67,961	$ 296,107	$(228,146)
Discounts	—	—	—	(45,118)	45,118
Payment to refunded bond escrow agent	—	—	—	(120,856)	120,856
Transfers in / (out)	4,585	(58,245)	(62,830)	(50,066)	(8,179)
Total other financing sources	$ 4,585	$ 9,716	$ 5,131	$ 80,067	$ (70,351)
Net change in fund balance	$ 44,894	$107,185	$ 62,291	$(133,542)	$ 240,727
Fund balance, beginning of period	410,989	410,989	—	544,531	(133,542)
Fund balance, end of period	$455,883	$518,174	$ 62,291	$ 410,989	$ 107,185

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PUBLIC BUILDING COMMISSION LEASES PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2017	Variance	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:					
Property taxes	$52,020	$52,658	$ 638	$52,358	$300
Interest and investment earnings	—	141	141	144	(3)
Total revenues	$52,020	$52,799	$ 779	$52,502	$297
Expenditures:					
Debt Service	$52,020	$52,020	$ —	$51,997	$ 23
Total expenditures	$52,020	$52,020	$ —	$51,997	$ 23
Revenues less than expenditures	$ —	$ 779	$ 779	$ 505	$274
Other financing sources:					
Transfers in / (out)	$ —	$ (105)	$(105)	$ (96)	$ (9)
Total other financing sources	$ —	$ (105)	$(105)	$ (96)	$ (9)
Net change in fund balance	$ —	$ 674	$ 674	$ 409	$265
Fund balance, beginning of period	58,318	58,318	—	57,909	409
Fund balance, end of period	$58,318	$58,992	$ 674	$58,318	$674

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

This part of CPS' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about CPS' overall financial position.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how CPS' financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess CPS' major revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of CPS' current levels of outstanding debt and CPS' ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which CPS' financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in CPS' financial report relates to the services CPS provides and the activities it performs.

Sources:

Unless otherwise noted, the information contained herein is derived from the comprehensive annual financial reports for the relevant year.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Thousands of dollars)

	2008	2009 (1) (as restated)	2010 (2)	2011 (3)	2012 (4) (as restated)	2013	2014	2015	2016 (5) (as restated)	2017
Net investment in capital assets	$ 133,440	$ 30,202	$ 440,099	$ 370,159	$ 310,028	$ 80,009	$ (37,194)	$ (159,007)	$ (342,529)	$ (644,224)
Restricted for:										
Capital projects	—	—	—	—	—	—	—	—	—	125,516
Debt service	445,782	391,392	442,851	276,097	282,253	345,399	368,794	445,663	510,743	630,308
Donations	1,826	3,695	5,825	—	—	—	—	—	—	—
Enabling legislation	102,695	101,072	109,163	—	—	—	—	—	—	—
Grants and donations	—	—	—	70,045	70,302	63,862	61,451	64,584	65,282	52,287
Workers' comp/tort immunity	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	27,344
Unrestricted	(784,702)	(1,017,248)	(1,916,207)	(2,009,152)	(2,552,441)	(3,358,734)	(4,372,335)	(11,604,516)	(12,362,437)	(13,201,900)
Total net position	$(100,959)	$ (490,887)	$ (918,269)	$(1,201,815)	$(1,797,178)	$(2,804,479)	$(3,959,446)	$(11,211,903)	$(12,093,825)	$(13,010,669)

1) For fiscal year 2009, the amounts for net position restricted for debt service and unrestricted net position were restated to reflect the effects of GASB 54 adopted in fiscal year 2010.
2) Certain items in the fiscal year 2010 financial statements were reclassified to conform with the fiscal year 2011 presentation. These reclassifications had no impact in the total net position as previously reported.
3) Certain items in the fiscal year 2011 financial statements were reclassified to conform with the fiscal year 2012 presentation. These reclassifications had no impact in the total net position as previously reported.
4) Certain items in the fiscal year 2012 financial statements were restated to reflect the effects of GASB 63 and GASB 65 adopted in fiscal year 2013.
5) Certain items in the fiscal year 2016 financial statements were restated to reflect the effects of GASB 82 adopted in fiscal year 2017.

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Expenses:										
Instruction	$ 3,138,036	$ 3,324,936	$ 3,507,221	$ 3,712,681	$ 3,742,788	$ 4,040,352	$ 4,139,906	$ 4,217,996	$ 3,870,330	$ 4,024,653
Pupil support services	384,765	408,705	438,164	545,428	483,167	494,076	487,139	484,745	470,316	472,176
Administrative support services	205,693	233,361	201,908	187,559	192,605	211,294	241,913	249,662	318,736	301,053
Facilities support services	519,982	582,539	481,245	499,093	455,342	490,381	654,971	477,892	454,652	465,170
Instructional support services	496,708	512,427	523,851	541,714	473,202	491,137	474,926	492,232	468,999	460,568
Food services	193,614	203,880	207,127	215,609	219,382	234,659	205,989	207,834	211,288	213,920
Community services	46,779	56,392	50,879	47,021	38,941	39,946	37,507	37,997	36,967	39,625
Interest expense	274,356	259,850	258,360	285,577	310,452	337,053	335,237	332,023	365,136	448,126
Other	10,652	8,504	12,919	8,845	8,115	7,043	6,134	6,319	7,388	12,691
Total governmental activities	$ 5,270,585	$ 5,590,594	$ 5,681,674	$ 6,043,527	$ 5,923,994	$ 6,345,941	$ 6,583,722	$ 6,506,700	$ 6,203,812	$ 6,437,982
Program revenues:										
Charges for services										
Instruction	$ 3,940	$ 5,189	$ 4,308	$ 692	$ 727	$ 700	$ 657	$ 571	$ 612	$ 647
Food services	8,537	8,298	6,881	6,404	6,083	5,554	3,485	1,303	1,336	1,522
Operating grants and contributions	945,723	1,250,526	1,376,744	1,368,118	1,196,073	963,325	1,086,885	1,051,655	1,147,750	1,156,382
Capital grants and contributions	128,570	151,405	99,054	184,837	112,914	186,394	162,403	356,189	109,766	57,658
Total program revenues	$ 1,086,770	$ 1,415,418	$ 1,486,987	$ 1,560,051	$ 1,315,797	$ 1,155,973	$ 1,253,430	$ 1,409,718	$ 1,259,464	$ 1,216,209
Revenues (less than) expenditures	$(4,183,815)	$(4,175,176)	$(4,194,687)	$(4,483,476)	$(4,608,197)	$(5,189,968)	$(5,330,292)	$(5,096,982)	$(4,944,348)	$(5,221,773)
General revenues and other changes in net position:										
Taxes:										
Property taxes	$ 1,861,781	$ 1,936,656	$ 1,896,265	$ 2,053,119	$ 2,089,016	$ 2,156,943	$ 2,218,033	$ 2,302,881	$ 2,399,287	$ 2,696,046
Replacement taxes	215,489	188,503	152,497	197,762	181,927	185,884	188,040	202,148	161,535	227,921
Non-program state aid	1,756,386	1,603,926	1,532,679	1,792,747	1,611,726	1,688,611	1,572,564	1,492,019	1,442,822	1,212,143
Interest and investment earnings	85,896	43,692	12,734	17,101	20,683	7,879	15,563	(47,720)	(18,706)	5,442
Gain recognized from swaptions earnings	—	—	—	—	—	—	—	—	—	—
Gain on sale of capital assets	45,386	91	—	—	—	—	—	—	10,058	7,008
Other	4,369	56,132	173,130	139,201	147,550	143,350	181,125	125,638	190,480	156,369
Extraordinary item — gain on impairment of capital assets	—	708	—	—	—	—	—	—	—	—
Total general revenues and extraordinary item	$ 3,969,307	$ 3,829,708	$ 3,767,305	$ 4,199,930	$ 4,050,902	$ 4,182,667	$ 4,175,325	$ 4,074,966	$ 4,185,476	$ 4,304,929
Change in net position	$ (214,508)	$ (345,468)	$ (427,382)	$ (283,546)	$ (557,295)	$(1,007,301)	$(1,154,967)	$(1,022,016)	$ (758,872)	$ (916,844)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF FUND BALANCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General operating fund										
Reserved	$ 237,205	$215,452	$226,154	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	432,391	311,422	198,461	—	—	—	—	—	—	—
Nonspendable	—	—	—	1,972	3,329	1,720	429	429	429	429
Restricted for grants and donations	—	—	—	69,616	69,873	63,434	61,022	64,155	64,854	51,858
Restricted for workers' comp/tort immunity	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	27,344
Assigned for educational services	—	—	—	289,000	—	—	—	—	—	—
Assigned for appropriated fund balance	—	—	—	181,300	348,900	562,682	267,652	79,225	—	—
Assigned for commitments and contracts	—	—	—	102,163	110,397	105,664	87,067	73,101	—	—
Unassigned	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)	(354,861)
Total general operating fund	$ 669,596	$526,874	$424,615	$740,380	$1,068,754	$949,143	$436,008	$ 360,285	$(126,632)	$ (275,230)
All other governmental funds										
Reserved	$ 541,068	$373,010	$604,733	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Capital projects fund	337,506	—	33,846	—	—	—	—	—	—	—
Debt service fund	178,489	154,616	124,556	—	—	—	—	—	—	—
Nonspendable	—	—	—	—	5,674	4,388	—	—	—	2,356
Restricted for capital improvement program	—	—	—	182,884	88,762	169,368	—	—	107,248	792,586
Restricted for debt service	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116	660,501
Assigned for debt service	—	—	—	231,413	254,967	269,167	193,877	57,057	—	—
Unassigned (deficit)	—	—	—	—	—	—	(91,953)	(131,111)	(65,809)	(85,691)
Total all other governmental funds	$1,057,063	$527,626	$763,135	$685,940	$ 681,920	$909,889	$593,476	$ 471,329	$ 576,555	$1,369,752

NOTE:

1) Since fiscal year 2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

STATISTICAL SECTION

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014 (2)	2015	2016	2017
Revenues:										
Property taxes	$ 1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$ 2,304,656	$2,408,416	$2,714,956
Replacement taxes	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	227,921
State aid	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,708,865
Federal aid	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999	783,943
Interest and investment earnings	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	5,442
Other	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	387,045
Total revenues	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667	$5,828,172
Expenditures:										
Current:										
Instruction	$ 2,575,124	$2,773,440	$2,898,855	$2,955,772	$2,992,481	$3,034,509	$3,126,689	$ 3,253,484	$2,970,553	$2,859,105
Pupil support services	362,325	390,399	416,502	508,803	469,366	454,240	457,939	459,672	448,254	441,324
General support services	986,905	1,057,672	1,010,637	1,023,004	967,692	941,270	987,048	972,526	1,044,740	948,943
Food services	181,778	194,603	196,828	201,325	213,115	215,739	193,642	197,084	201,377	199,944
Community services	45,708	56,003	50,331	45,848	39,794	39,656	37,460	38,003	37,497	39,607
Teachers' pension and retirement benefits	206,651	237,011	294,424	149,377	183,499	227,766	593,225	676,078	664,123	708,941
Other	10,652	8,504	11,928	8,845	8,115	7,043	6,134	6,319	7,388	12,691
Capital outlay	466,895	672,412	705,691	580,363	591,148	519,604	534,980	391,953	308,091	217,303
Debt service:										
Principal	60,568	81,351	141,977	70,848	88,466	73,423	148,272	214,707	139,096	152,638
Interest	206,028	212,934	236,261	249,975	275,707	304,788	315,927	310,923	310,778	375,679
Other charges	15,546	7,921	8,359	11,274	10,321	12,198	3,705	7,863	31,545	77,377
Total expenditures	$ 5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$ 6,528,612	$6,163,442	$6,033,552
Revenues (less than) expenditures	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,091,347)	$ (890,775)	$ (205,380)
Other financing sources (uses):										
Gross amounts from debt issuances	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600	$ 561,880	$ 724,999	$ 879,580
Premiums on bonds issued	41,226	—	6,459	14,700	1,229	47,271	—	—	—	—
Insurance proceeds	—	1,155	—	—	—	—	—	—	—	224
Sales of general capital assets	6,404	91	—	—	—	723	7,301	37,504	15,012	6,272
Payment to refunded bond escrow agent	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)	—
Transfers in	3,813	20,389	—	—	—	—	—	—	—	—
Transfers out	(3,813)	(20,389)	—	—	—	—	—	—	—	—
Proceeds from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	(12,502)	(110,071)	(36,097)
Capital leases	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 200,172	$ 509,084	$ 849,979
Net changes in fund balances	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	$ 644,599
Debt service as a percentage of noncapital expenditures	5.61%	5.71%	7.07%	6.09%	6.89%	7.02%	7.64%	8.47%	7.68%	9.09%

NOTES:

1) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES BY SOURCE — ALL PROGRAMS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008		2009		2010		2011		2012		2013		2014 (as restated)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:														
Property taxes	$1,813,917	36.1%	$1,896,540	37.8%	$2,047,163	38.6%	$1,936,655	34.2%	$2,352,136	40.8%	$2,211,568	41.1%	$2,204,252	40.5%
Replacement taxes	215,489	4.3%	188,503	3.8%	152,497	2.9%	197,762	3.5%	181,927	3.2%	185,884	3.4%	188,041	3.5%
State aid	1,846,034	36.8%	1,511,886	30.1%	1,552,076	29.3%	1,949,781	34.5%	1,965,901	34.1%	1,815,798	33.7%	1,840,805	33.9%
Federal aid	876,041	17.5%	1,125,580	22.4%	1,180,148	22.3%	1,144,884	20.2%	935,951	16.2%	845,796	15.7%	907,241	16.7%
Interest and investment earnings	85,895	1.7%	43,693	0.9%	12,483	0.2%	13,399	0.2%	20,760	0.4%	7,303	0.1%	15,596	0.3%
Other	181,028	3.6%	253,376	5.0%	359,661	6.7%	417,516	7.4%	303,744	5.3%	322,128	6.0%	286,472	5.3%
Total revenues	$5,018,404	100.0%	$5,019,578	100.0%	$5,304,028	100.0%	$5,659,997	100.0%	$5,760,419	100.0%	$5,388,477	100.0%	$5,442,407	100.0%

	2015		2016		2017	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$2,304,656	42.4%	$2,408,416	45.7%	$2,714,956	46.6%
Replacement taxes	202,148	3.7%	161,535	3.1%	227,921	3.9%
State aid	1,847,069	34.0%	1,552,325	29.4%	1,708,865	29.3%
Federal aid	798,931	14.7%	808,999	15.3%	783,943	13.5%
Interest and investment earnings	(92,825)	-1.7%	(95,650)	-1.8%	5,442	0.1%
Other	377,286	6.9%	437,042	8.3%	387,045	6.6%
Total revenues	$5,437,265	100.0%	$5,272,667	100.0%	$5,828,172	100.0%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

EXPENDITURES BY FUNCTION — ALL PROGRAMS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008		2009		2010		2011		2012		2013		2014	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:														
Current:														
Instruction	$2,575,124	50.3%	$2,773,440	48.7%	$2,898,855	48.5%	$2,955,772	50.9%	$2,992,481	51.3%	$3,034,509	52.0%	$3,126,689	48.8%
Pupil support services	362,325	7.1%	390,399	6.9%	416,502	7.0%	508,803	8.8%	469,366	8.0%	454,240	7.9%	457,939	7.1%
General support services	986,905	19.3%	1,057,672	18.6%	1,010,637	17.0%	1,023,004	17.6%	967,692	16.6%	941,270	16.1%	987,048	15.4%
Food services	181,778	3.6%	194,603	3.4%	196,828	3.3%	201,325	3.5%	213,115	3.7%	215,739	3.7%	193,642	3.0%
Community services	45,708	0.9%	56,003	1.0%	50,331	0.8%	45,848	0.8%	39,794	0.7%	39,656	0.7%	37,460	0.6%
Teachers' pension and retirement benefits	206,651	4.0%	237,011	4.2%	294,424	4.9%	149,377	2.6%	183,499	3.1%	227,766	3.9%	593,225	9.3%
Other	10,652	0.2%	8,504	0.1%	11,928	0.2%	8,845	0.1%	8,115	0.1%	7,043	0.1%	6,134	0.1%
Capital outlay	466,895	9.1%	672,412	11.8%	705,691	11.8%	580,363	10.0%	591,148	10.1%	519,604	8.9%	534,980	8.4%
Debt service	282,142	5.5%	302,206	5.3%	386,597	6.5%	332,097	5.7%	374,494	6.4%	390,409	6.7%	467,904	7.3%
Total expenditures	$5,118,180	100.0%	$5,692,250	100.0%	$5,971,793	100.0%	$5,805,434	100.0%	$5,839,704	100.0%	$5,830,236	100.0%	$6,405,021	100.0%

	2015		2016		2017	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$3,253,484	49.9%	$2,970,553	48.1%	$2,859,105	47.5%
Pupil support services	459,672	7.1%	448,254	7.3%	441,324	7.3%
General support services	972,526	14.9%	1,044,740	17.0%	984,943	16.3%
Food services	197,084	3.0%	201,377	3.3%	199,944	3.3%
Community services	38,003	0.6%	37,497	0.6%	39,607	0.7%
Teachers' pension and retirement benefits	676,078	10.4%	664,123	10.8%	708,941	11.7%
Other	6,319	0.1%	7,388	0.1%	12,691	0.2%
Capital outlay	391,953	6.0%	308,091	5.0%	217,303	3.6%
Debt service	533,493	8.0%	481,419	7.8%	569,694	9.4%
Total expenditures	$6,528,612	100.0%	$6,163,442	100.0%	$6,033,552	100.0%

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over (Under) 2016
Revenues:			
Local taxes:			
Property taxes	$2,613,889	$2,313,470	$ 300,419
Replacement taxes	169,637	115,961	53,676
Total revenue from local taxes	$2,783,526	$2,429,431	$ 354,095
Local nontax revenue:			
Interest and investment earnings	$ 1,964	$ 1,347	$ 617
Lunchroom operations	1,309	—	1,309
Other	263,790	271,858	(8,068)
Total revenue from nontax revenue	$ 267,063	$ 273,205	$ (6,142)
Total local revenue	$3,050,589	$2,702,636	$ 347,953
State grants and subsidies:			
General state aid	$ 666,713	$ 857,601	$(190,888)
Block grants	449,417	511,192	(61,775)
Other	170,556	30,061	140,495
Total state grants & subsidies	$1,287,702	$1,398,854	$(111,152)
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 277,045	$ 293,302	$ (16,257)
American Recovery and Reinvestment Act (ARRA) (1)	25,228	14,304	10,924
School lunch program	184,767	202,943	(18,176)
Individuals with Disabilities Education Act (IDEA)	93,096	93,483	(387)
Other	172,159	172,245	(86)
Total federal grants and subsidies	$ 752,295	$ 776,277	$ (23,982)
Total revenues	$5,090,586	$4,877,767	$ 211,803

NOTE:

1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over (Under) 2016
Expenditures:			
Instruction:			
Salaries	$1,723,648	$1,775,630	$ (51,982)
Commodities	55,560	68,814	(13,254)
Services	649,122	653,379	(4,257)
Equipment — educational	21,194	33,310	(12,116)
Building and sites	2,015	2,449	(434)
Fixed charges	407,566	436,971	(29,405)
Total instruction	$2,859,105	$2,970,553	$(111,448)
Pupil support services:			
Salaries	$ 230,784	$ 230,887	$ (103)
Commodities	4,917	4,277	640
Services	136,212	140,994	(4,782)
Equipment — educational	528	446	82
Building and sites	199	402	(203)
Fixed charges	68,684	71,248	(2,564)
Total pupil support services	$ 441,324	$ 448,254	$ (6,930)
Administrative support services:			
Salaries	$ 62,711	$ 67,187	$ (4,476)
Commodities	10,388	11,569	(1,181)
Services	182,295	196,280	(13,985)
Equipment — educational	656	375	281
Building and sites	827	536	291
Fixed charges	24,506	27,838	(3,332)
Total administrative support services	$ 281,383	$ 303,785	$ (22,402)

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Facilities support services:			
Salaries	$ 71,830	$ 77,424	$ (5,594)
Commodities	73,574	74,855	(1,281)
Services	178,871	170,328	8,543
Equipment — educational	660	1,135	(475)
Building and sites	12,948	13,390	(442)
Fixed charges	38,493	43,857	(5,363)
Total facilities support services	$376,376	$380,989	$ (4,612)
Instructional support services:			
Salaries	$232,001	$246,951	$(14,950)
Commodities	8,121	9,456	(1,335)
Services	28,281	37,868	(9,587)
Equipment — educational	3,645	4,257	(612)
Building and sites	2,247	1,815	432
Fixed charges	52,889	59,619	(6,730)
Total instructional support services	$327,184	$359,966	$(32,782)
Food services:			
Salaries	$ 62,408	$ 61,527	$ 881
Commodities	94,415	97,247	(2,832)
Services	4,798	4,356	442
Equipment — educational	4,036	1,762	2,274
Fixed charges	34,287	36,485	(2,198)
Total food services	$199,944	$201,377	$ (1,433)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2017
With Comparative Amounts for the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Community services:			
Salaries	$ 10,819	$ 12,901	$ (2,082)
Commodities	1,537	1,384	153
Services	23,385	18,501	4,884
Equipment — educational	113	377	(264)
Building and sites	509	117	392
Fixed charges	3,244	4,217	(973)
Total community services	$ 39,607	$ 37,497	$ 2,110
Teacher's Pension:			
Fixed charges	$708,941	$664,123	$44,818
Total teachers' pension	$708,941	$664,123	$44,818
Capital outlay:			
Salaries	$ 2,570	$ 2,822	$ (252)
Commodities	2,972	3,626	(654)
Services	5,525	2,495	3,030
Equipment — educational	136	3,717	(3,581)
Building and sites	592	1,279	(687)
Fixed charges	673	841	(168)
Total capital outlay	$ 12,468	$ 14,780	$ (2,312)
Debt service:			
Services	$ —	$ 1,131	$ (1,131)
Fixed charges	38,735	25,003	13,732
Total debt service	$ 38,735	$ 26,134	$12,601

STATISTICAL SECTION

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

	Fiscal Year 2017	Fiscal Year 2016	2017 Over/(Under) 2016
Other:			
Salaries	$ 205	$ 172	$ 33
Commodities	7	9	(2)
Services	2,633	909	1,724
Equipment — educational	—	29	(29)
Building and sites	—	—	—
Fixed charges	9,846	6,269	3,577
Total other	$ 12,691	$ 7,388	$ 5,303
Total expenditures	$5,297,758	$5,414,846	$(117,088)

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

OTHER FINANCING SOURCES AND (USES)

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General operating fund:										
Capital leases	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Insurance proceeds	—	—	—	—	—	—	—	—	—	224
Transfers in/(out)	3,813	20,389	17,851	109,830	62	439	161	(12,915)	50,162	58,350
Total general operating fund	$ 3,813	$ 20,389	$ 17,851	$ 109,830	$ 62	$ 439	$ 161	$ (12,915)	$ 50,162	$ 58,574
All other governmental funds:										
Gross amounts from debt issuances	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$131,600	$ 561,880	$ 724,999	$879,580
Premiums on bonds issued	41,226	—	6,459	14,700	1,229	47,271	—	—	—	—
Insurance proceeds	—	1,155	—	—	—	—	—	—	—	—
Sales of general capital assets	6,404	91	—	—	—	723	7,301	37,504	15,012	6,272
Payment to refunded bond escrow agent	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)	—
Transfers in/(out)	(3,813)	(20,389)	(17,851)	(109,830)	(62)	(439)	(161)	12,915	(50,162)	(58,350)
Amount from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	(12,502)	(110,071)	(36,097)
Proceeds from swaps	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	$ 244,291	$ (19,876)	$ 783,164	$ 274,177	$ 403,577	$ 549,678	$138,740	$ 213,087	$ 458,922	$791,405

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RATIO OF DEBT SERVICE TO NON-CAPITAL EXPENDITURES
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

Fiscal Year	Debt Service	Non-Capital	Ratio
2008	$260,438	$4,651,285	0.06 : 1
2009	301,169	5,019,838	0.06 : 1
2010	383,887	5,266,102	0.07 : 1
2011	332,097	5,225,071	0.06 : 1
2012	374,494	5,248,556	0.07 : 1
2013	390,409	5,310,632	0.07 : 1
2014	467,904	5,870,041	0.08 : 1
2015	533,493	6,136,659	0.09 : 1
2016	481,419	5,855,351	0.08 : 1
2017	569,694	5,816,249	0.10 : 1

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Rate per $100 of equalized assessed valuation)

School Direct Rates	2008 (A)	2009 (B)	2010	2011	2012	2013	2014	2015	2016	2017
Education	$2.376	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205	$3.115
Worker's and Unemployment Compensation/Tort Immunity	0.191	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111	0.107
Public Building Commission	0.016	0.015	0.014	0.065	0.071	0.082	0.085	0.082	0.075	0.072
Capital Improvement	—	—	—	—	—	—	—		0.064	0.065
Teacher Pension	—	—	—	—	—	—	—	—	—	0.367
Total direct rate	$2.583	$2.472	$2.366	$2.581	$2.875	$3.422	$3.671	$3.660	$3.455	$3.726
Chicago Finance Authority	$0.091	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City of Chicago	1.044	1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806	1.880
Chicago City Colleges	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177	0.169
Chicago Park District	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.368
Metropolitan Water Reclamation District	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406
Cook County	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533
Cook County Forest Preserve	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063
Total for all governments	$4.994	$4.816	$4.627	$4.931	$5.455	$6.396	$6.832	$6.808	$6.867	$7.145

Source: Cook County Clerk's Office

NOTES:

A) Beginning in fiscal year 2009, the tax levy for Chicago Finance Authority has been consolidated with the Education tax rate.

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Thousands of dollars)

			Collected within the Fiscal Year of Extension (A)			Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	Collections in Subsequent Years	Amount	Percentage of Extension
2007	2008	$1,901,887	$ 865,576	45.51%	$ 976,272	$1,841,848	96.84%
2008	2009	2,001,751	916,129	45.77%	1,024,224	1,940,353	96.93%
2009	2010	2,001,252	1,024,263	51.18%	896,008	1,920,271	95.95%
2010	2011	2,118,541	1,021,564	48.22%	1,024,043	2,045,607	96.56%
2011	2012	2,159,586	1,083,667	50.18%	1,032,349	2,116,016	97.98%
2012	2013	2,232,684	1,090,274	48.83%	1,059,921	2,150,195	96.31%
2013	2014	2,289,250	1,134,859	49.57%	1,110,217	2,245,076	98.07%
2014	2015	2,375,822	1,177,370	49.56%	1,165,126	2,342,496	98.60%
2015	2016	2,451,566	1,230,423	50.19%	1,156,686	2,387,109	97.37%
2016	2017	2,757,651	1,159,655	42.05%	—	—	—

NOTES:

A) The amount does not represent a full year's tax collection.

B) The total amount collected to date is net of refunds.

C) Tax Year 2015 contains Capital Improvement Tax amounts that were not levied in prior years.

D) Tax Year 2016 contains CTPF Pension amounts that were not levied in prior years.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A)					State Equalization Factor (F)	Total Equalized Assessed Value (G)	Total Direct Tax Rate (H)	Total Estimated Fair Cash Value (I)	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value (%)
		Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	Total					
2007	2008	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	2.583	320,503,503	22.98%
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117	2.9786	80,977,543	2.472	310,888,609	26.05%
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	2.366	280,288,730	30.18%
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	2.581	231,986,396	35.38%
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	2.875	222,856,064	33.71%
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	3.422	206,915,723	31.53%
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	3.671	236,695,475	26.35%
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570	2.7253	64,908,057	3.660	255,639,792	25.39%
2015	2016	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	3.455	278,076,449	25.52%
2016	2017	17,219,809	1,863,312	11,316,868	562,402	30,962,391	2.8032	74,016,506	3.726	N/A	N/A

NOTES:

A. *Source*: Cook County Assessor's Office

B. Residential, six units and under

C. Residential, seven units and over and mixed-use

D. Industrial/Commercial

E. Vacant, not-for-profit and industrial/commercial incentive classes

F. *Source*: Cook County Clerk's Office

G. *Source*: Cook County Clerk's Office — Total equalized assessed value is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.

H. *Source:* Cook County Clerk's Office — Property in the City of Chicago is reassessed once every three years. Tax rates are per $100 of the equalized assessed value.

I. *Source*: The Civic Federation — Excludes railroad property.

N/A: Not available at publishing.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION

Last Ten Fiscal Years

(Thousands of dollars)

	2016			2015			2014			2013			2012		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 406,464	1	0.55%	$ 386,932	1	0.55%	$ 364,455	1	0.56%	$ 370,197	1	0.59%	$ 386,266	1	0.59%
AON Building	252,408	2	0.34%	239,092	2	0.34%	241,081	2	0.37%	248,906	2	0.40%	255,347	2	0.39%
HCSC Blue Cross	250,676	3	0.34%	238,631	3	0.34%	206,782	3	0.32%	201,987	3	0.32%	205,275	4	0.31%
Water Tower Place	226,358	4	0.31%	215,481	4	0.30%	195,486	4	0.30%	190,953	5	0.31%	201,246	5	0.31%
Prudential Plaza	212,135	5	0.29%	186,795	9	0.26%	184,101	7	0.28%	193,495	4	0.31%	234,964	3	0.36%
300 Lasalle LLC	205,994	6	0.28%	196,095	5	0.28%	183,764	8	0.28%	159,537	10	0.26%	179,804	10	0.28%
Franklin Center	204,322	7	0.28%	194,504	6	0.27%	187,461	6	0.29%	183,114	7	0.29%	192,985	7	0.30%
Chase Tower	203,126	8	0.27%	193,365	7	0.27%	194,963	5	0.30%	190,442	6	0.31%	200,708	6	0.31%
Citadel Center	196,745	9	0.27%	187,291	8	0.26%	181,210	10	0.28%	177,008	9	0.28%	184,596	9	0.28%
Three First National Plaza	191,736	10	0.26%	182,523	10	0.26%	182,084	9	0.28%	177,862	8	0.29%	187,449	8	0.29%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
131 S. Dearborn	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	$2,349,964		3.19%	$2,220,709		3.13%	$2,121,387		3.26%	$2,093,501		3.36%	$2,228,640		3.42%

	2011			2010			2009			2008			2007		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 445,590	1	0.59%	$ 495,000	1	0.60%	$ 505,515	1	0.60%	$ 540,074	1	0.67%	$ 514,662	1	0.70%
AON Building	302,124	2	0.40%	335,454	2	0.41%	375,441	2	0.44%	392,192	2	0.48%	374,456	2	0.51%
HCSC Blue Cross	206,343	6	0.27%	—	—	—	—	—	—	—	—	—	—	—	—
Water Tower Place	207,942	5	0.28%	231,000	4	0.28%	235,907	5	0.28%	242,014	6	0.30%	231,069	6	0.31%
Prudential Plaza	272,345	3	0.36%	305,026	3	0.37%	—	—	—	—	—	—	—	—	—
300 Lasalle LLC	190,005	10	0.25%	—	—	—	256,590	4	0.30%	294,569	4	0.36%	297,653	3	0.40%
Franklin Center	197,944	8	0.26%	209,723	8	0.26%	231,694	6	0.27%	262,114	5	0.32%	250,261	5	0.34%
Chase Tower	204,229	7	0.27%	226,875	5	0.28%	—	—	—	—	—	—	—	—	—
Citadel Center	—	—	—	—	—	—	318,635	3	0.38%	307,510	3	0.38%	293,604	4	0.40%
Three First National Plaza	197,183	9	0.26%	226,222	6	0.28%	231,028	7	0.27%	215,666	10	0.27%	205,913	10	0.28%
Northwestern Memorial Hospital	243,609	4	0.32%	—	—	—	—	—	—	—	—	—	—	—	—
131 S. Dearborn	—	—	—	210,502	7	0.26%	212,725	8	0.25%	218,722	9	0.27%	208,906	9	0.28%
One North Wacker	—	—	—	207,127	9	0.25%	211,526	9	0.25%	—	—	—	—	—	—
Citigroup Center	—	—	—	191,070	10	0.23%	—	—	—	226,458	7	0.28%	216,217	7	0.29%
Leo Burnett Building	—	—	—	—	—	—	208,973	10	0.25%	221,846	8	0.27%	211,813	8	0.29%
	$2,467,314		3.26%	$2,637,999		3.22%	$2,788,034		3.29%	$2,921,165		3.60%	$2,804,554		3.80%

Source: Cook County Treasurer's Office and Cook County Assessor's Office

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF REPLACEMENT TAX DATA

Last Ten Fiscal Years

Statewide Replacement Tax Data (A)

Calendar Year	Invested Capital Tax Collections	Business Income Tax Collections (Net of Refunds)	Net Adjustments (C)	Total Replacement Tax Allocations to Local Govts.	Board Percent (E)
2008	$ 212,367,886	$ 1,196,441,849	$ 87,136,806	$ 1,495,946,541	14.00%
2009	205,330,651	987,176,180	69,521,623	1,262,028,454	14.00%
2010	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (F)	200,808,953	1,319,550,246	(117,189,755)	1,403,169,444	14.00%
2016 (H)	201,320,237	1,273,378,669	(179,819,398)	1,294,879,508	14.00%
2017 (H)(I)	167,994,422	1,129,654,992	28,259,110	1,325,908,524	14.00%

Board Replacement Tax Data (B)

Board	Revenues (D)	Revenues
$209,492,428	$209,492,428	$215,488,652
176,734,528	176,734,528	188,503,101
190,560,089	190,560,089	152,497,491
167,923,445	167,923,445	197,761,584
168,231,989	168,231,989	181,926,998
186,499,892	186,499,892	185,883,929
191,978,921	191,978,921	188,040,647
206,242,430	206,242,430	202,147,157
181,335,026	181,335,026	161,535,119
185,680,220	185,680,220	227,920,163

NOTES:

A) *Source*: Illinois Department of Revenue

B) *Source*: Board of Education of the City of Chicago

C) Consists of adjustments for administrative fees, interest earned on deposits, interfund transfers, timing of collections and payments and related items.

D) Reflects reductions to pay applicable Statutory Claims. All Statutory Claims with respect to debt service have been paid and, under the Statue Revenue Sharing Act, no future Statutory Claims with respect to debt service will arise or need to be paid.

E) Percentage rounded.

F) Replacement tax collection for January 1, 2015 — October 31, 2015 only.

G) Estimated.

H) The Statewide Replacement Tax Data for calendar year 2016 and 2017 was not made available from the Illinois Department of Revenue (IDOR) at time of publishing. The data is gathered from the Illinois Office of the Comptroller online Ledger. The data for total distributions to local governments is retrieved from IDOR monthly tax distributions online database.

I) Replacement tax collection for January 1, 2017 — October 31, 2017 only.

Monthly Summary of the Total Allocations to the Board of Education

Calendar Year	January	March	April	May	July	August	October	December	Total
2008	$28,898,261	$13,371,613	$37,943,940	$40,606,164	$32,510,546	$17,770,472	$29,019,609	$ 9,371,823	$209,492,428
2009	21,095,325	7,777,403	37,489,531	36,561,422	29,417,516	3,022,112	33,592,731	7,778,488	176,734,528
2010	22,103,156	8,619,712	32,076,622	22,475,680	22,828,990	2,997,879	43,980,968	35,477,082	190,560,089
2011	18,180,918	10,057,508	36,489,761	26,235,905	24,341,562	6,092,825	40,652,479	5,872,487	167,923,445
2012	25,024,841	6,995,224	38,430,380	25,676,518	33,182,244	4,009,471	25,251,856	9,661,455	168,231,989
2013	25,661,184	8,031,048	40,687,665	36,710,938	35,870,312	3,762,361	26,213,949	9,562,435	186,499,892
2014	32,365,778	9,605,194	42,927,880	31,682,731	31,920,320	3,433,503	31,625,454	8,418,061	191,978,921
2015	28,059,669	8,010,311	49,024,542	40,392,319	33,183,298	4,472,067	33,357,743	9,742,481(G)	206,242,430
2016	26,524,204	10,652,765	37,937,134	30,650,698	33,320,166	3,878,948	30,306,843	8,064,267	181,335,026
2017	29,970,202	19,251,991	49,042,057	31,582,995	32,296,122	1,489,085	22,047,768	8,764,161(G)	194,444,380

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2016 EAV $	% Change in EAV (for 2016)
Addison South	5/9/2007	2031	$ 70,940,232	$124,048,445	74.9%
Archer Courts	5/12/1999	2023	85,326	6,102,483	7,052.0%
Archer/Central	5/17/2000	2024	37,646,911	40,571,480	7.8%
Archer/Western	2/11/2009	2033	117,506,250	106,967,520	-9.0%
Armitage/Pulaski	6/13/2007	2031	17,643,508	19,425,679	10.1%
Austin/Commercial	9/27/2007	2031	72,287,864	81,398,363	12.6%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	27,676,433	24.8%
Avondale	7/29/2009	2033	40,426,760	35,563,073	-12.0%
Belmont/Central	1/12/2000	2024	137,304,682	174,873,581	27.4%
Belmont/Cicero	1/12/2000	2024	33,673,880	46,499,843	38.1%
Bronzeville	11/4/1998	2022	46,166,304	97,987,454	112.2%
Bryn Mawr/Broadway	12/11/1996	2019	17,745,437	46,027,367	159.4%
California/Foster	4/2/2014	2038	15,399,717	15,721,179	2.1%
Calumet/Cermak	7/29/1998	2021	3,219,685	172,899,540	5,270.1%
Canal/Congress	11/12/1998	2022	36,872,487	433,181,007	1,074.8%
Central West	2/16/2000	2024	85,481,254	389,861,566	356.1%
Chicago/Central Park	2/27/2002	2026	84,789,947	173,603,636	104.7%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	398,577,477	934.7%
Cicero/Archer	5/17/2000	2024	19,629,324	29,201,117	48.8%
Clark/Montrose	7/7/1999	2022	23,433,096	69,756,014	197.7%
Clark/Ridge	9/29/1999	2022	39,619,368	68,421,356	72.7%
Commercial Ave.	11/13/2002	2026	40,748,652	55,307,525	35.7%
Devon/Sheridan	3/31/2004	2028	45,541,834	41,664,271	-8.5%
Devon/Western	11/3/1999	2023	71,430,503	99,454,783	39.2%
Diversey/Narragansett	2/5/2003	2027	34,746,231	64,488,697	85.6%
Division/Homan	6/27/2001	2025	24,683,716	42,020,229	70.2%
Drexel Blvd.	7/10/2002	2026	127,408	5,501,564	4,218.1%
Edgewater/Ashland	10/1/2003	2027	1,875,282	49,532,736	2,541.3%
Elston/Armstrong	7/19/2007	2031	45,742,226	51,386,332	12.3%
Englewood Mall	11/29/1989	2025	3,868,736	10,935,025	182.7%
Englewood Neighborhood	6/27/2001	2025	56,079,946	139,715,192	149.1%
Ewing Avenue	3/10/2010	2034	52,994,264	46,025,740	-13.1%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	194,069,768	127.9%
Galewood/Armitage Industrial	7/7/1999	2023	48,056,697	131,970,833	174.6%
Goose Island	7/10/1996	2019	13,676,187	86,718,979	534.1%
Greater Southwest (West)	4/12/2000	2024	115,603,413	85,885,905	-25.7%
Harlem Industrial Park	3/14/2007	2031	45,981,764	37,681,661	-18.1%

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2016 EAV $	% Change in EAV (for 2016)
Harrison/Central	7/26/2006	2030	$ 43,430,700	$ 48,032,746	10.6%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	135,669,276	-14.5%
Homan/Arthington	2/5/1998	2021	2,658,362	11,704,272	340.3%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	82,500,123	156.5%
Irving Park/Cicero	6/10/1996	2020	8,150,631	18,381,041	125.5%
Irving Park/Elston	5/13/2009	2033	44,853,282	37,838,228	-15.6%
Jefferson Park	9/9/1998	2021	23,970,085	38,172,391	59.3%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	148,370,992	183.7%
Kennedy/Kimball	3/12/2008	2032	72,841,679	70,269,214	-3.5%
Kinzie Conservation	6/10/1998	2022	144,961,719	609,044,900	320.1%
Lake Calumet	12/13/2000	2024	176,186,639	190,901,333	8.4%
Lakefront	3/27/2002	2026	—	5,356,269	—
Lakeside Dev Phase 1	5/12/2010	2034	3,489,242	310,471	-91.1%
LaSalle/Central	11/15/2006	2030	4,192,597,468	4,316,452,776	3.0%
Lawrence/Broadway	6/27/2001	2025	38,603,611	92,522,086	139.7%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	201,897,126	82.9%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	62,307,350	42.6%
Lincoln Avenue	11/3/1999	2023	63,741,191	98,339,864	54.3%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	20,983,369	753.9%
Little Village East	4/22/2009	2033	44,751,945	36,037,154	-19.5%
Little Village Ind	6/13/2007	2031	88,054,895	74,542,228	-15.3%
Madden/Wells	11/6/2002	2026	1,333,582	19,070,267	1,330.0%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	71,165,109	46.0%
Michigan Ave/Cermak	9/13/1989	2025	5,858,634	29,117,750	397.0%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	107,518,625	121.0%
Midwest	5/17/2000	2036	216,733,898	460,377,996	112.4%
Montclare	8/30/2000	2024	792,770	5,021,978	533.5%
Montrose/Clarendon	6/30/2010	2034	—	2,866,148	—
Near North	7/30/1997	2020	41,373,938	485,583,813	1,073.6%
North Ave./Cicero	7/30/1997	2020	5,658,542	26,668,838	371.3%
North Branch/North	7/2/1997	2021	29,574,537	106,853,083	261.3%
North Branch/South	2/5/1998	2021	44,361,677	169,893,527	283.0%
North Pullman	6/30/2009	2033	44,582,869	58,926,827	32.2%
NW Industrial Corridor	12/2/1998	2022	146,115,991	238,802,705	63.4%
Ogden/Pulaski	4/9/2008	2032	221,709,034	206,793,256	-6.7%
Ohio/Wabash	6/7/2000	2024	1,278,143	27,097,483	2,020.1%
Pershing/King	9/5/2007	2031	12,948,117	11,756,228	-9.2%
Peterson/Cicero	2/16/2000	2024	1,116,653	7,758,760	594.8%

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)
For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2016 EAV $	% Change in EAV (for 2016)
Peterson/Pulaski	2/16/2000	2024	$ 40,112,395	$ 55,376,539	38.1%
Pilsen Area	6/10/1998	2022	111,394,217	300,115,987	169.4%
Portage Park	9/9/1998	2021	65,084,552	90,877,103	39.6%
Pratt/Ridge	6/23/2004	2028	16,414,897	21,262,780	29.5%
Pulaski Corridor	6/9/1999	2023	82,778,075	134,160,861	62.1%
Randolph/Wells	6/9/2010	2034	72,140,805	66,979,425	-7.2%
Ravenswood Corridor	3/9/2005	2029	44,169,275	58,080,633	31.5%
Read/Dunning	1/11/1991	2027	6,382,072	46,474,032	628.2%
River South	7/30/1997	2020	65,930,580	451,254,165	584.4%
River West	1/10/2001	2025	50,463,240	309,798,685	513.9%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	87,627,694	94.0%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	33,656,369	381.3%
Roosevelt/Union	5/12/1999	2022	4,369,258	87,467,906	1,901.9%
Roseland/Michigan	1/16/2002	2026	29,627,768	35,744,390	20.6%
Sanitary Draig & Ship	7/24/1991	2027	10,722,329	18,211,899	69.9%
South Chicago	4/12/2000	2024	14,775,992	34,459,855	133.2%
South Works	11/3/1999	2023	3,823,633	4,175,718	9.2%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	207,987,968	-3.9%
Stockyards Annex	12/11/1996	2020	38,650,631	57,368,252	48.4%
Stockyards-Southeast Quad	2/26/1992	2016	21,527,824	41,403,445	92.3%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	86,851,699	88.6%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	30,072,900	70.3%
Touhy/Western	9/13/2006	2030	55,187,828	52,440,064	-5.0%
Washington Park	10/8/2014	2038	72,073,855	77,987,840	8.2%
Weed/Fremont	1/8/2008	2032	6,430,360	17,215,132	167.7%
West Irving Park	1/12/2000	2024	36,446,831	49,603,790	36.1%
West Woodlawn	5/12/2010	2034	127,750,505	96,279,729	-24.6%
Western Ave. South	1/12/2000	2024	69,504,372	178,659,765	157.0%
Western Ave. North	1/12/2000	2024	71,260,546	173,882,916	144.0%
Western/Ogden	2/5/1998	2021	41,536,306	173,222,150	317.0%
Western/Rock Island	2/8/2006	2030	102,358,411	112,251,671	9.7%
Wilson Yard	6/27/2001	2025	56,194,225	162,434,193	189.1%
Woodlawn	1/20/1999	2022	28,865,833	74,011,465	156.4%
105th/Vincennes	10/3/2001	2025	108,828,811	125,085,436	14.9%
107th/Halsted	4/2/2014	2038	122,435,316	133,536,483	9.1%
111th/Kedzie	9/29/1999	2022	14,456,141	23,458,474	62.3%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)
For the Fiscal Year Ended June 30, 2017

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2016 EAV $	% Change in EAV (for 2016)
119th/Halsted	2/6/2002	2026	$ 63,231,728	$ 80,992,366	28.1%
119th/I-57	11/6/2002	2026	100,669,561	158,375,812	57.3%
126th/Torrence	12/21/1994	2017	1,224,731	18,219,204	1,387.6%
24th/Michigan	7/21/1999	2022	15,874,286	41,007,963	158.3%
26th/King Drive	1/11/2006	2030	—	11,358,656	—
35th/Halsted	1/14/1997	2021	81,212,182	180,214,519	121.9%
35th/State	1/14/2004	2028	3,978,955	39,060,497	881.7%
35th/Wallace	12/15/1999	2023	9,047,402	23,299,602	157.5%
41st/King Drive	7/13/1994	2018	129,892	2,848,631	2,093.1%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	54,667,371	298.2%
47th/Ashland	3/27/2002	2026	53,606,185	84,033,035	56.8%
47th/Halsted	5/29/2002	2026	39,164,012	90,337,462	130.7%
47th/King Drive	3/27/2002	2026	61,269,066	166,738,526	172.1%
47th/State	7/21/2004	2028	19,279,360	40,863,453	112.0%
49th/St. Lawrence	1/10/1996	2020	683,377	7,122,664	942.3%
51st/Archer	5/17/2000	2024	29,522,751	49,751,303	68.5%
51st/Lake Park	11/15/2012	2036	2,320,971	5,038,253	117.1%
53rd St.	1/10/2001	2025	20,916,553	73,709,492	252.4%
60th/Western	5/9/1996	2019	2,464,026	4,168,253	69.2%
63rd/Ashland	3/29/2006	2030	47,496,362	65,526,966	38.0%
63rd/Pulaski	5/17/2000	2024	56,171,856	76,560,059	36.3%
67th/Cicero	10/2/2002	2026	—	3,703,940	—
67th/Wentworth	5/4/2011	2035	210,005,927	155,891,419	-25.8%
71st/Stony Island	10/7/1998	2021	53,336,063	88,966,758	66.8%
73rd/University	9/13/2006	2030	16,998,947	22,730,371	33.7%
79th Street Corridor	7/8/1998	2021	21,576,305	34,209,308	58.6%
79th/Cicero	6/8/2005	2029	8,018,405	15,295,069	90.7%
79th/SW Highway	10/3/2001	2025	36,347,823	54,706,997	50.5%
79th/Vincennes	9/27/2007	2031	32,132,472	30,680,655	-4.5%
83rd/Stewart	3/31/2004	2028	10,618,689	28,224,334	165.8%
87th/Cottage Grove	11/13/2002	2026	53,959,824	76,486,129	41.7%
95th/Western	7/13/1995	2019	16,035,773	27,430,565	71.1%
			$10,870,671,047	$17,557,326,500	

NOTE

State law empowers cities to create Tax Increment Financing Districts (TIFs) to finance redevelopment of blighted areas or areas at risk of blight. Taxes subsequently generated by new development and

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2017

increases in property values in TIF districts are reinvested for further development. Increased tax revenues pay for general improvements such as roadways, viaducts, sewers, and sidewalk replacements or for financial assistance for developers.

State law requires the City to call a meeting of the Joint Review Board in order for the City to legally create any TIF.

The Chicago Public Schools serves on this committee.

Source: Office of The County Clerk Tax Increment Agency

Total 2016 EAV for the City of Chicago is $74,016,506,351 — Source of The Cook County Report

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV

Last Ten Fiscal Years

(Thousands of dollars)

			Components of New Property by Tax Levy Year (B)						
Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives	Total New Property (A)	New property percentage of overall EAV
2007	2008	$73,651,158	$ 838,279	$—	$—	$ 45,875	$24,179	$ 908,333	1.23%
2008	2009	80,983,239	1,073,096	—	—	2,318,769	—	3,391,865	4.19%
2009	2010	84,592,286	1,052,426	—	—	162	—	1,052,588	1.24%
2010	2011	82,092,476	727,019	—	—	104,289	18,790	850,098	1.04%
2011	2012	75,127,913	344,503	—	—	—	2,420	346,923	0.46%
2012	2013	65,257,093	213,120	—	—	41,499	19,845	274,464	0.42%
2013	2014	62,370,205	279,426	—	—	244,388	10,066	533,880	0.86%
2014	2015	64,913,774	414,558	—	—	1,040,246	9,912	1,464,716	2.26%
2015	2016	70,968,533	339,649	—	—	21,038	16,432	377,119	0.53%
2016	2017	74,020,998	397,527	—	—	39,040	10,667	447,234	0.60%

NOTES:

A) *Source*: Cook County Clerk's Office — Agency Tax Rate Report, includes DuPage County Valuation.

B) *Source*: Cook County Clerk's Office — PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Modern Schools Across Chicago (MSAC) Program Phase I				
Collins Renovation	$ 30,300,000	$ 31,788,774	$ —	Midwest
Mather Renovation	32,401,366	32,401,366	—	Lincoln Avenue
Austin Renovation	32,203,759	32,203,759	—	Madison/ Austin
Southwest Elementary (Hernandez Middle School)	32,818,102	32,818,102	—	51st/ Archer
South Shore Replacement HS	72,164,382	72,164,382	—	71st/ Stony Island
Additional Westinghouse HS Funding and Refunding	17,752,030	17,752,030	—	Chicago/ Central Park
Skinner Replacement Elementary	36,418,205	34,340,000	—	Central West
Avondale Irving Park Elementary	10,766,724	10,766,724	—	Fullerton/ Milwaukee
Boone Clinton Elementary	8,142,740	8,142,740	—	Touhy/ Western
Belmont Cragin Elementary	8,097,471	8,097,471	—	Galewood/ Armitage
Peterson Addition	15,150,000	15,150,000	—	Lawrence/ Kedzie
Modern Schools Across Chicago Program Phase II				
Avondale Irving Park Elementary	25,000,000	25,452,297	—	Fullerton/ Milwaukee
Belmont Cragin Elementary	31,300,000	28,712,447	—	Galewood/ Armitage
Hernandez Middle School	9,540,000	6,382,816	—	51st/ Archer
Boone Clinton Elementary	18,655,000	18,767,428	—	Touhy/ Western
Chicago Ag West High School (Al Raby Horticultural)	22,000,000	14,523,717	—	Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	368,859	Chicago/ Central Park
Back of the Yards HS	19,800,000	19,800,000	—	47th/ Ashland
Modern Schools Across Chicago Program Additional Agreements				
Austin Renovation	5,570,000	Rescinded	—	Madison/ Austin
Skinner Replacement Elementary	6,120,000	3,506,630	—	Central/ West
Peterson Addition	2,900,000	2,900,000	—	Lawrence/ Kedzie
Brighton Park II Elementary	25,420,000	5,549,463	19,870,537	Stevenson/ Brighton
Modern Schools Across Chicago Program Re-Programmed Bond Funds				
Ericson Play Lot	225,000	200,881	—	Midwest MSAC Bonds
Faraday STEM	650,000	633,267	—	Midwest MSAC Bonds
Jensen Play Lot	400,000	378,365	—	Midwest MSAC Bonds
Prieto ES Modular	1,900,000	1,849,239	—	Belmont Central
Prosser High School Renovation	978,602	978,602	—	Galewood/Armitage
Back of the Yard HS Renovation	225,000	225,000	—	47th/ Ashland
MSAC Subtotal	**$499,818,381**	**$457,045,829**	**$20,239,396**	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
American Disabilities Act (ADA)				
ADA Accessibility -Year 1				
Beidler Elementary	$ 750,000	$ 594,531	$ —	Kinzie Industrial
Brown Elementary	750,000	750,000	—	Central West
Creiger Campus	1,500,250	1,207,911	—	Central West
Dodge Elementary	750,000	476,025	—	Midwest
Fiske Elementary	1,500,000	—		Woodlawn
Holmes Elementary	750,000	606,820	—	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—	—	Englewood Neighborhood
McAuliffe Elementary	750,000	441,771	—	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	750,000	—	Kinzie Industrial
Nicholson Elementary	750,000	600,125	—	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/ Central Park
Schiller Elementary	1,500,000	565,181	—	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
ADA Accessibility -Years 2-5				
Amundsen	1,083,069	—	1,083,069	Western Ave. North
Burke Elementary	1,000,000	Pending	—	47th / State
Banneker Elementary	2,000,000	Pending	—	Englewood Neighborhood
Armour Elementary	2,673,750	Pending	—	35th / Halsted
Hearst Elementary	2,219,500	Pending	—	Cicero/Archer
Lawndale Elementary	2,500,000	Pending	—	Midwest
Plamondon Elementary	1,748,000	Pending	—	Western /Ogden Industrial Corridor
Schurz High School	2,852,792	—	2,285,792	Portage Park
Hayt Elementary	670,000	Pending	—	Clark/Ridge
Peterson Elementary	500,000	Pending	—	Lawrence/Kedzie
Chappell Elementary	760,137	—	760,137	Western Ave. North
ADA Subtotal	**$32,257,498**	**$9,742,365**	**$4,128,998**	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2017 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Other Capital Intergovernmental Agreements				
Walter Payton HS and Jenner School	$ 11,125,000	$ 11,125,000	$ —	Near North
Walter Payton HS Addition	20,000,000	17,935,474	144,662	Near North
Jones Academic High School Renovation/ Addition (Original)	42,315,243	42,315,243	—	Near South
Jones Academic High School Renovation/ Addition (Amended)	114,641,656	114,641,656	—	Near South
Jones Academic High School New Construction	8,700,000	8,145,386	—	Near South
National Teachers Academy New Construction	47,000,000	44,529,387	—	24th/ Michigan
Simeon High School Renovation	22,184,925	18,381,140	—	Chatham Ridge
Albany Park Middle School New Construction	25,000,000	28,662,826	—	*Lawrence/ Kedzie
Juarez High School Addition	18,500,000	18,017,456	—	Pilsen
DePriest Elementary New Construction	18,500,000	21,457,220	—	*Madison/ Austin
Additional Westinghouse HS- Refunding Debt Service	53,750,000	58,618,967	—	*Chicago/ Central Park
Canter Elementary School	150,000	150,000	—	53rd Street
Orozoco Elementary Health Center School	250,000	250,000	—	Western/ Ogden
Lane Tech High School Stadium	1,892,100	1,892,100	—	Western Avenue South
Clark Park Lane Tech High School	3,500,000	3,500,000	—	Western Avenue South
Coonley Middle School Renovation	2,201,500	2,201,500	—	Western Avenue South
Coonley Middle School Addition	16,500,000	14,729,008	270,772	Western Avenue South
Arai/ Uplift Elementary School Renovation	1,447,244	1,447,244	—	Wilson Yard
Lloyd Elementary Turf Field	750,000	750,000	—	Midwest
Lloyd Elementary Turf Field Scope Increase	550,000	113,947	—	Midwest
Chase ADA Renovation	3,600,000	2,759,563	—	Fullerton/Milwaukee
Holmes Elementary Lunchroom	3,270,000	3,270,000	—	Englewood Neighborhood
Senn High School Auditorium Upgrade	1,000,000	1,000,000	—	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	—	Rescinded	—	Wilson Yard
Beidler Campus Park	1,000,000	1,000,000	—	Kinzie Industrial
Donoghue Parking Lot	200,000	200,000	—	Madden-Wells
Juarez High School Athletic Field	701,308	701,308	—	Pilsen Industrial Corridor
Kenwood Academy	60,000	60,000	—	53rd Street
Lane Tech Renovation #2	2,000,000	2,000,000	—	Western Avenue South
Melody STEM	1,500,000	713,385	—	*Madison/ Austin
Spencer Play Lot	700,000	545,958	—	*Madison/ Austin
Tilton Play Lot	500,000	456,448	—	*Madison/ Austin
Whittier Renovation	2,887,000	2,887,000	—	Pilsen Industrial Corridor
McPherson Elementary School	400,000	400,000	—	Western Avenue North
Amundsen High School	500,000	500,000	—	Western Avenue North
Penn Elementary School	1,150,000	1,150,000		Midwest
Crane High School	2,250,000	2,250,000	—	Central West
Addams Renovation	1,700,000	1,043,273	—	Ewing Avenue
Ames renovation	4,500,000	4,476,461	—	Pulaski Industrial Corridor
Amundsen Gym	2,600,000	2,600,000	—	Western Ave. North
Amundsen CTE	760,000	454,331	—	Western Ave. North
Belmont Cragin Playground	287,000	121,737	14,164	Belmont Central
Budlong ES Bathroom Improvements	2,200,000	2,141,830	3,000	Foster / California
Cather ES Space to Grow	500,000	384,528	115,472	Kinzie Industrial
Earle ES Playground	287,000	172,352	8,675	63rd Ashland
Franklin ES Lockers	410,000	276,785	—	Near North
Gallistel Renovation	2,700,000	2,031,117	—	Ewing Avenue
Hope HS/ KIPP Playground	287,000	228,685	23,408	47th Ashland
New Selective Enrollment High School	520,000	—	—	Near North
Wadsworth Space to Grow	500,000	500,000	—	Woodlawn
New South Loop School	10,667,000	5,446,871	1,334,823	River South
Other Capital IGA Subtotal	**$458,593,976**	**$448,635,188**	**$ 1,914,976**	
Grand Total	**$990,669,855**	**$915,423,382**	**$26,283,370**	

NOTES:

Based on I6AS approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2017.

* City of Chicago refunded bonds to cover future principal and interest payments, no additional amounts to be paid to CPS.

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS
For the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued	Final Maturity	Interest Rate	Outstanding at June 30, 2016	Issue or (Redeemed)	Outstanding at June 30, 2017 (A) (B)
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992	1/1/2020	6.00%-6.5%	$ 101,850	$ (23,325)	$ 78,525
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/11/1999	12/1/2018	5.00%-5.25%	55,930	(17,605)	38,325
1997A	Unlimited Tax GO Bonds	PPRT/IGA	12/3/1997	12/1/2030	5.30%-5.55%	5,389	(5,389)	—
1998 B-1	Unlimited Tax GO Bonds	IGA	10/28/1998	12/1/2031	4.55%-5.22%	248,346	(8,202)	240,144
1999A	Unlimited Tax GO Bonds	PPRT/IGA	2/25/1999	12/1/2031	4.30%-5.3%	405,325	(13,432)	391,893
2002A	Unlimited Tax GO Bonds	City Note/IGA	9/24/2002	12/1/2022	3.00%-5.25%	28,360	(3,475)	24,885
2003C	Qualified Zone Academy GO Bonds	State Aid	10/28/2003	10/27/2017	0.00%	4,585	—	4,585
2004A	Unlimited Tax GO Bonds	PPRT/State Aid	4/6/2004	12/1/2020	4.00%-5.00%	74,480	(3,790)	70,690
2005A	Unlimited Tax GO Bonds	State Aid	6/27/2005	12/1/2031	5.00%-5.50%	174,365	(7,085)	167,280
2005B	Unlimited Tax GO Bonds	PPRT	6/27/2005	12/1/2021	5.00%	22,735	—	22,735
2006A	Qualified Zone Academy GO Bonds	State Aid	6/7/2006	6/1/2021	0.00%	6,853	—	6,853
2006B	Unlimited Tax GO Bonds	State Aid	9/27/2006	12/1/2036	4.25%-5.00%	289,525	(8,795)	280,730
2007B	Unlimited Tax GO Bonds	IGA	9/5/2007	12/1/2024	5.00%	197,765	—	197,765
2007C	Unlimited Tax GO Bonds	IGA	9/5/2007	12/1/2021	4.00%-4.375%	4,150	(410)	3,740
2007D	Unlimited Tax GO Bonds	State Aid	12/13/2007	12/1/2029	4.00%-5.00%	169,195	—	169,195
2008A	Unlimited Tax GO Bonds	PPRT/IGA	5/13/2008	12/1/2030	Variable	262,785	—	262,785
2008B	Unlimited Tax GO Bonds	State Aid	5/13/2008	12/1/2041	Variable	185,350	(7,800)	177,550
2008C	Unlimited Tax GO Bonds	State Aid	5/1/2008	3/1/2032	4.25%-5.00%	464,655	—	464,655
2009D	Unlimited Tax GO Bonds	State Aid	7/30/2009	12/1/2023	1.00%-5.00%	45,340	(4,400)	40,940
2009E	Unlimited Tax GO Build America Bonds	State Aid and Federal Subsidy	9/24/2009	12/1/2039	4.682%-6.14%	518,210	—	518,210
2009G	Qualified School Construction GO Bonds	State Aid	12/17/2009	12/15/2025	1.75%	254,240	—	254,240
2010C	Qualified School Construction GO Bonds	State Aid and Federal Subsidy	11/2/2010	11/1/2029	6.32%	257,125	—	257,125
2010D	Unlimited Tax GO Build America Bonds	State Aid and Federal Subsidy	11/2/2010	3/1/2036	6.52%	125,000	—	125,000
2010F	Unlimited Tax GO Bonds	State Aid	11/2/2010	12/1/2031	5.00%	169,155	(7,855)	161,300
2010G	Unlimited Tax GO Bonds	State Aid	11/2/2010	3/1/2017	2.77%-4.18%	22,735	(17,500)	5,235
2011A	Unlimited Tax GO Bonds	State Aid	11/1/2011	12/1/2041	5.00%-5.50%	402,410	—	402,410
2011C-1	Unlimited Tax GO Bonds	State Aid	12/20/2011	3/1/2032	Variable	43,600	(1,400)	42,200
2011C-2	Unlimited Tax GO Bonds	State Aid	12/20/2011	3/1/2032	Variable	44,100	(2,600)	41,500
2012A	Unlimited Tax GO Bonds	State Aid	8/21/2012	12/1/2042	5.00%	468,915	—	468,915
2012B	Unlimited Tax GO Bonds	State Aid	12/21/2012	12/1/2034	5.00%	109,825	—	109,825
2013A-1	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2026	Variable	89,990	(8,975)	81,015
2013A-2	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2035	Variable	124,320	—	124,320
2013A-3	Unlimited Tax GO Bonds	State Aid	5/22/2013	3/1/2036	Variable	157,055	—	157,055
2015A	Unlimited Tax GO Bonds	State Aid	3/26/2015	3/1/2032	Variable	89,200	(5,200)	84,000
2015C	Unlimited Tax GO Bonds	State Aid	4/29/2015	12/1/2039	5.25%-6.00%	280,000	—	280,000
2015E	Unlimited Tax GO Bonds	State Aid	4/29/2015	12/1/2039	5.13%	20,000	—	20,000
2015G	Unlimited Tax GO Bonds	State Aid	3/26/2015	3/1/2032	Variable	88,900	(5,400)	83,500
2016A	Unlimited Tax GO Bonds	State Aid	2/8/2016	12/1/2044	7.00%	725,000	—	725,000
2016B	Unlimited Tax GO Bonds	State Aid	7/29/2016	12/1/2046	6.50%	—	150,000	150,000
2016CIT	Capital Improvement Tax	CIT Levy	1/4/2017	4/1/2046	5.75%-6.10%	—	729,580	729,580
		Grand Total Direct Debt				**$6,736,763**	**$ 726,942**	**$7,463,705**

NOTES: A. Net of amounts set aside/ escrowed to maturity for 12/1/17 payments deposited by 6/30/17.
B. Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	$ —
1998B-1	387,355
1999A	259,432
Total	**$646,787**

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES
As of June 30, 2017
(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2017 (1)	Remaining Authorization
1995 COP Board Authorization	$ 45,000	$ 45,000	$ —	$ 45,000	$ —	$ —
1996 Alternate Bond Authorization	1,150,000	850,000 (A)	300,000	850,000	— (A)	—
1997 Alternate Bond Authorization	1,500,000	1,497,703 (B)	—	865,666	632,037 (B)	2,297
1998 Alternate Bond Authorization	900,000	870,195 (C)	—	865,610	4,585 (C)	29,805
2001 Alternate Bond Authorization	500,000	500,000 (D)	—	500,000	— (D)	—
2002 Alternate Bond Authorization	500,000	500,000 (E)	—	475,115	24,885 (E)	—
2004 Alternate Bond Authorization	965,000	965,000 (F)	—	958,147	6,853 (F)	—
2006 Alternate Bond Authorization	750,000	634,258 (G)	—	420,383	213,875 (G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (H)	—	222,550	1,677,440 (H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (I)	—	402,495	1,503,685 (I)	393,820
2012 Alternate Bond Authorization	750,000	709,825 (J)	—	300,000	409,825 (J)	40,175
2015 Alternate Bond Authorization	1,160,000	875,000 (K)	—	—	875,000	285,000
2016 Alternate Bond Authorization	945,000	— (L)	—	—	—	945,000
TOTAL	$13,365,000	$11,253,151	$300,000	$5,904,966	$5,348,185	$1,811,849

NOTES:

A. The total issued and outstanding debt for the 1996 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1996	4/17/1996	$350,000	$ —
Unlimited Tax GO Bonds Series 1997	5/7/1997	500,000	—
		$850,000	$ —

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES
As of June 30, 2017
(Thousands of dollars)

B. The total issued and outstanding debt for the 1997 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1997A	12/3/1997	$ 499,995	$ —
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	240,144
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	391,893
Unlimited Tax GO Bonds, IDFA Series 1999A	12/22/1999	12,000	—
Unlimited Tax GO Bonds, Series 2000D	9/7/2000	101,000	—
Unlimited Tax GO Bonds, Series 2001B	10/24/2001	9,440	—
		$1,497,703	$632,037

C. The total issued and outstanding debt for the 1998 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, PBC Series C of 1999	9/30/1999	$316,255	$ —
Unlimited Tax GO Bonds, Series 2000A	7/20/2000	106,960	—
Unlimited Tax GO Bonds, Series 2000B,C	9/7/2000	202,000	—
Unlimited Tax GO Bonds, Series 2000E	12/19/2000	13,390	—
Unlimited Tax GO Bonds, Series 2001A	3/1/2001	45,110	—
Unlimited Tax GO Bonds, Series 2003C	10/28/2003	4,585	4,585
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	81,895	—
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	100,000	—
		$870,195	$4,585

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

D. The total issued and outstanding debt for the 2001 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2001C	12/11/2001	$217,260	$ —
Unlimited Tax GO Bonds, Series 2003A	2/13/2003	75,890	—
Unlimited Tax GO Bonds, Series 2003B	2/13/2003	183,775	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	23,075	—
		$500,000	$ —

E. The total issued and outstanding debt for the 2002 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2002A	9/24/2002	$ 48,970	$24,885
Unlimited Tax GO Bonds, Series 2003D	12/12/2003	257,925	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	193,105	—
		$500,000	$24,885

F. The total issued and outstanding debt for the 2004 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2004CDE	11/10/2004	$222,080	$ —
Unlimited Tax GO Bonds, Series 2004FGH	12/9/2004	56,000	—
Unlimited Tax GO Bonds, Series 2005C	11/15/2005	53,750	—
Unlimited Tax GO Bonds, Series 2005DE	12/8/2005	325,000	—
Unlimited Tax GO Bonds, Series 2006A	6/7/2006	6,853	6,853
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	301,317	—
		$965,000	$6,853

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

G. The total issued and outstanding debt for the 2006 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	$ 54,488	$ —
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	162,785	—
Unlimited Tax GO Refunding Bonds, Series 2007C	9/5/2007	6,870	3,740
Unlimited Tax GO Bonds, Series 2007D	12/13/2007	238,720	169,195
Unlimited Tax GO Refunding Bonds, Series 2009B	6/25/2009	75,410	—
Unlimited Tax GO Refunding Bonds, Series 2009C	6/25/2009	20,265	—
Unlimited Tax GO Refunding Bonds, Series 2009D	7/30/2009	75,720	40,940
		$634,258	$213,875

H. The total issued and outstanding debt for the 2008 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2008A	5/13/2008	$ 262,785	$ 262,785
Unlimited Tax GO Refunding Bonds, Series 2008B	5/13/2008	240,975	177,550
Unlimited Tax GO Refunding Bonds, Series 2008C	5/1/2008	464,655	464,655
Unlimited Tax GO Refunding Bonds, Series 2009A	3/18/2009	130,000	—
Unlimited Taxable GO Bonds, Series 2009E	9/24/2009	518,210	518,210
Unlimited Tax GO Bonds, Series 2009F	9/24/2009	29,125	—
Unlimited Tax GO Bonds, Series 2009G	12/17/2009	254,240	254,240
		$1,899,990	$1,677,440

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

I. The total issued and outstanding debt for the 2009 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2010A	2/17/2010	$ 48,910	$ —
Unlimited Tax GO Refunding Bonds, Series 2010B	2/17/2010	157,055	—
Unlimited Tax GO Bonds, Series 2010C	11/2/2010	257,125	257,125
Unlimited Tax GO Bonds, Series 2010D	11/2/2010	125,000	125,000
Unlimited Tax GO Refunding Bonds, Series 2010F	11/2/2010	183,750	161,300
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	5,235
Unlimited Tax GO Bonds, Series 2011A	11/1/2011	402,410	402,410
Unlimited Tax GO Refunding Bonds, Series 2011C	12/20/2012	95,100	83,700
Unlimited Tax GO Refunding Bonds, Series 2011D	12/16/2011	95,000	—
Unlimited Tax GO Bonds, Series 2012A	8/21/2012	468,915	468,915
		$1,906,180	$1,503,685

J. The total issued and outstanding debt for the 2012 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2012B	12/21/2012	$109,825	$109,825
Unlimited Tax GO Short-term Line of Credit, Series 2013B	12/20/2013	150,000	—
Unlimited Tax GO Short-term Line of Credit, Series 2013C	12/20/2013	150,000	—
Unlimited Tax GO Bonds, Series 2015C	4/29/2015	280,000	280,000
Unlimited Tax GO Bonds, Series 2015E	4/29/2015	20,000	20,000
		$709,825	$409,825

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2017

(Thousands of dollars)

K. The total issued and outstanding debt for the 2015 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2016A	2/8/2016	$725,000	$725,000
Unlimited Tax GO Bonds, Series 2016B	7/29/2016	150,000	150,000
		$875,000	$875,000

L. The total issued and outstanding debt for the 2016 Authorization is the issuance as outlined below:

Date Issued	Amount Issued	Principal Outstanding
	$	$
	$ —	$ —

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

OUTSTANDING DEBT PER CAPITA

Last Ten Fiscal Years

As of June 30, 2017

(Thousands of dollars, except per capita)

Fiscal Year	General Obligation Bonds	Capital Improvement Tax Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government	Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt
2008	$4,276,507	$ —	$411,690	$3,747	$2,625	$2,516	$4,697,085	N/A
2009	4,221,497	—	386,385	2,710	2,450	1,317	4,614,359	N/A
2010	4,904,510	—	359,215	—	2,275	—	5,266,000	N/A
2011	5,249,147	—	330,375	—	2,100	—	5,581,622	N/A
2012	5,593,686	—	299,780	—	1,925	—	5,895,391	N/A
2013	6,058,398	—	267,330	—	1,750	—	6,327,478	144,852
2014	5,944,516	—	232,940	—	1,575	—	6,179,031	167,270
2015	6,073,049	—	196,470	—	1,400	—	6,270,919	167,270
2016	6,578,983	—	157,780	—	1,225	—	6,737,988	97,695
2017	7,198,734	729,580	116,850	—	1,050	—	8,046,214	124,217

Notes:

(A) Starting in fiscal year 2013, CPS will include information about accumulated resources that are restricted to repaying the principal of outstanding general bonded debt. These accumulated resources will be subtracted from the total primary government amount in order to calculate a net total primary amount.

(B) For all years prior to fiscal year 2013, the total net outstanding debt per capita ratio is the total primary government amount divided by population.

STATISTICAL SECTION

Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net General Bonded Debt Per Capita	Total General Obligation Debt Per Capita
$4,338,713	3.57%	13.00%	2,896,016	$1,498.17	$1,335.27
4,538,682	3.46%	13.50%	2,896,016	1,567.22	1,412.93
4,697,085	3.49%	13.82%	2,896,016	1,621.91	1,476.69
4,614,359	3.45%	14.68%	2,896,016	1,593.35	1,457.69
5,266,000	4.31%	17.23%	2,695,598	1,953.56	1,819.45
5,581,622	4.41%	18.55%	2,695,598	2,070.64	1,947.30
5,895,391	4.47%	21.46%	2,695,598	2,187.04	2,075.12
6,182,626	4.62%	22.64%	2,695,598	2,293.60	2,247.52
6,011,761	4.35%	21.98%	2,695,598	2,230.21	2,205.27
6,103,649	4.14%	19.89%	2,695,598	2,264.30	2,252.95
6,640,293	N/A	21.45%	2,695,598	2,463.38	2,440.64
7,921,997	N/A	N/A	2,695,599	2,938.86	2,670.55

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
As of June 30, 2017
(Thousands of dollars)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	$10,163,860	$11,175,687	$11,673,736	$11,328,763	$10,367,652	$9,005,479	$8,607,088	$8,958,101	$9,793,658 (G)	$10,214,898
General obligation	606,009	553,134	498,593	446,719	394,793	342,830	290,849	238,820	186,823 (B)	134,803
Less: amount set aside for repayment of bonds	(36,238)	(34,719)	(16,042)	(36,440)	(29,917)	(34,790)	(35,201)	(34,684)	(34,866) (C)	(32,761)
Total net debt applicable to limit (A)	$ 569,771	$ 518,415	$ 482,551	$ 410,279	$ 364,876	$ 308,040	$ 255,648	$ 204,136	$ 151,957	$ 102,042
Legal debt margin	$ 9,594,089	$10,657,272	$11,191,185	$10,918,484	$10,002,776	$8,697,439	$8,351,440	$8,753,965	$9,641,701	$10,112,856
Total net debt applicable to the limit as a percentage of debt limit	5.61%	4.64%	4.13%	3.62%	3.52%	3.42%	2.97%	2.28%	1.55%	1.00%

(A) Pursuant to Section 15 of the Debt Reform Act, this table does not reflect the following alternate bonds because these bond series do not count against the debt limit until the tax levy supporting them is extended for collection:

$499.9 million Series 1997A
$328.7 million Series 1998B-1
$532.5 million Series 1999A
$9.44 million Series 2001B
$49.0 million Series 2002A
$4.6 million Series 2003C
$205.4 million Series 2004A
$193.5 million Series 2005A
$52.5 million Series 2005B
$6.9 million Series 2006A
$355.8 million Series 2006B
$197.7 million Series 2007B
$6.8 million Series 2007C
$238.7 million Series 2007D
$262.8 million Series 2008A
$240.9 million Series 2008B
$464.7 million Series 2008C
$75.7 million Series 2009D
$547.3 million Series 2009EF
$254.2 million Series 2009G
$257.1 million Series 2010C
$125.0 million Series 2010D
$183.7 million Series 2010F
$72.9 million Series 2010G
$402.4 million Series 2011A
$95.1 million Series 2011C
$468.9 million Series 2012A
$109.8 million Series 2012B
$403.9 million Series 2013A
$89.2 million Series 2015A
$280.0 million Series 2015C
$20.0 million Series 2015E
$88.9 million Series 2015G
$725.0 million Series 2016A
$150.0 million Series 2016B

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2017

(Thousands of Dollars)

Governmental Unit	Debt Outstanding (A)	Estimated Percentage Applicable (B)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
City of Chicago	$9,805,104	100.00%	$ 9,805,104
City Colleges of Chicago	241,830	100.00%	241,830
Chicago Park District	822,045	100.00%	822,045
Cook County	3,213,142	51.59%	1,657,660
Forest Preserve District	159,440	51.59%	82,255
Water Reclamation District	2,740,113	52.59%	1,441,025
Subtotal, overlapping debt			$14,049,919
Chicago Public School Direct Debt			8,046,214
Total Direct and Overlapping Debt			$22,096,133

(A) Debt outstanding data provided by each governmental unit.

(B) Assessed value data used to estimate applicable percentage is provided by the Office of the Cook County Clerk. Percentages are calculated by dividing each taxing district's 2015 City of Chicago tax extension within the City of Chicago by the total 2016 Cook County extension for the district.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CPS' DEBT RATING HISTORY

Fiscal Year Ending June 30, 2017

General Obligation Bonds

The following table presents the changes in general obligation credit rating for Chicago Board of Education for the last five years:

	July 2013	Sep. 2013	Mar. 2014	Mar. 2015	May 2015	July 2015	Aug. 2015	Jan. 2016*	Sept. 2016*	Nov. 2016*	Dec. 2016*	June 2017*
S&P	A+	A+	A+	A-	A-	BBB	BB	B+	B+	B	B	B
Moody's	A3	A3	Baa1	Baa3	Ba3	Ba3	Ba3	B2	B3	B3	B3	B3
Fitch	A	A-	A-	BBB-	BBB-	BB+	B+	B+	B+	B+	B+	B+
Kroll				BBB+	BBB+	BBB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Security Structure: All of CPS' general obligation debt that has been issued as alternate revenue bonds are secured by at least one other revenue stream in addition to the Board's unlimited tax general obligation pledge. CPS has pledged revenues from PPRT, revenues from an IGA with the City of Chicago, revenues from City Notes and Intergovernmental Agreements with the City of Chicago, federal subsidies, and both State Aid and State Grant revenues as alternate revenue sources.

NOTES: *The rating provided by Kroll for the CPS Series 2016A and Series 2016B bonds has been BBB since January 2016 and September 2016 respectfully. All other issues were BBB-.

Capital Improvement Tax Bonds

The following table presents the changes in the dedicated revenue capital improvement tax credit rating for Chicago Board of Education since inception beginning in December 2016:

	Dec. 2016	June 2017
S&P	None	None
Moody's	None	None
Fitch	A	A
Kroll	BBB	BBB

Security Structure: In Fiscal Year 2017, CPS structured an entirely new CIT long term bond credit that is separate from the existing CPS general obligation credit. The CIT Bonds are limited obligations of the Board payable from and secured by a revenues derived and to be derived by the Board from the levy of a capital improvement tax. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the CIT Bonds issued in fiscal year 2017.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

						Civilian Labor Force (D)		Employment (D)		
Year	City of Chicago Population (A)	Personal Income $(000's)	Per Capita Income (B)	Median Age (C)	Number of Households (C)	Number	Percent of Population	Number	Percent of Population	Unemployment Rate
2007	2,896,016	$130,986,804	$45,230	33.75	1,033,328	1,321,924	45.65%	1,245,876	43.02%	5.80%
2008	2,896,016	134,592,344	46,475	34.13	1,032,746	1,328,413	45.87%	1,235,459	42.66%	7.00%
2009	2,896,016	133,682,995	46,161	34.50	1,037,069	1,318,491	45.53%	1,174,785	40.57%	10.90%
2010	2,695,598	122,140,241	45,311	34.80	1,045,666	1,320,502	48.99%	1,175,029	43.59%	11.00%
2011	2,695,598	126,523,283	46,937	33.20	1,045,666	1,259,055	46.71%	1,116,216	41.41%	11.30%
2012	2,695,598	131,930,653	48,943	33.10	1,030,076	1,273,805	47.26%	1,144,896	42.47%	10.10%
2013	2,695,598	133,866,092	49,661	33.30	1,028,746	1,277,649	47.40%	1,143,944	42.44%	10.50%
2014	2,695,598	138,230,265	51,280	33.40	1,028,829	1,369,656	50.81%	1,264,234	46.90%	7.70%
2015	2,695,598	147,486,949	54,714	33.70	1,035,436	1,361,418	50.51%	1,273,727	47.25%	6.40%
2016	2,695,598	N/A	N/A	33.90	1,042,579	1,371,326	50.87%	1,282,117	47.56%	6.50%

NOTES:

A) *Source*: U.S. Census Bureau. The census is conducted decennially at the start of each decade.

B) *Source*: Bureau of Economic Analysis. These rates are for Cook County.

C) *Source*: World Business Chicago Website.

D) *Source*: Illinois Workforce Info Center Website

N/A: Not available at publishing.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)

Last Ten Years

Employer	2016 (1) Number of Employees	2016 (1) Rank	2016 (1) Percentage of Total City Employment	2015 Number of Employees	2015 Rank	2015 Percentage of Total City Employment	2014 Number of Employees	2014 Rank	2014 Percentage of Total City Employment	2013 Number of Employees	2013 Rank	2013 Percentage of Total City Employment	2012 Number of Employees	2012 Rank	2012 Percentage of Total City Employment
Advocate Health Care	18,930	1	1.48%	18,308	1	1.44%	18,556	1	1.47%	—	—	—	—	—	—
University of Chicago	16,374	2	1.28%	16,197	2	1.27%	16,025	2	1.27%	—	—	—	—	—	—
Northwestern Memorial Healthcare	15,747	3	1.23%	15,317	3	1.20%	14,550	4	1.15%	—	—	—	—	—	—
J.P. Morgan Chase & Co. (2)	15,229	4	1.19%	14,158	4	1.11%	15,015	3	1.19%	8,499	1	0.78%	8,168	1	0.76%
United Continental Holdings Inc. (3)	15,157	5	1.18%	14,000	5	1.10%	14,000	5	1.11%	8,199	2	0.75%	7,521	2	0.70%
Walgreens Boots Alliance Inc.	12,685	6	0.99%	13,006	7	1.02%	13,797	6	1.09%	2,869	9	0.26%	2,789	10	0.26%
Northwestern University	10,241	7	0.80%	9,708	10	0.76%	—	—	—	—	—	—	—	—	—
Presence Health	10,183	8	0.79%	10,500	8	0.82%	11,279	8	0.89%	—	—	—	—	—	—
Abbot Laboratories	9,800	9	0.76%	10,000	9	0.79%	10,000	10	0.79%	—	—	—	—	—	—
Jewel Food Stores, Inc.	9,660	10	0.75%	—	—	—	—	—	—	4,441	6	0.41%	4,572	5	0.43%
Health Care Service Corporation	—	—	—	13,006	6	1.02%	—	—	—	—	—	—	—	—	—
SBC/AT&T (4)	—	—	—	—	—	—	13,000	7	1.03%	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	—	—	—	10,100	9	0.80%	—	—	—	—	—	—
Accenture LLP	—	—	—	—	—	—	—	—	—	5,821	3	0.53%	5,590	3	0.52%
Northern Trust	—	—	—	—	—	—	—	—	—	5,353	4	0.49%	5,448	4	0.51%
Ford Motor Company	—	—	—	—	—	—	—	—	—	5,103	5	0.47%	4,187	6	0.39%
ABM Janitorial Midwest, Inc.	—	—	—	—	—	—	—	—	—	3,399	7	0.31%	3,398	8	0.32%
Bank of America NT & SA	—	—	—	—	—	—	—	—	—	3,392	8	0.31%	3,811	7	0.36%
American Airlines	—	—	—	—	—	—	—	—	—	2,749	10	0.25%	3,076	9	0.29%
SBC Ameritech	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Employer	2011 Number of Employees	2011 Rank	2011 Percentage of Total City Employment	2010 Number of Employees	2010 Rank	2010 Percentage of Total City Employment	2009 Number of Employees	2009 Rank	2009 Percentage of Total City Employment	2008 Number of Employees	2008 Rank	2008 Percentage of Total City Employment	2007 (5) Number of Employees	2007 (5) Rank	2007 (5) Percentage of Total City Employment
Advocate Health Care	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Northwestern Memorial Healthcare	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase & Co. (2)	7,993	1	0.77%	8,094	1	0.81%	8,431	1	0.81%	8,865	1	0.81%	9,114	1	0.73%
United Continental Holdings Inc. (3)	6,366	2	0.62%	5,585	2	0.58%	6,019	2	0.58%	6,403	2	0.58%	6,102	2	0.49%
Walgreens Boots Alliance Inc.	4,429	7	0.43%	4,552	6	0.33%	—	—	—	—	—	—	—	—	—
Northwestern University	—	—	—	—	—	—	—		—	—	—	—	—	—	—
Presence Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Abbot Laboratories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Jewel Food Stores, Inc.	4,799	5	0.46%	5,307	4	0.52%	5,833	3	0.56%	5,977	3	0.55%	5,424	3	0.43%
Health Care Service Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
SBC/AT&T (4)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accenture LLP	5,014	4	0.48%	4,224	7	0.32%	3,341	7	0.32%	4,532	5	0.41%	4,283	5	0.34%
Northern Trust	5,485	3	0.53%	5,833	3	0.56%	5,394	4	0.52%	5,084	4	0.46%	4,787	4	0.38%
Ford Motor Company	3,410	10	0.33%	—	—	—	2,764	10	0.27%	3,325	8	0.30%	3,367	8	0.27%
ABM Janitorial Midwest, Inc.	3,629	9	0.35%	3,840	9	0.30%	—	—	—	—	—	—	—	—	—
Bank of America NT & SA	4,557	6	0.44%	4,668	5	0.44%	4,631	5	0.44%	—	—	—	—	—	—
American Airlines	—	—	—	3,153	10	0.27%	3,394	6	0.33%	3,582	6	0.33%	3,645	7	0.29%
SBC Ameritech	—	—	—	—	—	—	3,136	8	0.30%	3,459	7	0.32%	4,002	6	0.32%
CVS Corporation	4,159	8	0.40%	4,067	8	0.30%	3,120	9	0.30%	3,161	9	0.29%	3,120	9	0.25%
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	2,955	10	0.27%	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—	2,988	10	0.24%

NOTES:

Beginning with fiscal year 2007, the Chicago Board of Education will accumulate 10 years of data.

1) *Source*: Reprinted with permission, Crain's Chicago Business [January 16, 2017], Crain Communications, Inc.

2) J.P. Morgan Chase formerly known as Bank One.

3) United Continental Holdings Inc. formaly known as United Airlines.

4) AT&T Inc. formerly known as SBC Ameritech.

5) *Source*: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.

Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue- Tax Division report, which is no longer available.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2016 NET REVENUES

(Millions of dollars)

Company Name	2016 Net Revenues	Number of Employees (1)
Walgreens Boots Alliance Inc. (2)	$117,351.0	360,000
Boeing Co.	94,571.0	150,500
Archer Daniels Midland Co.	62,346.0	31,800
Caterpillar Inc.	38,537.0	95,400
United Continental Holdings Inc.	36,556.0	88,000
Allstate Corp.	36,534.0	43,500
Exelon Corp.	31,360.0	34,396
Deere & Co. (3)	26,644.0	56,767
Kraft Heinz Co.	26,487.0	41,000
Mondelez International Inc.	25,923.0	90,000
Abbvie Inc.	25,638.0	30,000
McDonald's Corp.	24,621.9	375,000
US Foods Holdings Corp.	22,918.8	25,000
Sears Holdings Corp. (4)	22,138.0	140,000
Abbott Laboratories	20,853.0	75,000
CDW Corp.	13,981.9	8,516
Illinois Tool Works Inc.	13,599.0	50,000
Conagra Brands Inc. (5)	11,642.9	20,900
Discover Financial Services Inc.	10,497.0	15,549
Baxter International Inc.	10,163.0	48,000

Source: **Crain's Chicago Business**, "Chicago's Largest Public Companies", from May 22, 2017 issue. Copyright 2017 Crain Communications Inc.

NOTES:

1) Most recent employee count available

2) Fiscal year ends in August.

3) Fiscal year ends in October.

4) Fiscal year ends in January.

5) Fiscal year ends in May.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE

FINAL APPROPRIATIONS AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Fiscal Year Ended June 30, 2016

(Thousands of Dollars)

	Approved Budget	Tranfers In/(Out)	Final Appropriations	Fiscal Year 2017 Actual	Variance	Fiscal Year 2016 Actual	2017 Over (under) 2016
Revenues:							
Property taxes	$2,607,809	$ —	$2,607,809	$2,613,889	$ 6,080	$2,313,469	$ 300,420
Replacement taxes	130,531	—	130,531	169,637	39,106	115,961	53,676
State aid	1,498,897	—	1,498,897	1,287,702	(211,195)	1,398,855	(111,153)
Federal aid	829,839	—	829,839	752,295	(77,544)	776,278	(23,983)
Interest and investment earnings	—	—	—	1,964	1,964	1,347	617
Other	263,148	—	263,148	265,099	1,951	271,857	(6,758)
Total revenues	$5,330,224	$ —	$5,330,224	$5,090,586	$(239,638)	$4,877,767	$ 212,819
Expenditures:							
Teachers' salaries	$1,773,479	$ 41,524	$1,815,003	$1,815,309	$ 306	$1,869,683	$ (54,374)
Career service salaries	576,398	26,372	602,770	581,665	(21,105)	605,817	(24,152)
Energy	75,719	(595)	75,124	69,067	(6,057)	70,227	(1,160)
Food	97,095	(655)	96,440	94,911	(1,529)	98,777	(3,866)
Textbook	37,602	7,629	45,231	43,255	(1,976)	54,856	(11,601)
Supplies	38,056	16,314	54,371	44,040	(10,331)	47,085	(3,045)
Other commodities	394	5	399	221	(178)	294	(73)
Professional fees	309,401	56,544	365,945	357,258	(8,687)	314,732	42,526
Charter Schools	677,988	22,947	700,935	668,412	(32,523)	704,981	(36,569)
Transportation	98,439	3,792	102,231	95,974	(6,257)	104,450	(8,476)
Tuition	59,630	1,437	61,067	53,668	(7,399)	61,028	(7,360)
Telephone and telecommunications	28,499	4,558	33,057	21,998	(11,059)	24,579	(2,581)
Other services	20,430	3,034	23,464	13,814	(9,650)	16,471	(2,657)
Equipment - educational	24,451	9,608	34,058	30,967	(3,091)	45,407	(14,440)
Repair and replacements	20,236	(725)	19,511	18,319	(1,192)	18,853	(534)
Capital outlay	301	1,785	2,086	1,017	(1,069)	1,135	(118)
Teachers' pension	843,643	4,383	848,027	853,474	5,447	811,051	42,423
Career service pension	92,607	9,612	102,219	99,428	(2,791)	102,762	(3,334)
Hospitalization and dental insurance	359,126	(43,316)	315,810	306,871	(8,939)	348,083	(41,212)
Medicare	36,449	(1,961)	34,488	33,658	(830)	34,824	(1,166)
Unemployment compensation	8,499	(1,165)	7,334	7,040	(294)	9,438	(2,398)
Workers compensation	20,593	(487)	20,106	20,531	425	20,338	193
Rent	15,023	1,714	16,737	14,638	(2,099)	16,011	(1,373)
Debt service	34,000	—	34,000	38,735	4,735	25,003	13,732
Other fixed charges	163,013	(162,353)	660	13,488	12,828	8,961	4,527
Total expenditures	$5,411,073	$ —	$5,411,073	$5,297,758	$(113,315)	$5,414,846	$(117,088)
Revenues in excess of (less than) expenditures	$ (80,849)	$ —	$ (80,849)	$ (207,172)	$(126,323)	$ (537,079)	$ 329,907
Other financing sources (uses):							
Other revenue sources/(uses)	$ —	$ —	$ —	$ 224	$ —	$ —	$ 224
Transfers in / (out)	—	—	—	58,350	58,350	50,162	8,188
Total other financing sources (uses)	$ —	$ —	$ —	$ 58,574	$ 58,350	$ 50,162	$ 8,412
Net change in fund balances	$ (80,849)	$ —	$ (80,849)	$ (148,598)	$ (67,973)	$ (486,917)	$ 338,319
Fund balances, beginning of period	(126,632)	—	(126,632)	(126,632)	—	360,285	(486,917)
Fund balances, end of period	$ (207,481)	$ —	$ (207,481)	$ (275,230)	$ (67,973)	$ (126,632)	$(148,598)

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Act Program	Total
Revenues:											
Property taxes	$2,275,347	$260,148	$ —	$ —	$ —	$ —	$ —	$78,394	$ —	$ —	$2,613,889
Replacement taxes	169,637	—	—	—	—	—	—	—	—	—	169,637
State aid	575,327	—	—	143,929	261,000	—	4,563	—	302,883	—	1,287,702
Federal aid	54,367	—	93,096	114,390	—	278,136	198,440	—	—	13,866	752,295
Interest and investment income	1,961	—	—	—	—	—	—	3	—	—	1,964
Other	214,018	891	—	15,262	4,584	—	8,704	5,253	16,387	—	265,099
Total revenues	$3,290,657	$261,039	$93,096	$273,581	$265,584	$278,136	$211,707	$83,650	$319,270	$13,866	$5,090,586

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF EXPENDITURES — BY PROGRAM
For the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Program	Total
Teachers' salaries	$1,397,394	$ —	$63,510	$114,600	$116,944	$116,902	$ 1	$ 80	$ —	$ 5,878	$1,815,309
Career service salaries	297,977	—	2,692	37,687	43,499	18,111	62,551	45,722	71,515	1,911	581,665
Energy	164	—	—	—	—	—	—	—	68,903	—	69,067
Food	427	—	1	1,794	2	179	92,500	8	—	—	94,911
Textbooks	30,707	—	34	3,614	3,970	4,702	31	—	25	172	43,255
Supplies	26,169	—	137	3,888	4,088	5,004	120	38	4,352	244	44,040
Other commodities	152	—	—	8	26	7	1	—	25	2	221
Professional fees	98,330	—	2,841	66,212	5,408	35,323	4,909	17,179	124,270	2,786	357,258
Charter schools	571,163	—	—	6,366	47,695	43,188	—	—	—	—	668,412
Transportation	86,725	—	15	1,692	1,585	5,666	26	19	197	49	95,974
Tuition	49,128	—	2,436	2,100	—	4	—	—	—	—	53,668
Telephone and telecommunications	21,944	—	—	12	—	15	13	—	14	—	21,998
Other services	7,192	—	39	1,723	661	594	59	3,457	11	78	13,814
Equipment — educational	15,708	—	4	4,298	3,051	3,504	4,036	161	56	149	30,967
Repairs and replacements	4,329	—	—	132	996	111	—	173	12,578	—	18,319
Capital outlay	1,014	—	—	3	—	—	—	—	—	—	1,017
Teachers' pension	531,696	250,000	11,301	19,673	20,368	19,588	—	13	—	835	853,474
Career service pension	49,452	—	497	6,343	6,986	3,054	11,359	8,035	13,479	223	99,428
Hospitalization and dental insurance	202,132	—	7,262	19,050	20,144	15,601	21,351	10,089	10,616	626	306,871
Medicare	23,654	—	904	2,098	2,343	1,939	862	787	934	137	33,658
Unemployment compensation	4,996	—	205	438	459	391	182	131	219	19	7,040
Workers' compensation	14,574	—	599	1,277	1,338	1,139	530	382	638	54	20,531
Rent	1,975	—	14	1,247	—	—	17	9	11,376	—	14,638
Debt Service	38,735	—	—	—	—	—	—	—	—	—	38,735
Other fixed charges	(11,221)	—	2,543	255	—	7,505	9,205	5,138	62	1	13,488
Total expenditures	$3,464,516	$250,000	$95,034	$294,510	$279,563	$282,527	$207,753	$91,421	$319,270	$13,164	$5,297,758

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS

Last Ten Fiscal Years and 2018 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$2,304,656	$2,408,416	$2,714,956	$2,779,400	4.4%	4.7%
Replacement taxes	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	227,921	148,700	-3.6%	-4.4%
Investment income	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	5,442	—	-100.0%	-100.0%
Other	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	387,045	628,600	13.3%	14.3%
Total local	$2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$2,791,265	$2,911,343	$3,335,364	$3,556,700	4.5%	5.5%
State revenue:													
General state aid	$1,107,408	$ 879,658	$1,001,777	$1,163,412	$1,136,472	$1,094,732	$1,089,673	$1,014,395	$ 971,642	$1,074,021	$1,746,800	4.7%	9.8%
Teachers' pension	75,218	74,845	37,551	42,971	10,449	10,931	11,903	62,145	12,105	1,016	—	-100.0%	-100.0%
Capital	—	—	—	2,793	—	—	—	—	—	—	14,000	—	—
Other	663,408	557,383	512,748	740,605	818,980	710,135	739,229	770,529	568,578	633,828	315,300	-7.2%	-15.0%
Total state	$1,846,034	$1,511,886	$1,552,076	$1,949,781	$1,965,901	$1,815,798	$1,840,805	$1,847,069	$1,552,325	$1,708,865	$2,076,100	1.2%	2.7%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 150,477	$ 278,136	$ 286,766	-2.0%	1.6%
Individuals with Disabilities Education Act (IDEA)	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	93,096	96,549	-0.9%	-2.0%
School lunchroom	150,394	139,096	178,764	175,753	182,836	190,093	181,902	200,412	202,943	198,440	203,444	3.1%	1.4%
Medicaid	31,671	50,758	34,937	72,343	92,736	41,523	44,801	42,524	34,806	37,108	41,807	2.8%	0.1%
Other	237,410	471,144	562,876	536,871	292,313	242,678	237,531	198,582	327,290	177,163	185,934	-2.4%	-5.2%
Total federal	$ 876,041	$1,125,580	$1,180,148	$1,144,884	$ 935,951	$ 845,796	$ 907,241	$ 798,931	$ 808,999	$ 783,943	$ 814,500	-0.7%	-0.8%
Total revenue	$5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$5,437,265	$5,272,667	$5,828,172	$6,447,300	2.5%	3.7%
Change in revenue from previous year	$ 198,384	$ 1,174	$ 284,450	$ 355,969	$ 100,422	$ (371,942)	$ 53,930	$ (5,142)	$ (164,598)	$ 555,505	$ 619,128		
Percent change in revenue	4.1%	0.0%	5.7%	6.7%	1.8%	-6.5%	1.0%	-0.1%	-3.0%	10.5%	10.6%		

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS
Last Ten Fiscal Years and 2018 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013
Compensation:						
Teacher salaries	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832	$1,942,007
ESP salaries	559,741	597,533	604,042	610,741	618,265	633,489
Total salaries	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097	$2,575,496
Teacher pension	350,483	392,801	475,628	306,111	335,657	374,567
ESP pension	89,776	93,791	96,913	102,158	100,026	102,342
Hospitalization	260,386	299,206	311,048	353,878	324,918	319,792
Medicare	31,075	33,667	34,826	35,004	34,900	36,404
Unemployment insurance	5,764	8,599	16,000	21,992	17,141	9,134
Workers' compensation	29,757	28,148	28,244	25,859	26,042	23,967
Total benefits	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206
Total compensation	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781	$3,441,702
Non-compensation:						
Energy	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559
Food	83,326	89,592	93,088	93,766	104,245	106,650
Textbooks	89,514	86,356	70,596	70,249	49,147	68,969
Supplies	46,030	44,572	48,046	51,125	45,521	52,925
Commodities — other	910	998	948	478	583	408
Professional fees	360,277	440,921	381,851	450,127	412,072	398,064
Charter schools	189,006	256,154	326,322	377,755	424,423	498,162
Transportation	102,828	109,351	109,349	107,530	109,368	106,861
Tuition	65,105	63,858	62,568	59,102	55,001	54,626
Telephone and telecommunications	17,671	19,426	18,199	19,823	23,451	23,642
Services — other	13,253	13,935	15,688	11,789	11,010	12,438
Equipment	39,003	34,450	33,661	41,896	40,938	59,654
Repairs and replacements	36,999	34,772	31,854	37,355	33,912	26,449
Capital outlays	463,067	648,314	691,774	563,390	576,925	493,532
Rent	11,020	12,000	12,093	11,941	11,745	10,547
Debt service	282,142	302,206	386,597	332,097	374,494	390,409
Other	18,888	13,306	17,519	14,402	9,679	8,639
Total non-compensation	$1,905,798	$2,262,565	$2,378,835	$2,326,181	$2,355,923	$2,388,534
Total expenditures	$5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236
Change in expenditures from previous year	$ 285,886	$ 574,070	$ 279,543	$ (166,359)	$ 34,270	$ (9,468)
Percent change in expenditures	5.9%	11.2%	4.9%	-2.8%	0.6%	-0.2%

	2014	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:							
Teacher salaries	$1,921,969	$1,953,938	$1,869,683	$1,815,309	$1,860,907	-0.1%	-0.8%
ESP salaries	619,462	622,591	605,817	581,665	549,299	-0.2%	-2.8%
Total salaries	$2,541,431	$2,576,529	$2,475,500	$2,396,974	$2,410,206	-0.1%	-1.3%
Teacher pension	740,419	826,304	811,051	853,474	895,751	9.8%	19.1%
ESP pension	101,885	102,012	102,762	99,428	88,960	-0.1%	-2.8%
Hospitalization	343,308	357,124	348,083	306,871	348,182	2.9%	1.7%
Medicare	35,951	36,557	34,824	33,658	36,408	1.6%	0.0%
Unemployment insurance	16,426	8,138	9,438	7,040	8,997	4.6%	-0.3%
Workers' compensation	25,646	25,926	20,337	20,531	21,993	-3.0%	-1.7%
Total benefits	$1,263,635	$1,356,061	$1,326,495	$1,321,002	$1,400,291	6.2%	10.1%
Total compensation	$3,805,066	$3,932,590	$3,801,995	$3,717,976	$3,810,497	1.7%	2.1%
Non-compensation:							
Energy	$ 87,547	$ 74,516	$ 70,227	$ 69,067	$ 74,866	-1.5%	-0.4%
Food	96,816	99,573	98,777	94,911	93,954	1.2%	-2.5%
Textbooks	52,871	55,254	54,856	43,255	36,807	-8.5%	-11.8%
Supplies	55,223	50,571	47,085	44,040	36,786	-2.2%	-7.0%
Commodities — other	648	474	294	221	410	-7.7%	0.1%
Professional fees	441,667	395,221	314,732	357,258	331,976	-0.8%	-3.6%
Charter schools	580,652	662,553	704,981	668,412	745,402	14.7%	8.4%
Transportation	104,430	103,891	104,450	95,974	106,681	0.4%	0.0%
Tuition	66,396	90,901	61,028	53,668	59,072	-1.0%	1.6%
Telephone and telecommunications	30,297	28,061	24,579	21,998	30,744	5.7%	5.4%
Services — other	14,126	14,133	16,471	13,814	19,866	4.1%	9.8%
Equipment	62,757	60,962	45,407	30,967	17,061	-7.9%	-22.1%
Repairs and replacements	31,679	27,291	18,853	18,319	18,918	-6.5%	-6.5%
Capital outlays	486,986	374,758	294,446	205,852	136,234	-11.5%	-22.7%
Rent	12,164	13,030	16,012	14,638	17,501	4.7%	10.7%
Debt service	467,904	523,113	480,288	569,694	576,879	7.4%	8.1%
Other	7,792	11,340	8,961	13,488	298,753	31.8%	103.1%
Total non-compensation	$2,599,955	$2,585,642	$2,361,447	$2,315,576	$2,601,910	3.2%	1.7%
Total expenditures	$6,405,021	$6,518,232	$6,163,442	$6,033,552	$6,412,407	2.3%	1.9%
Change in expenditures from previous year	$ 574,785	$ 113,211	$ (354,790)	$ (129,890)	$ 378,855		
Percent change in expenditures	9.8%	1.8%	-5.4%	-2.1%	6.3%		

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS

Last Ten Fiscal Years and 2018 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018
Revenues:											
Local	$ 2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$ 2,791,265	$2,911,343	$3,335,363	$3,509,331
State	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,708,865	2,080,516
Federal	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999	783,943	813,405
Total revenues	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667	$5,828,172	$6,403,252
Total expenditures	5,118,180	5,692,250	5,971,793	5,805,434	5,839,704	5,830,236	6,405,021	6,518,232	6,163,442	6,033,552	6,412,406
Revenues less expenditures	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,080,967)	$ (890,775)	$ (205,381)	$ (9,154)
Other Financing Sources:											
Bond proceeds	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	982,720	131,600	561,880	724,999	879,580	$ 22,278
Net premiums/discounts	41,226	—	6,459	14,700	1,229	47,271	—	(12,502)	(110,071)	(36,097)	—
Insurance proceeds	—	1,155	—	—	—	—	—	—	—	224	—
Sales of general capital assets	6,404	91	—	—	—	723	7,301	37,504	15,012	6,273	—
Payment to bond escrow agent	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(397,090)	(120,856)	—	—
Total other financing sources	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 189,792	$ 509,084	$ 849,980	$ 22,278
Change in fund balance	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	$ 644,599	
Fund balance — beginning of period	1,578,331	1,726,659	1,054,500	1,187,750	1,426,320	1,750,674	2,546,502	1,722,789	831,614	449,923	
Fund balance — end of period	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,722,789	$ 831,614	$ 449,923	$1,094,522	
Revenues as a percent of expenditures	98.1%	88.2%	88.8%	97.5%	98.6%	92.4%	85.0%	83.4%	85.5%	96.6%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 401,281	$ 211,422	$ 340,688	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,826	3,695	5,825	—	—	—	—	—	—	—	
Reserved for specific purposes	102,695	101,072	109,163	—	—	—	—	—	—	—	
Reserved for debt services	272,471	272,273	375,211	—	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	258,000	181,200	—	—	—	—	—	—	—	—	
Undesignated	690,386	284,838	356,863	—	—	—	—	—	—	—	
Nonspendable	—	—	—	1,972	9,003	6,108	429	429	429	2,785	
Restricted for grants and donations	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	51,858	
Restricted for workers' comp/tort immunity	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	27,344	
Restricted for capital improvement program	—	—	—	182,884	88,762	169,368	—	—	107,248	792,586	
Restricted for debt service	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116	660,501	
Assigned for educational services	—	—	—	289,000	—	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	181,300	348,900	562,682	267,652	79,225		—	
Assigned for debt service	—	—	—	231,413	254,967	269,167	193,877	57,057		—	
Assigned for commitments and contracts	—	—	—	44,924	110,397	105,664	87,067	73,101		—	
Unassigned	—	—	—	5,293	443,575	150,658	(91,953)	(29,109)	(292,840)	(440,552)	
Total fund balance	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	$ 831,614	$ 449,923	$1,094,552	
Unreserved/Unassigned fund balance as a percentage of revenues	18.9%	9.3%	6.7%	0.1%	7.7%	2.8%	-1.7%	-0.5%	-5.6%	-7.6%	
Total fund balance as a percentage of revenues	34.4%	21.0%	22.4%	25.2%	30.4%	34.5%	18.9%	15.3%	8.5%	18.8%	

NOTE:
The classification of fund balances for fiscal year 2011 was modified to comply with GASB 54, which was adopted in July 2010.

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES
Last Ten Fiscal Years and 2018 Budget
(Modified Accrual Basis of Accounting)
(Thousands of Dollars)

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$1,763,282	$1,867,350	$2,035,938	$1,904,169	$2,295,178	$2,157,777	$2,152,753	$2,252,828	$2,313,470	$2,613,889	$2,808,707	4.0%	2.6%
Replacement taxes	159,805	132,819	96,816	172,384	126,786	128,212	131,075	143,867	115,961	169,637	90,438	0.6%	6.0%
Investment income	40,905	21,405	3,084	1,920	4,363	2,207	4,458	198	1,347	1,964	1,100	-26.2%	-14.8%
Other	96,816	102,107	111,985	221,391	142,160	132,717	156,115	165,819	271,858	265,099	269,393	10.6%	13.3%
Total local	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,636	$3,050,589	$3,169,638	4.0%	3.5%
State Revenue:													
General state aid	$ 953,783	$ 700,954	$ 801,198	$ 940,693	$ 989,943	$ 945,651	$ 972,572	$ 847,420	$ 857,601	$ 683,008	$1,179,121	-3.3%	-7.2%
Teacher pension	75,210	74,845	74,922	42,971	10,449	10,931	11,903	62,145	12,105	1,016	232,992	-35.0%	-37.3%
Other	663,358	557,383	491,677	710,902	756,774	642,842	645,417	669,759	529,148	603,678	287,297	-0.9%	-4.4%
Total state	$1,692,351	$1,333,182	$1,367,797	$1,694,566	$1,757,166	$1,599,424	$1,629,892	$1,579,324	$1,398,854	$1,287,702	$1,699,410	-2.7%	-6.0%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 293,302	$ 357,715	$ 92,538	0.2%	4.7%
Individuals with Disabilities Education Act (IDEA)	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	93,096	96,549	-1.3%	2.0%
School lunch program	150,394	139,096	178,764	175,753	182,836	190,093	189,336	200,412	202,943	198,440	203,444	2.8%	1.7%
Medicaid	31,671	50,758	34,937	72,343	92,736	41,523	40,879	42,524	34,806	37,108	41,806	1.6%	-16.7%
Other	193,895	468,369	543,140	513,444	247,349	202,865	194,290	167,199	151,743	65,936	338,642	-10.2%	-23.2%
Total federal	$ 832,526	$1,122,805	$1,160,412	$1,121,457	$ 890,987	$ 805,983	$ 867,512	$ 767,548	$ 776,277	$ 752,295	$ 772,979	-1.0%	-3.3%
Total revenue	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,090,586	$5,642,027	1.1%	-0.5%
Change in revenue from previous year	$ 303,181	$ (6,017)	$ 196,364	$ 339,855	$ 100,753	$ (390,320)	$ 115,485	$ (32,221)	$ (31,817)	$ 212,819	$ 551,441		
Percentage change in revenue	7.1%	-0.1%	4.3%	7.1%	2.0%	-7.5%	2.4%	-0.7%	-0.6%	4.4%	10.8%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES

Last Ten Fiscal Years and 2018 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Budget 2018	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:													
Teachers' salaries	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,869,683	$1,815,309	$1,860,907	-0.1%	-0.8%
ESP salaries	559,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	581,665	549,299	-0.2%	-2.8%
Total salaries	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,475,500	$2,396,974	$2,410,206	-0.1%	-1.3%
Teachers' pension	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	853,474	895,751	9.8%	19.1%
ESP pension	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	99,428	88,960	-0.1%	-2.8%
Hospitalization	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	306,871	348,182	2.9%	1.7%
Medicare	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	33,658	36,408	1.6%	0.0%
Unemployment insurance	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	7,040	8,997	4.6%	-0.3%
Workers' compensation	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,531	21,993	-3.0%	-1.7%
Total benefits	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,326,495	$1,321,003	$1,400,291	6.2%	10.1%
Total compensation	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,801,995	$3,717,976	$3,810,497	1.7%	2.1%
Non-compensation:													
Energy	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 70,227	$ 69,067	$ 74,866	-1.5%	-0.4%
Food	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	94,911	93,954	1.2%	-2.5%
Textbooks	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	43,255	36,807	-8.5%	-11.8%
Supplies	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	44,040	36,786	-2.2%	-7.0%
Commodities — other	910	998	948	478	583	408	648	474	294	221	410	-7.7%	0.1%
Professional fees	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	357,258	331,976	-0.8%	-3.6%
Charter schools	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	668,412	745,402	14.7%	8.4%
Transportation	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	95,974	106,681	0.4%	0.0%
Tuition	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	53,668	59,072	-1.0%	1.6%
Telephone and telecommunications	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	21,998	30,744	5.7%	5.4%
Services — other	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	13,814	19,866	4.1%	9.8%
Equipment	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	30,967	17,061	-7.9%	-22.1%
Repairs and replacements	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	18,319	18,918	-6.5%	-6.5%
Capital outlays	10	12	10	5	43	75	—	5	1,135	1,017	—	-11.5%	-22.7%
Rent	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	14,638	17,501	4.7%	10.7%
Debt service	21,704	1,037	2,710	—	—	—	—	—	25,003	38,735	—	7.4%	8.1%
Other	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	13,488	298,753	31.8%	103.1%
Total non-compensation	$1,182,303	$1,313,094	$1,303,184	$1,430,699	$1,404,547	$1,504,668	$1,645,068	$1,687,776	$1,612,851	$1,579,782	$1,888,797	3.2%	1.7%
Total expenditures	$4,394,685	$4,742,779	$4,896,142	$4,909,952	$4,888,328	$4,946,370	$5,450,131	$5,620,366	$5,414,849	$5,297,758	$5,699,294	2.3%	1.9%
Change in expenditures from previous year	$ 248,316	$ 348,094	$ 153,363	$ 13,810	$ (21,624)	$ 58,042	$ 574,785	$ 113,211	$ (354,790)	$ (322,608)	$ 378,855		
Percent change in expenditures	6.0%	7.9%	3.2%	0.3%	-0.4%	1.2%	9.8%	1.8%	-5.4%	-5.7%	6.3%		

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)
Last Ten Fiscal Years and 2018 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	2017	Budget 2018
Revenues:											
Local	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,635	$3,050,589	$3,252,500
State	1,692,351	1,333,182	1,367,797	1,694,566	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855	1,287,702	1,666,000
Federal	832,526	1,122,805	1,160,412	1,121,457	890,987	805,983	867,512	767,548	776,277	752,295	773,000
Total revenues	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,090,586	$5,691,500
Total expenditures	4,394,685	4,742,779	4,896,142	4,909,952	4,888,328	4,946,370	5,450,131	5,620,366	5,414,846	5,297,758	5,749,900
Revenues less expenditures	$ 191,000	$ (163,111)	$ (120,110)	$ 205,935	$ 328,312	$ (120,050)	$ (508,326)	$ (710,782)	$ (537,079)	$ (207,172)	$ (58,400)
Other financing sources less transfers	3,813	20,389	17,851	109,830	62	439	161	(12,915)	50,162	58,574	
Change in fund balance	$ 194,813	$ (142,722)	$ (102,259)	$ 315,765	$ 328,374	$ (119,611)	$ (508,165)	$ (723,697)	$ (486,917)	$ (148,598)	
Fund balance — beginning of period	474,783	669,596	526,874	424,615	740,380	1,068,754	1,592,147	1,083,982	360,285	(126,632)	
Fund balance — end of period	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$1,083,982	$ 360,285	$ (126,632)	$ (275,230)	
Revenues as a percent of expenditures	104.3%	96.6%	97.5%	104.2%	106.7%	97.6%	90.7%	87.4%	90.1%	96.1%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 132,684	$ 110,685	$ 111,166	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,826	3,695	5,825	—	—	—	—	—	—	—	
Reserved by law for specific purposes	102,695	101,072	109,163	—	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	258,000	181,200	—	—	—	—	—	—	—	—	
Undesignated	174,391	130,222	198,461	—	—	—	—	—	—	—	
Nonspendable	—	—	—	1,972	3,329	1,720	429	429	429	429	
Restricted for grants and donations	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	51,858	
Restricted for workers' comp/tort immunity	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	27,344	
Assigned for 2017 Budget	—	—	—	—	—	—	—	—	—	—	
Assigned for educational services	—	—	—	289,000	—	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	181,300	348,900	562,682	267,652	79,225	—	—	
Assigned for commitments and contracts	—	—	—	44,924	110,397	105,664	87,067	73,101	—	—	
Unassigned	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)	(354,861)	
Total fund balance	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	$ 360,285	$ (126,632)	$ (275,230)	
Unreserved/unassigned fund balance as a percent of revenues	9.4%	6.8%	4.2%	0.1%	8.5%	3.1%	0.0%	2.1%	-4.7%	-7.0%	
Total fund balance as a percentage of revenues	14.6%	11.5%	8.9%	14.5%	20.5%	19.7%	8.8%	7.3%	-2.6%	-5.4%	

NOTE:
The classification of fund balances for fiscal year 2011 was modified to comply with GASB 54, which was adopted in July 2010.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF TORT EXPENDITURES
As Required Under Section 9-103 (a-5) of the Tort Immunity Act
For the Fiscal Year Ended June 30, 2017

Eligible Expenditures:	
Other General Charges	$ 1,075,000
Physical Education — Athletic Claims	163,871
Summer School	152,811
Legal Services	759,458
Tort Claims — Administration Fee	503,125
Tort Claims — Major Settlements	1,896,951
Tort Claims — Casualty	727,600
General Liability Insurance	2,468,118
Property Damage Insurance	2,022,974
Property Loss Reserve Fund	31,308
Investigations — Administration	64,840
School Safety Services	20,561,634
School Security Personnel	52,487,053
Central Service Security	4,097,437
Security Services	4,392,845
Risk Management Administration	9,100
Technology Purchases	7,163
Total Eligible Expenditures	$91,421,288

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2017

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools	$19,765,881	$31,195,727	$31,116,039	$19,845,569
Child Parent Centers	37,489	51,622	59,755	29,356
Alternative Schools	12,504	19,035	19,005	12,534
Middle Schools	245,524	614,527	542,201	317,850
High Schools	19,199,871	29,144,441	27,555,039	20,789,273
	$39,261,269	$61,025,352	$59,292,039	$40,994,582
Investments:				
Elementary Schools				67,376
High Schools				225,573
Total Cash and Investments Held for Student Activities				$41,287,531

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$1,702,345	$3,297,688	$ 5,000,033
Total Elementary Students	239,606	239,606	239,606
Average Fee per Student	$ 7.10	$ 13.76	$ 20.87
Total High School Fees	$ 898,134	$9,754,831	$10,652,965
Total High School Students	83,739	83,739	83,739
Average Fee per Student	$ 10.73	$ 116.49	$ 127.22

NOTES:

A) Graduation fees are defined as all mandatory graduation fees, including cap and gown.

B) Student activity fees are defined as fees collected from students to cover activities and items necessary to complete a given curriculum and fees collected from students to cover the cost of extra-curricular activities and items.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES

For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
BROKER SERVICES	Mesirow Insurance Services, Inc. an Alliant-owned company	07/01/16 — 06/30/17	$ 100,000	Insurance placement and consultation. The contract with Mesirow for these services has been extended and continues until Feb 28, 2018.
PROPERTY INSURANCE				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/16 — 06/30/17	$ 1,797,450	$50M per occurrence subject to $5M deductible
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/16 — 06/30/17	71,638	$25M per occurrence $50M excess $50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/16 — 06/30/17	73,553	$25M per occurrence $50M excess $50M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/16 — 06/30/17	83,980	$100M subject to $50,000 deductible
			$ 2,026,621	Total Property, Boiler & Machinery for year end 06/30/16
Property Loss Reserve			—	Self-Insurance contents/claim payments
Total Property Program			$ 2,026,621	

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
LIABILITY INSURANCE				
General Liability, Auto, SBLL, EPL, Abuse	Gemini Insurance Co (Berkley)	07/01/16 — 06/30/17	$ 445,910	$5M excess $10M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/16 — 06/30/17	881,450	$10M excess of $15M Self Insured Retention (does not follow form of Gemini)
Excess Liability III	Ironshore Specialty Insurance Company	07/01/16 — 06/30/17	451,384	$10M excess of $10M excess of $15M Self Insured Retention (follows form of Lexington)
Excess Liability IV	AXIS Surplus Insurance Company	07/01/16 — 06/30/17	362,950	$10M excess of $10M excess of $10M excess of $15M Self Insured Retention (follows form of Lexington)
Excess Liability V	Lexington Insurance Company	07/01/16 — 06/30/17	259,250	$10M excess of $10M excess of $10M excess of $10 excess $15M Self Insured Retention (follows form of Lexington)
Special Events CGL	National Casualty Insurance Company	07/01/16 — 06/30/17	50,571	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/16 — 06/30/17	16,603	$5M excess of $5M no deductible
Fiduciary	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/16 — 06/30/17	83,123	$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/16 — 06/30/17	106,985	$6M Subject to $25,000 deductible
Foreign Travel (includes: Travel Property, GL, AL, Foreign Voluntary WC, Travel Accident & Sickness, Kidnap & Ransom)	Insurance Company of the State of PA (AIG)		5,763	$1M/deductible varies/$4M master control program agg
Total Liability Insurance Cost			$ 2,663,989	
Total Insurance Cost			$ 4,690,610	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
SELF INSURANCE PROGRAMS				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	$ 3,702,730	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	525,000	Administration fees
			$ 4,227,730	Total General Liability Claims and Expenses
Workers' Compensation Claims	Cannon, Cochran, Management Services, Inc.	07/01/16 — 06/30/17	$ 1,075,000	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives.
	Cannon Cochran Management Services, Inc.	07/01/16 — 06/30/17	19,018,038	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 20,093,038	Total Workers Compensation Claims and Expenses
Total Self Insured Program			$ 24,320,768	

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
HEALTH INSURANCE / HMO/PPO				
Medical-Administrative Services	Blue Cross PPO	07/01/16 — 06/30/17	$ 5,790,146	PPO health care for eligible employees and dependents
	Blue Cross PPO with HSA	07/01/16 — 06/30/17	297,313	PPO health care for eligible employees and dependents that includes a health savings account. This plan was instituted in 2017.
	United Healthcare HMO(EPO), PPO, & PPO w/HRA	07/01/16 — 06/30/17	1,667,524	Health care for eligible employees and dependents. Administrative costs for these three plans are paid together. Plans with this vendor terminated on December 31, 2016
	Blue Cross HMO Illinois	07/01/16 — 06/30/17	21,677,445	HMO health care for eligible employees and dependents. This plan terminated as of December 31, 2016. No premiums were paid in 2017.
	Blue Cross Blue Advantage HMO	07/01/16 — 06/30/17	38,250,937	HMO health care for eligible employees and dependents
Medical Total Administrative Fees			$ 67,683,365	
Medical PPO Claim	Blue Cross PPO and PPO with HSA	07/01/16 — 06/30/17	$113,119,906	PPO and PPO with HSA Health care for eligible employees and dependents
	United Healthcare PPO	07/01/16 — 06/30/17	36,375,011	PPO health care for eligible employees and dependents. The PPO plan terminated December 31,2016. Payments made to the vendor are claims for services provided prior to the termination date.
	United Healthcare PPO w/HRA	07/01/16 — 06/30/17	184,179	PPO with HSA health care for eligible employees and dependents. The PPO plan terminated December 31, 2016. Payments made to the vendor are claims for services provided prior to the termination date.
Medical Total PPO Claims			$149,679,096	
Medical HMO Claims	Blue Cross Blue Advantage HMO	07/01/16 — 06/30/17	$ 33,105,379	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
	Blue Cross HMO Illinois	07/01/16 — 06/30/17	$ 35,568,562	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees. This plan terminated as of December 31, 2016. Claims for services performed in 2016 are still being filed and paid in 2017.
	United Healthcare HMO (EPO)	07/01/16 — 06/30/17	147,764	The HMO (EPO) plan terminated December 31, 2015. Payments made to the vendor are claims for services provided prior to the termination date.
Medical Total HMO Claims			$ 68,821,705	
Medical Claims Total		07/01/16 — 06/30/17	$218,500,801	
Health Savings Account	HSA Bank	07/01/16 — 06/30/17	$ 1,727,839	CPS contributes funds for plan members and the plan allows employees to also make tax deferred contributions. Contributions go to an investment account under the control of the participating employee.
Medical Claims and Administration		07/01/16 — 06/30/17	$287,912,005	
Managed Mental Health Service	United Behavioral Health	07/01/16 — 06/30/17	$ 2,095,951	Mental health care for PPO eligible employees and dependents. Contract with this vendor terminated on December 31, 2016 and premiums are no longer paid as of that date, but claims for 2016 services continue to be paid in 2017.
Utilization Review and Case Management	Telligen	07/01/16 — 06/30/17	578,274	Pre-certification, utilization review and case management for PPO eligible employees and dependents. Contract with this vendor terminated December 31, 2016.
Prescription Drugs	Caremark	07/01/16 — 06/30/17	74,746,492	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/16 — 06/30/17	$365,332,722	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2017

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/16 — 06/30/17	$ 2,610,803	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/16 — 06/30/17	8,411,352	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 11,022,155	
Vision Plan	Vision Service Plan (VSP)	07/01/16 — 06/30/17	$ 2,288,442	Vision services for eligible employees and dependents
Term Life Insurance	Aetna Life Insurance	07/01/16 — 06/30/17	$ 273,911	Life insurance policy at $10,000 per eligible employee
Total Dental/Vision/Life			$ 13,584,508	
Total Health/Life Benefit Expenses			$ 378,917,230	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2017
(Millions of dollars)

	2008	2009	2010	2011	2012	2013 (B)	2014 (C)	2015	2016	2017
Unexpended (over expended)	$ 646.4	$565.7	$ 73.9	$261.6	$182.2	$ 88.1	$174.2	$ (91.9)	$(157.1)	$ 66.4
Proceeds available from bond issuance	252.5	—	803.8	382.3	402.4	508.9	131.3	148.5	364.0	775.5
Property Taxes									42.5	48.4
State aid	0.1	—	—	2.8	1.3	6.9	37.8	31.6	39.4	30.1
Federal aid	43.5	2.8	12.3	4.4	18.1	13.6	14.9	6.5	7.7	6.7
Investment income	25.9	12.5	2.0	2.1	5.5	1.9	0.8	0.4	0.1	2
Other income	60.4	127.5	83.1	91.5	54.2	88.0	31.3	107.2	62.9	21.1
Total	$1,028.8	$708.5	$975.1	$744.7	$663.7	$707.4	$390.3	$ 202.3	$ 359.5	$950.2
Expenditures	463.1	634.6	666.7	562.3	576.8	493.4	482.2	359.4	293.1	204.8
Operating transfers in (out)	—	—	(46.8)	(0.2)	1.2	(41.6)	—	—	—	—
Unexpended	$ 565.7	$ 73.9	$261.6	$182.2	$ 88.1	$172.4	$ (91.9)	$(157.1)	$ 66.4	$745.4
Encumbrances	268.6	73.9	229.5	182.2	88.1	172.4	(91.9)	(157.1)	66.4	745.4
Available balance	$ 297.1	$ —	$ 32.1	$ —	$ —	$ —	$ —	$ —	$ —	$ —

NOTES:

A) The above amounts do not include construction expenditures made by the Public Building Commission.

B) Beginning in fiscal year 2013, the proceeds available from bond issuance includes both premiums and gross amounts from debt issuances.

C) In fiscal year 2015, CPS changed its revenue recognition policy resulting in a restatement to fiscal year 2014 balances.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM
Last Five Fiscal Years
(Thousands of dollars)

	2013	2014	2015 (A)	2016 (A)	2017 (A)
DAYS MEALS SERVED:					
National School Lunch Program	181	177	178	176	178
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	1,528,287	1,324,623	—	—	—
Reduced lunches (regular)	1,919,787	1,353,204	—	—	—
Free lunches (regular)	40,730,512	40,531,544	43,507,955	42,061,499	40,401,995
TOTAL PUPIL LUNCHES SERVED	$44,178,586	$43,209,371	$43,507,955	$42,061,499	$40,401,995
Daily Average	244,081	244,121	244,427	238,986	226,978
Change from Previous Year	804,148	(969,215)	298,584	(1,446,456)	(1,659,504)
Daily Percentage Change	-2.6%	0.0%	0.1%	-2.2%	-5.0%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	1,694,160	1,534,733	—	—	—
Reduced breakfasts (regular)	1,023,368	724,873	—	—	—
Free breakfasts (regular)	24,138,173	23,724,239	26,144,917	24,850,825	23,511,510
TOTAL PUPIL BREAKFASTS SERVED	$26,855,701	$25,983,845	$26,144,917	$24,850,825	$23,511,510
Daily Average	148,374	146,801	146,882	141,198	132,087
Change from Previous Year	(209,556)	(871,856)	161,072	(1,294,092)	(1,339,315)
Daily Percentage Change	-5.2%	-1.1%	0.1%	-3.9%	-6.5%
TOTAL MEALS SERVED	$71,034,287	$69,193,216	$69,652,872	$66,912,324	$63,913,505
Daily Average	392,455	390,922	391,308	380,184	359,065
Total Change From Previous Year	594,592	(1,841,071)	459,656	(2,740,548)	(2,998,819)
Daily Percentage Change	-3.6%	-0.4%	0.1%	-2.8%	-5.6%
NUMBER OF ADULT LUNCHES (REGULAR)	61,741	429,877	241,263	241,533	217,541
Daily Average	341	2,429	1,355	1,372	1,222
Total Change From Previous Year	(52,842)	368,136	(188,614)	270	(23,992)
Daily Percentage Change	-48.5%	612.2%	-44.2%	1.3%	-10.9%

NOTE:

A) Beginning in fiscal year 2015 through fiscal year 2018 all breakfasts and lunches are provided to pupils free of charge per the Community Eligibility Provision Program.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)
Last Five Fiscal Years
(Thousands of dollars)

	2013	2014	2015	2016	2017
REVENUE:					
Federal and State Sources	$197,514	$189,152	$204,975	$207,506	$203,003
Local Sources	32,137	13,698	7,747	8,428	8,704
Total Revenue	$229,651	$202,850	$212,722	$215,934	$211,707
EXPENDITURES:					
Career Service Salaries	$ 71,124	$ 60,680	$ 60,303	$ 61,566	$ 62,551
Career Service Pension	12,136	10,282	10,374	11,121	11,359
Hospitalization	22,907	23,567	23,562	23,770	21,351
Food	103,972	92,984	94,576	94,619	92,500
Professional and Special Services	1,544	2,927	3,942	4,234	4,909
Administrative Allocation	14,624	10,124	7,665	11,184	9,205
Other	3,344	2,286	2,174	3,351	5,878
Total Expenditures	$229,651	$202,850	$202,596	$209,845	$207,753
Revenues in excess of Expenditures	$ —	$ —	$ 10,126	$ 6,089	$ 3,954
DAILY AVERAGE					
Revenues	$ 1,269	$ 1,146	$ 1,195	$ 1,227	$ 1,189
Expenditures	$ 1,269	$ 1,146	$ 1,138	$ 1,192	$ 1,167
PERCENTAGE CHANGE					
Revenues	2.7%	-11.7%	4.9%	1.5%	-2.0%
Expenditures	2.7%	-11.7%	-0.1%	3.6%	-1.0%

STATISTICAL SECTION

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2017

With Comparative Amounts for the Period Ended June 30, 2016

	2017 Schools	2017 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 48,922,397	$ 137,317	$ 49,059,714
Kilowat Hours	526,124,627	1,304,676	527,429,303
Charge per Kilowatt Hour	$ 0.09299	$ 0.10525	$ 0.09302
Gas			
Total Gas Charges	$ 20,007,024	$ —	$ 20,007,024
Therms	28,948,830	—	28,948,830
Charge per Therm	$ 0.69112	$ —	$ 0.69112

	2016 Schools	2016 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 49,639,877	$ 128,922	$ 49,768,799
Kilowat Hours	527,270,030	1,189,074	528,459,104
Charge per Kilowatt Hour	$ 0.09415	$ 0.10842	$ 0.09418
Gas			
Total Gas Charges	$ 20,459,051	$ —	$ 20,459,051
Therms	26,555,109	—	26,555,110
Charge per Therm	$ 0.77044	$ —	$ 0.77044

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY SALES AND PURCHASES

For the Fiscal Year Ended June 30, 2017

Sales

Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain / (Loss) on Sale
5221 W Congress Parkway	N/A*	$ —	$ 201,065	$ 201,065
1345 N Rockwell St	1979	58,390	—**	(58,390)
1852 S Albany Ave	1918	—	—**	—
5200 N Ashland	1909	3,606,067	5,250,000	1,643,933
116th & Oakley	N/A*	125,025	—**	(125,025)
91st & Vanderpoel	1974	195,000	—**	(195,000)
13425 S Baltimore	2000	28,811	30,400	1,589
		$4,013,293	$5,481,465	$1,468,172

Purchases

Unit Location	Date Acquired	School	Purchase Cost
7131-7145 W. 64th Place	06/05/17	Dore	$1,891,183
16th & Dearborn	01/27/17	South Loop	5,100,000
			$6,991,183

NOTE:

* Historical records related to the month and day of acquisition are not available.

** Property was transferred to the City of Chicago

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHERS' BASE SALARIES

(Annual School Year Salary)

Last Ten Fiscal Years

Fiscal Year	Minimum Salary (A)	Median Salary	Maximum Salary (B)	Percent Change (C)
2008	$42,021	$59,504	$76,986	4.00%
2009	43,702	62,384	81,065	4.00%
2010	45,450	64,879	84,308	4.00%
2011	47,268	67,974	88,680	4.00%
2012	47,268	68,474	89,680	0.00%
2013	48,686	70,644	92,602	3.00%
2014	49,660	72,163	94,666	2.00%
2015	50,653	73,706	96,759	2.00%
2016	50,653	73,706	96,759	0.00%
2017	50,653	73,706	96,759	0.00%

NOTES:

A) The minimum salary represents the minimum amount a CPS teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on education attainment and years of service. Minimum salary excludes pension and hospitalization benefits.

B) The maximum salary represents the maximum amount a CPS teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on educational attainment and years of service. The majority of the Chicago Public Schools Teaching Staff receive the maximum salary due to the 16 years minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.

C) The percent change is the official CTU (Chicago Teachers Union) agreed to minimum salary increase for that year, net of any changes to the salary schedule or step advances on the pay schedule.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHERS' PENSION FUNDING ANALYSIS

Last Five Fiscal Years

(Thousands of dollars)

Fiscal Year	Employer and Employee Contribution	Net Assets of Plan (Fair Market Value)	Unfunded Obligation (Assets at Fair Market Value)	% Funded of Pension Obligation Fund at Year End (Assets at Fair Market Value)	% Unfunded (Assets at Fair Market Value)
2012	$335,657	$ 9,364,077	$8,011,584	53.9%	46.1%
2013	374,567	9,422,519(A)	9,622,014(A)	49.5%(A)	50.5%
2014	740,419	10,045,543	9,458,351	51.5%	48.5%
2015	826,304	10,344,375	9,606,915	51.9%	48.1%
2016	811,051	10,610,747	9,635,393	52.4%	47.6%

NOTE:

A) The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

AVERAGE DAILY ATTENDANCE AND PER PUPIL COSTS

Last Five Fiscal Years

Fiscal Year	School Year	Average Daily Attendance (A)	Operating Expenses Per Pupil (B)	Per Capita Tuition Charge (C)
2013	2012-13	365,974	$13,791	$10,412
2014	2013-14	366,077	15,120	11,707
2015	2014-15	363,276	15,310	12,229
2016	2015-16	361,764	14,973	12,544
2017	2016-17	347,001	N/A	N/A

NOTES:

A) *Source:* Department of Finance, Grants Management.

B) *Source:* Illinois State Board of Education — Operating Expense Pupil is the total operating cost of regular K-12 programs divided by the nine-month average daily attendance. This measure excludes expenditures related to Pre-school, Summer School, Adult Education, Capital Expenditures, and Board Principal and Interest.

C) *Source:* Illinois State Board of Education — Per Capita Tuition Charge is the amount a local school district charges as tuition for non-resident students per Section 18-3 of the School Code. It is a reasonable measure of basic education program costs. Per Capita Tuition is calculated by deducting the costs of supplemental programs from operating expenses and dividing the result by the nine-month average daily attendance.

N/A: Not available at publishing.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL STUDENT MEMBERSHIP

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary										
Pre-Kindergarten	21,388	23,325	24,370	23,705	24,232	24,507	23,671	22,873	22,555	20,673
Kindergarten	27,901	28,975	29,632	28,812	29,594	30,936	30,166	28,978	27,651	26,093
Grades 1-3	93,853	93,416	92,581	91,899	92,302	91,880	92,251	92,526	91,347	86,610
Grades 4-6	90,701	89,234	88,695	87,834	87,630	86,966	86,244	86,066	85,391	85,022
Grades 7-8	62,217	59,839	58,231	56,791	56,520	56,773	56,184	54,233	54,174	53,898
Total Elementary	296,060	294,789	293,509	289,041	290,278	291,062	288,516	284,676	281,118	272,296
Secondary										
9th Grade	35,151	34,233	32,877	31,081	30,336	29,812	30,069	30,366	29,130	27,623
10th Grade	31,994	32,177	34,659	33,303	32,230	31,343	30,963	31,130	31,189	29,704
11th Grade	24,608	25,292	25,436	26,277	27,039	26,610	26,500	26,378	26,714	27,284
12th Grade	20,788	21,464	22,798	22,979	24,268	24,634	24,497	24,133	24,134	24,442
Total Secondary	112,541	113,166	115,770	113,640	113,873	112,399	112,029	112,007	111,167	109,053
Grand Total	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285	381,349

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

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STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary	20.0	23.5	21.3	23.2	23.3	24.6	25.2	25.4	25.8	24.7
Secondary	16.3	19.5	19.7	19.8	19.2	19.8	21.5	21.9	20.3	23.7

Source: Illinois State Board of Education

NOTE:

Starting in 2009, the ratio includes Charter Schools.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION

Last Five Fiscal Years

As of June 30, 2017

Functions	2013	2014	2015	2016	2017
Instruction	26,909	26,123	26,261	25,615	25,044
Support services:					
Pupil support services	5,010	4,676	4,652	4,415	4,476
Administrative support services	1,063	1,042	1,038	705	821
Facilities support services	1,633	1,527	1,468	1,427	1,417
Instructional support services	3,311	2,920	2,965	2,788	2,671
Food services	3,562	2,860	2,762	2,721	2,712
Community services	339	266	247	250	204
Total government employees	41,827	39,414	39,393	37,921	37,345

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of Schools										
Elementary (A)	474	474	474	474	473	468	422	426	425	424
Special (C)	17	17	13	12	12	12	5	—	—	—
High School	98	98	109	107	103	98	109	121	122	118
Vocational/Technical (C)	10	10	8	8	8	8	—	—	—	—
Charter Schools	28	67	71	82	87	95	126	131	129	122
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	5	—	—	—
Total Schools	627	666	675	683	683	681	667	678	676	664
School Enrollment (B)										
Elementary (A)	279,823	274,875	272,308	264,569	263,540	261,638	254,864	251,554	247,487	239,606
Special (C)	2,846	2,762	2,073	1,940	1,839	1,961	907	—	—	—
High School	88,936	90,055	91,390	87,061	85,068	81,735	86,184	88,183	86,208	83,739
Vocational/Technical (C)	14,219	11,251	9,956	8,833	8,226	7,927	—	—	—	—
Charter Schools	22,777	29,012	33,552	40,278	45,478	50,200	54,572	56,946	58,590	58,004
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	4,018	—	—	—
Total School Enrollment	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285	381,349
Number of High School Graduates	20,285	18,972	22,245	20,131	20,914	22,447	22,817	22,825	22,839	22,805

Source: Information & Technology Services_ Enterprise Data Strategy-Data Analytics

NOTES:

A) Elementary schools include the traditional classification of middle schools.

B) School enrollment includes the number of students in each type of school regardless of the students' grades.

C) The governance and school types in fiscal year 2015 has changed compared to fiscal year 2014 and prior years. As a result, there is no longer a category for "Vocational/Technical", "Special" or "Kindergarten to H.S (K-12)" in fiscal year 2016.

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BAKER TILLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Chicago Public Schools (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements, and have issued our report thereon dated January 24, 2018. Our report includes an emphasis of matter paragraph relative to the adoption of the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73*, both effective July 1, 2016. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Chicago Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chicago Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Chicago Public Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

an independent member of BAKER TILLY INTERNATIONAL

To the Board of Education of the City of Chicago
Chicago Public Schools

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Chicago Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
January 24, 2018

BAKER TILLY

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on Compliance for Each Major Federal Program
We have audited Chicago Public Schools' (the Board of Education of the City of Chicago, a body politic and corporate of the State of Illinois) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chicago Public Schools' major federal programs for the year ended June 30, 2017. Chicago Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Chicago Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chicago Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chicago Public Schools' compliance.

an independent member of BAKER TILLY INTERNATIONAL

To the Board of Education of the City of Chicago
Chicago Public Schools

Opinion on Each Major Federal Program
In our opinion, Chicago Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance
Management of Chicago Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chicago Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago Public Schools' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the governmental activities and each major fund of Chicago Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Chicago Public Schools' basic financial statements. We issued our report thereon dated January 24, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes an emphasis of matter paragraph relative to the adoption of the provisions of GASB Statement No. 77, *Tax*

To the Board of Education of the City of Chicago
Chicago Public Schools

Abatement Disclosures, and GASB Statement No. 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73*, both effective July 1, 2016. Our opinion is not modified with respect to this matter. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The basic financial statements of Chicago Public Schools as of and for the year ended June 30, 2016 (not presented herein) were audited by other auditors whose report contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 23, 2017, stated that the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the year ended June 30, 2016 was subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
January 24, 2018

Chicago Public Schools

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Prior Years' Expenditures Through June 30, 2016	Final Status: Cumulative Expenditures Through June 30, 2017
NATIONAL SECURITY AGENCY														
Direct Funding														
Language Grant Program	Startalk Arabic and Chinese Language Institute	N/A	12.900	H-98230-16-1-0085	04/01/16-02/28/17	$ 89,984	$ 4,267	$ 87,949	$ 83,682	$ 83,682	$ —	$ —	$ 4,267	$ 87,949
	TOTAL NATIONAL SECURITY AGENCY					**$ 89,984**	**$ 4,267**	**$ 87,949**	**$ 83,682**	**$ 83,682**	**$ —**	**$ —**	**$ 4,267**	**$ 87,949**
U.S. DEPARTMENT OF AGRICULTURE														
Passed Through Illinois State Board of Education (ISBE)														
Child Nutrition Cluster														
National School Lunch Program	Lunch Program	4210	10.555	15-4210-00	09/01/14-09/30/15	N/A	$ 1,497,589	$ 1,497,589	$ —	$ —	$ —	$ —	$129,195,804	$129,195,804
		4210	10.555	16-4210-00	09/01/15-09/30/16	N/A	7,932,376	10,193,027	2,260,651	2,260,651	—	—	131,211,635	133,472,286
		4210	10.555	17-4210-00	09/01/16-09/30/17	N/A	—	119,002,794	127,532,020	127,532,020	—	8,529,226	—	127,532,020
	Food Donation Program * Noncash Awards	4290	10.555	17-4290-00	07/01/16-06/30/17	N/A	—	13,673,672	13,673,672	13,673,672	—	—	—	13,673,672
School Breakfast Program	Breakfast Program	4220	10.553	16-4220-00	09/01/15-09/30/16	N/A	3,603,296	9,128,742	5,525,446	5,525,446	—	—	43,987,777	49,513,223
		4220	10.553	17-4220-00	09/01/16-09/30/17	N/A	—	38,708,043	41,999,463	41,999,463	—	3,291,420	—	41,999,463
	Total Child Nutrition Passed Through Illinois State Board of Education (including cluster)					**$ —**	**$13,033,261**	**$192,203,867**	**$190,991,252**	**$190,991,252**	**$ —**	**$11,820,646**	**$304,395,216**	**$495,386,468**
Passed Through Illinois State Board of Education (ISBE)														
Child and Adult Care Food Program	Child & Adult Care Food Program	4226	10.558	16-4226-00	09/01/15-09/30/16	N/A	$ 1,062,073	$ 1,318,380	$ 256,307	$ 256,307	$ —	$ —	$ 7,533,432	$ 7,789,739
		4226	10.558	17-4226-00	09/01/16-09/30/17	N/A	—	6,850,939	7,192,622	7,192,622	—	341,683	—	7,192,622
Fresh Fruit and Vegetable Program	Fresh Fruits and Vegetables	4240	10.582	16-4240-15 / 16-4240-16	07/01/15-09/30/16	N/A	378,816	378,816	—	—	—	—	2,169,265	2,169,265
		4240	10.582	17-4240-16 / 17-4240-17	07/01/16-09/30/17	N/A	—	1,348,650	1,698,006	1,698,006	—	349,356	—	1,698,006
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (not including cluster)					**$ —**	**$ 1,440,889**	**$ 9,896,785**	**$ 9,146,935**	**$ 9,146,935**	**$ —**	**$ 691,039**	**$ 9,702,697**	**$ 18,849,632**
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (including cluster)					**$ —**	**$14,474,150**	**$202,100,652**	**$200,138,187**	**$200,138,187**	**$ —**	**$12,511,685**	**$314,097,913**	**$514,236,100**
Passed Through Northwestern Illinois Association														
Team Nutrition Grants	Illnet Mini Grants	N/A	10.574	N/A	09/01/10-05/31/16	$ 5,500	$ 1,200	$ —	$ (1,200)	$ (1,200)			$ 5,500	$ 4,300
	Total U. S. Department of Agriculture Passed Through Northwestern Illinois Association					**$ 5,500**	**$ 1,200**	**$ —**	**$ (1,200)**	**$ (1,200)**	**$ —**	**$ —**	**$ 5,500**	**$ 4,300**
Direct Funding														
Plant and Animal Disease, Pest Control, and Animal Care	Summer Internship Program	N/A	10.025	16-1001-0899-CA	01/01/16-12/31/16	$ 7,200	$ —	$ 7,200	$ 7,200	$ 7,200	$ —	$ —	$ —	$ 7,200
	TOTAL U.S. DEPARTMENT OF AGRICULTURE					**$ 12,700**	**$14,475,350**	**$202,107,852**	**$200,144,187**	**$200,144,187**	**$ —**	**$12,511,685**	**$314,103,413**	**$514,247,600**
U.S. DEPARTMENT OF EDUCATION														
Passed Through Illinois State Board of Education (ISBE)														
Special Education Cluster (IDEA)														
Special Education Grants to State	IDEA — Flow Through Instruction	4620	84.027A	10-4620-00	07/01/09-08/31/10	$ 96,011,080	$ —	$ 62,718	$ 62,718	$ 62,718	$ —	$ —	$ 90,882,375	$ 90,945,093
		4620	84.027A	16-4620-00	07/01/15-08/31/16	90,119,237	4,586,835	5,490,404	903,569	903,569	—	—	89,199,602	90,103,171
		4620	84.027A	17-4620-00	07/01/16-08/31/17	92,962,285	—	81,464,718	90,619,014	90,619,014	—	9,154,296	—	90,619,014
	Room and Board	4625	84.027A	16-4625-00	09/01/15-08/31/16	N/A	—	1,143,524	1,143,524	1,143,524	—	—	1,080,903	2,224,427
		4625	84.027A	17-4625-00	09/01/16-08/31/17	N/A	—	640,347	1,081,476	1,081,476	—	441,129	—	1,081,476
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	16-4600-00	07/01/15-08/31/16	1,311,409	473,401	473,803	402	402	—	—	1,163,840	1,164,242
		4600	84.173A	17-4600-00	07/01/16-08/31/17	1,636,546	—	985,855	1,268,078	1,268,078	—	282,223	—	1,268,078
								—						
	IDEA — Pre-School Discretionary	4605	84.173A	16-4605-01	07/01/15-08/31/16	489,250	190,214	219,990	29,776	29,776	—	—	381,434	411,210
		4605	84.173A	17-4605-01	07/01/16-08/31/17	508,435	—	263,577	443,773	443,773	—	180,196	—	443,773
	Total Special Education Cluster (IDEA)					**$283,038,242**	**$ 5,250,450**	**$ 90,744,936**	**$ 95,552,330**	**$ 95,552,330**	**$ —**	**$10,057,844**	**$182,708,154**	**$278,260,484**
Passed Through Illinois State Board of Education (ISBE)														
Title I Grants to Local Education Agencies	Title I — Low Income	4300	84.010A	12-4300-00	07/01/11-08/31/12	$332,558,791	$ 450,001	$ 2,036,437	$ 1,586,436	$ 1,586,436	$ —	$ —	$290,751,234	$292,337,670
		4300	84.010A	16-4300-00	07/01/15-08/31/16	323,134,906	37,765,802	44,064,047	6,298,245	6,298,245	1,561,913	—	272,206,021	278,504,266
		4300	84.010A	17-4300-00	07/01/16-08/31/17	303,328,046	—	223,731,459	272,374,435	272,374,435	41,630,594	48,642,976	—	272,374,435
	ESEA — School Improvement	4331	84.010A	16-4331-SS	07/01/15-06/30/16	3,915,800	1,860,010	2,294,374	434,364	434,364	—	—	3,481,037	3,915,401
		4331	84.010A	17-4331-SS	07/01/16-06/30/17	3,915,800	—	3,288,626	3,793,554	3,793,554	—	504,928	—	3,793,554
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	15-4305-00	07/01/14-08/31/15	693,584	(121,813)	(121,813)	—	—	—	—	600,431	600,431
		4305	84.010A	16-4305-00	07/01/15-08/31/16	680,886	208,320	385,541	177,221	177,221	—	—	399,273	576,494
		4305	84.010A	17-4305-00	07/01/16-08/31/17	684,384	—	293,713	409,107	409,107	—	115,394	—	409,107
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	16-4306-00	07/01/15-08/31/16	1,166,491	264,920	368,796	103,876	103,876	—	—	762,882	866,758
		4306	84.010A	17-4306-00	07/01/16-08/31/17	947,785	—	434,171	599,909	599,909	—	165,738	—	599,909
Supporting Effective Instruction State Grants	Title IIA — Teacher Quality	4932	84.367A	16-4932-00	07/01/15-08/31/16	43,655,852	5,183,627	8,234,859	3,051,232	3,051,232	237,816	—	27,012,189	30,063,421
	Title IIA — Teacher Quality	4932	84.367A	17-4932-00	07/01/16-08/31/17	47,233,993	—	33,590,721	39,346,867	39,346,867	4,230,842	5,756,146	—	39,346,867
	Title II — Teacher Quality Leadership	4935	84.367A	16-4935-02	05/06/16-08/31/16	62,512	—	8,300	8,300	8,300	—	—	—	8,300
		4935	84.367A	17-4935-02	07/01/16-08/31/17	68,763	—	8,300	8,300	8,300	—	—	—	8,300
English Language Acquisition State Grants	Title III — Lang Inst Prog — Limited Eng LIPLEP	4909	84.365A	16-4909-00	09/01/15-08/31/16	13,883,538	744,922	2,208,328	1,463,406	1,463,406	48,481	—	7,177,942	8,641,348
		4909	84.365A	17-4909-00	09/01/16-08/31/17	13,425,047	(2,047)	6,820,740	8,119,295	8,119,295	499,508	1,296,508	—	8,119,295
	Title III — Immigrant Education Program (IEP)	4905	84.365A	17-4905-00	09/01/16-08/31/17	805,508	—	395,862	555,946	555,946	—	160,084	—	555,946

STATUTORY REPORTING SECTION

STATUTORY REPORTING SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Final Status: Prior Years' Expenditures Through June 30, 2016	Final Status: Cumulative Expenditures Through June 30, 2017
Career and Technical Education	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	16-4745-00	07/01/15-08/31/16	5,960,454	1,923,653	2,606,334	682,681	682,681	—	—	4,937,757	5,620,438
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	17-4745-00	07/01/16-08/31/17	6,466,250	—	3,814,296	5,832,984	5,832,984	—	2,018,688	—	5,832,984
School Improvement Grants	School Improvement — Cohort 3	4339	84.377A	16-4339-13	09/30/15-08/31/16	2,500,000	1,070,395	1,616,082	545,687	545,687	—	—	1,717,802	2,263,489
	School Improvement — Cohort 4	4339	84.377A	16-4339-14	07/01/15-08/31/16	3,658,904	1,003,299	1,730,396	727,097	727,097	—	—	2,630,069	3,357,166
	School Improvement — Cohort 5	4339	84.377A	16-4339-15	07/01/15-08/31/16	6,295,873	1,626,711	2,664,027	1,037,316	1,037,316	—	—	4,562,358	5,599,674
	School Improvement — Cohort 6	4339	84.377A	16-4339-16	01/01/16-08/31/16	500,000	335,007	381,992	46,985	46,985	—	—	453,015	500,000
	School Improvement — Cohort 4	4339	84.377A	17-4339-14	07/01/16-08/31/17	1,301,738	—	487,677	707,389	707,389	—	219,712	—	707,389
	School Improvement — Cohort 5	4339	84.377A	17-4339-15	07/01/16-08/31/17	6,248,614	—	4,061,943	5,068,454	5,068,454	—	1,006,511	—	5,068,454
	School Improvement — Cohort 6	4339	84.377A	17-4339-16	07/01/16-08/31/17	2,000,000	—	1,282,050	1,869,878	1,869,878	—	587,828	—	1,869,878
Twenty-First Century Community Learning Centers	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-13	07/01/15-08/31/16	2,835,000	1,243,272	1,810,354	567,082	567,082	—	—	2,196,890	2,763,972
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-15	07/01/15-08/31/16	540,000	185,577	260,887	75,310	75,310	—	—	439,484	514,794
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-25	07/01/15-08/31/16	540,000	230,640	315,046	84,406	84,406	—	—	409,817	494,223
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-35	07/01/15-08/31/16	540,000	216,735	337,716	120,981	120,981	—	—	414,602	535,583
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-45	07/01/15-08/31/16	540,000	239,710	323,706	83,996	83,996	—	—	456,004	540,000
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-55	07/01/15-08/31/16	540,000	184,820	378,908	194,088	194,088	—	—	333,929	528,017
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-65	07/01/15-08/31/16	540,000	216,818	273,575	56,757	56,757	—	—	476,832	533,589
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-13	07/01/16-08/31/17	2,362,500	—	1,439,721	2,118,077	2,118,077	—	678,356	—	2,118,077
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-15	07/01/16-08/31/17	540,000	—	258,685	404,132	404,132	—	145,447	—	404,132
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-25	07/01/16-08/31/17	540,000	—	279,728	397,341	397,341	—	117,613	—	397,341
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-35	07/01/16-08/31/17	540,000	—	239,822	377,917	377,917	—	138,095	—	377,917
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-45	07/01/16-08/31/17	540,000	—	305,830	440,235	440,235	—	134,405	—	440,235
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-55	07/01/16-08/31/17	540,000	—	197,331	442,215	442,215	—	244,884	—	442,215
	Title IV — 21st Century Comm Learning Centers	4421	84.287	17-4421-65	07/01/16-08/31/17	540,000	—	352,779	452,577	452,577	—	99,798	—	452,577
Education for Homeless Children and Youth	McKinney Education for Homeless Children	4920	84.196A	16-4920-00	07/01/15-06/30/16	838,820	803,127	838,807	35,680	35,680	—	—	803,127	838,807
		4920	84.196A	17-4920-RF	07/01/16-06/30/17	838,706	—	—	838,706	838,706	—	838,706	—	838,706
Race to the Top	Race to the Top	4901	84.395	16-4901-00	07/01/15-12/31/16	2,541,974	175,479	760,549	585,070	585,070	—	—	1,955,336	2,540,406
Race to the Top — Early Learning Challenge	Race to the Top — Early Learning Challenge	4998	84.412	16-4998-00	07/01/15-06/30/16	70,000	70,000	70,000	—	—	—	—	70,000	70,000
English Language Acquisition State Grants	International Baccalaureate	4999	84.365A	4999-IB	07/01/10-06/30/16	748,500	(540)	—	540	540	—	—	711,499	712,039
		4999	84.365A	4999-IB	07/01/16-06/30/17	327,320	—	327,320	327,320	327,320	—	—	—	327,320
Preschool Development Grants	Preschool Expansion	4902	84.419B	16-4902-PE	07/01/15-06/30/16	5,400,000	2,036,279	1,988,375	(47,904)	(47,904)	—	—	5,119,961	5,072,057
		4902	84.419B	17-4902-PE	07/01/16-06/30/17	473,561	—	87,378	472,002	472,002	—	384,624	—	472,002
	Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)					**$1,148,009,900**	**$57,914,724**	**$357,533,775**	**$362,875,492**	**$362,875,492**	**$48,209,154**	**$63,256,441**	**$630,079,491**	**$ 992,954,983**
	Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)					**$1,431,048,142**	**$63,165,174**	**$448,278,711**	**$458,427,822**	**$458,427,822**	**$48,209,154**	**$73,314,285**	**$812,787,645**	**$1,271,215,467**
Direct Funding														
TRIO Cluster														
TRIO — Talent Search	Pullman Talent Search	N/A	84.044A	P044A110797	09/01/15-08/31/16	$ 216,373	$ 13,926	$ 41,010	$ 27,084	$ 27,084	$ —	$ —	$ 187,452	$ 214,536
		N/A	84.044A	P044A160585	09/01/16-07/31/17	240,000	—	128,419	159,996	159,996	—	31,577	—	159,996
	Total TRIO Cluster					**$ 456,373**	**$ 13,926**	**$ 169,429**	**$ 187,080**	**$ 187,080**	**$ —**	**$ 31,577**	**$ 187,452**	**$ 374,532**
Direct Funding														
Impact Aid	Federal Impact Aid Grant	N/A	84.041	S041Z-2008-1446	07/01/15-06/30/16	N/A	$ 15,915	$ 31,830	$ 15,915	$ 15,915	$ —	$ —	$ 76,411	$ 92,326
		N/A	84.041	S041B-2016-1446	07/01/16-06/30/17	N/A	—	71,164	87,156	87,156	—	15,992	—	87,156
Indian Education — Grants to Local Education Agencies	Indian Elementary/Secondary School Assistance Program	N/A	84.060A	S060A140666	07/01/15-06/30/16	239,087	15,310	23,847	8,537	8,537	—	—	211,833	220,370
		N/A	84.060A	S060A150666	07/01/16-06/30/17	202,065	—	130,226	164,206	164,206	—	33,980	—	164,206
Fund for the Improvement of Education	Carol M. White Physical Education Program	N/A	84.215F	S215F130218	10/01/14-06/30/17	914,812	128,241	463,170	531,042	531,042	—	196,113	348,845	879,887
Safe and Drug-Free Schools and Communities	School Emergency Response to Violence (Project SERV)	N/A	84.184S	S184S160005	04/29/16-09/28/16	70,650	70,650	70,650	—	—	—	—	70,650	70,650
Start on Success Program	Start on Success Program	N/A	84.215H	U215H150069	10/01/15-09/30/16	395,455	53,640	166,557	112,917	112,917	—	—	162,859	275,776
		N/A	84.215H	U215H150069	10/01/16-09/30/17	447,615	—	137,436	180,918	180,918	—	43,482	—	180,918
Arts in Education	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140052	10/01/14-09/30/16	349,888	96,554	196,015	99,461	99,461	—	—	247,514	346,975
		N/A	84.351C	U351C140052-16	10/01/16-09/30/17	349,639	—	298,535	408,026	408,026	—	109,491	—	408,026
Early Reading First	Enhancing Early Reading in Chicago (EERIC)	N/A	84.359B	S359B050093	10/01/05-06/30/09	846,947	69,116	—	(69,116)	(69,116)	—	—	69,116	—
High School Graduation Initiative	Pathways to Accelerated Student Success (PASS)	N/A	84.360A	S360A100176	10/01/15-09/30/16	2,674,722	56,080	119,425	63,345	63,345	—	—	924,113	987,458
Safe and Drug-Free Schools and Communities	Healing Trauma Together	N/A	84.184C	S184C160002	10/01/16-09/90/18	1,274,909	—	110,463	194,430	194,430	—	83,967	—	194,430
	Total U.S. Department of Education — Direct Funding (not including cluster)					**$ 7,765,789**	**$ 505,506**	**$ 1,819,318**	**$ 1,796,837**	**$ 1,796,837**	**$ —**	**$ 483,025**	**$ 2,111,341**	**$ 3,908,178**
	Total U.S. Department of Education — Direct Funding (including cluster)					**$ 8,222,162**	**$ 519,432**	**$ 1,988,747**	**$ 1,983,917**	**$ 1,983,917**	**$ —**	**$ 514,602**	**$ 2,298,793**	**$ 4,282,710**
Passed Through Illinois Department of Human Services														
Rehabilitation Grants to States	Secondary Transitional Experience Program (STEP)	N/A	84.126	46CTD00155	07/01/14-06/30/15	$ 1,124,571	$ (5,622)	$ (5,622)	$ —	$ —	$ —	$ —	$ 552,845	$ 552,845
		N/A	84.126	46CUD00155	07/01/15-06/30/16	925,074	344,663	387,825	43,162	43,162	—	—	357,223	400,385
		N/A	84.126	46CVF00155	07/07/16-06/30/17	400,000	—	200,350	373,875	373,875	—	173,525	—	373,875
Rehabilitation Services Vocational Rehabilitation Grants to States	IDHS-Community Based Employment Services	N/A	84.126	46CTD03159	07/01/14-06/30/15	250,000	1	1	—	—	—	—	146,919	146,919
	Total U.S. Department of Education Passed Through IDHS					**$ 2,699,646**	**$ 339,042**	**$ 582,554**	**$ 417,037**	**$ 417,037**	**$ —**	**$ 173,525**	**$ 1,056,987**	**$ 1,474,024**
Passed Through WestED														
Improving Teacher Quality	Improving Teacher Quality — RA Leadership & Sustainability	N/A	84.367D	S000029593.0	10/01/15-09/30/16	$ 79,500	$ 26,304	$ 46,024	$ 19,720	$ 19,720	$ —	$ —	$ 26,304	$ 46,024
	Total U.S. Department of Education Passed Through WestED					**$ 79,500**	**$ 26,304**	**$ 46,024**	**$ 19,720**	**$ 19,720**	**$ —**	**$ —**	**$ 26,304**	**$ 46,024**
Passed Through University of Illinois at Chicago														
Education Research, Development and Dissemination	UIC — Substitute Reimbursement	N/A	84.305F	R305F100007	01/24/14-06/30/17	$ 35,000	$ 9,143	$ —	$ (9,143)	$ (9,143)			$ 14,577	$ 5,434
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 35,000**	**$ 9,143**	**$ —**	**$ (9,143)**	**$ (9,143)**	**$ —**	**$ —**	**$ 14,577**	**$ 5,434**

STATUTORY REPORTING SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Final Status: Prior Years' Expenditures Through June 30, 2016	Final Status: Cumulative Expenditures Through June 30, 2017
Passed Through University of Southern California														
Education Research, Development and Dissemination	Pathways For Success — University of Southern California	N/A	84.305A	R305A140281-15/55562128	07/01/15-06/30/16	$ 19,310	$ 11,126	$ 11,126	$ —	$ —	$ —	$ —	$ 11,126	$ 11,126
			84.305A	R305A140281-15/55562128	07/01/16-06/30/17	27,846	—	—	25,501	25,501	—	25,501	—	25,501
	Total U.S. Department of Education Passed Through University of Southern California					**$ 47,156**	**$ 11,126**	**$ 11,126**	**$ 25,501**	**$ 25,501**	**$ —**	**$ 25,501**	**$ 11,126**	**$ 36,627**
Passed Through National Opinion Research Center														
Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A120809	07/01/15-06/30/16	$ 435,932	$ 92,324	$ 89,569	$ (2,755)	$ (2,755)	$ —	$ —	$ 192,494	$ 189,739
	Total U.S. Department of Education Passed Through National Opinion Research Center					**$ 435,932**	**$ 92,324**	**$ 89,569**	**$ (2,755)**	**$ (2,755)**	**$ —**	**$ —**	**$ 192,494**	**$ 189,739**
Passed Through Northeastern Illinois University														
Gaining Early Awareness and	Gear-Up 4 (Year 5)	N/A	84.334A	P334A100031 / P0042020	10/01/15-09/30/16	$ 344,263	$ 283,714	$ 297,260	$ 13,546	$ 13,546	$ —	$ —	$ 283,714	$ 297,260
Readiness for Undergraduate Program	Gear-Up 4 (Year 6)	N/A	84.334A	P334A100031 / P0044855	10/01/16-09/30/17	101,754	—	40,698	59,493	59,493	—	18,795	—	59,493
	Gear Up 5 (Year 5)	N/A	84.334A	P334A110082 / P0042021	09/26/15-09/25/16	968,178	605,631	731,793	126,162	126,162	—	—	605,631	731,793
	Gear Up 5 (Year 6)	N/A	84.334A	P334A110082 / P0044924	09/26/16-09/25/17	947,024	—	278,790	569,585	569,585	—	290,795	—	569,585
	Gear Up 6 (Year 2)	N/A	84.334A	P334A140132 / P0042022	09/25/15-09/24/16	806,155	492,786	621,252	128,466	128,466	—	—	492,786	621,252
	Gear Up 6 (Year 3)	N/A	84.334A	P334A140132 / P0044925	09/25/16-09/24/17	1,072,855	—	324,520	549,692	549,692	—	225,172	—	549,692
Twenty-First Century Community Learning Centers	Illinois 21st Century CLC NEIU — Ella Flagg Young	N/A	84.287	PO#0040535	10/15/15-08/31/16	38,102	25,951	25,951	—	—	—	—	38,102	38,102
	Illinois 21st Century CLC NEIU — Ella Flagg Young	N/A	84.287	PO#0044304	10/24/16-06/30/17	18,504	—	—	24,989	24,989	—	24,989	—	24,989
	Illinois 21st Century CLC NEIU- Duke Ellington	N/A	84.287	PO#0040534	10/15/15-06/15/16	23,597	17,208	9,144	(8,064)	(8,064)	—	—	23,597	15,533
	Illinois 21st Century CLC NEIU- Duke Ellington	N/A	84.287	PO#0044301	10/24/16-06/30/17	16,070	—	—	13,760	13,760	—	13,760	—	13,760
	Illinois 21st Century CLC NEIU- Michelle Clark Academic	N/A	84.287	PO#0040533	11/01/15-08/31/16	21,834	20,140	20,140	—	—	—	—	21,834	21,834
	Illinois 21st Century CLC NEIU- Michelle Clark Academic	N/A	84.287	PO#0044302	10/24/16-06/30/17	12,806	—	—	11,459	11,459	—	11,459	—	11,459
	Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	PO#0041070	10/15/15-08/15/16	6,839	6,839	37,759	30,920	30,920	—	—	6,839	37,759
	Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	PO#0044303	10/24/16-06/30/17	7,172	—		1,132	1,132	—	1,132	—	1,132
	Total U.S. Department of Education Passed Through Northeastern Illinois University					**$ 4,385,153**	**$ 1,452,269**	**$ 2,387,307**	**$ 1,521,140**	**$ 1,521,140**	**$ —**	**$ 586,102**	**$ 1,472,503**	**$ 2,993,643**
Passed Through University of Illinois at Chicago														
Teacher Quality Partnership Grants	Increase Teacher Quality	N/A	84.336S	U336S090013	10/01/11-09/30/12	$ 91,645	$ 29,103	$ —	$ (29,103)	$ (29,103)			$ 46,453	$ 17,350
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 91,645**	**$ 29,103**	**$ —**	**$ (29,103)**	**$ (29,103)**	**$ —**	**$ —**	**$ 46,453**	**$ 17,350**
Passed Through University of Minnesota														
Education Innovation and Research	Midwest Expansion of the Child Parent Center Education Program	N/A	84.411B	U411B110098	01/01/14-12/31/14	$ 2,001,576	$ 904,116	$ 904,116	$ —	$ —	$ —	$ —	$ 1,942,930	$ 1,942,930
		N/A	84.411B	U411B110098	01/01/15-06/30/16	1,564,904	1,486,894	1,486,894	—	—	—	—	1,486,894	1,486,894
		N/A	84.411B	U411B110098	01/02/16-12/30/16	1,651,843	—	—	352,754	352,754	—	352,754	—	352,754
Investing In Innovation (i3)	Comprehensive Strategies to Promote Social and Emotional Learning	N/A	84.411C	U411C130091	07/01/15-06/30/16	108,160	13,086	12,988	(98)	(98)	—	—	52,131	52,033
	Total U.S. Department of Education Passed Through University of Minnesota					**$ 5,326,483**	**$ 2,404,096**	**$ 2,403,998**	**$ 352,656**	**$ 352,656**	**$ —**	**$ 352,754**	**$ 3,481,955**	**$ 3,834,611**
Passed Through Columbia College — Chicago														
Investing In Innovation (i3)	i3 Convergence Academies: Digital Media Whole School Reform Model Project	N/A	84.411	Agreement	07/01/15-06/30/16	$ 103,875	$ 32,916	$ 24,125	$ (8,791)	$ (8,791)	$ —	$ —	$ 103,875	$ 95,084
	Total U.S. Department of Education Passed Through Columbia College — Chicago					**$ 103,875**	**$ 32,916**	**$ 24,125**	**$ (8,791)**	**$ (8,791)**	**$ —**	**$ —**	**$ 103,875**	**$ 95,084**
Passed Through Old Dominion University Research Foundation / Success for All Foundation														
Investing In Innovation (i3)	Investing In Innovation (i3)	N/A	84.411A	U411A110004/14-138-317101	07/01/15-06/30/17	$ 190,000	$ 56,059	$ 51,620	$ 95,000	$ 95,000	$ —	$ 99,439	$ 79,020	$ 174,020
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation					**$ 190,000**	**$ 56,059**	**$ 51,620**	**$ 95,000**	**$ 95,000**	**$ —**	**$ 99,439**	**$ 79,020**	**$ 174,020**
	TOTAL U.S. DEPARTMENT OF EDUCATION					**$1,452,664,694**	**$68,136,988**	**$455,863,781**	**$462,793,001**	**$462,793,001**	**$48,209,154**	**$75,066,208**	**$821,571,732**	**$1,284,364,733**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES														
Passed Through Centers for Disease Control														
Cooperative Agreements to Promote Adolescent Health Through	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	$ 320,000	$ 44,087	$ 64,802	$ 20,715	$ 20,715	$ —	$ —	$ 253,257	$ 273,972
School-Based HIV/STD Prevention and School-Based Surveillance	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	1U87PS004162-04	08/01/16-07/31/17	320,000	—	123,855	218,349	218,349	2,400	94,494	—	218,349
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	50,000	4,262	7,734	3,472	3,472	—	—	44,229	47,701
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U87PS004162-04	08/01/16-07/31/17	50,000	—	32,731	45,492	45,492	—	12,761	—	45,492
Substance Abuse and Mental Health Services	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/15	49,931	11,073	11,031	(42)	(42)	—	—	56,158	56,116
Projects of Regional and National Significance	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/16	49,184	469	9,305	8,836	8,836	—	—	16,727	25,563
	Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control					**$ 839,115**	**$ 59,891**	**$ 249,458**	**$ 296,822**	**$ 296,822**	**$ 2,400**	**$ 107,255**	**$ 370,371**	**$ 667,193**
Passed Through Aids Foundation of Chicago														
Sexually Transmitted Diseases (STD) Provider Education Grants	CDC Community Approaches to Reducing STD	N/A	93.978	Agreement	10/01/15-09/30/16	$ 20,000	$ 12,504	$ 12,504	$ —	$ —	$ —	$ —	$ 12,504	$ 12,504
	Passed Through Aids Foundation of Chicago					**$ 20,000**	**$ 12,504**	**$ 12,504**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 12,504**	**$ 12,504**

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STATUTORY REPORTING SECTION

STATUTORY REPORTING SECTION

B-114

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Final Status: Prior Years' Expenditures Through June 30, 2016	Final Status: Cumulative Expenditures Through June 30, 2017
Passed Through City of Chicago Department of Family and Support Services														
Head Start	Head Start — Child Development	N/A	93.600	PO#33360-1	12/01/15-11/30/16	$ 37,619,668	$ 6,972,994	$ 19,055,808	$ 12,082,814	$ 12,082,814	$ —	$ —	$ 25,444,587	$ 37,527,401
			93.600	PO#33360-1	12/01/16-11/30/17	37,619,688	—	22,106,320	25,335,304	25,335,304	—	3,228,984	—	25,335,304
	Head Start — Supp DIS SP initiatives	N/A	93.600	IGA	12/01/15-11/30/16	975,000	426,771	960,116	533,345	533,345	—	—	426,771	960,116
		N/A	93.600	IGA	12/01/16-11/30/17	1,132,670	—	—	599,434	599,434	—	599,434	—	599,434
	Total U.S. Department of Health and Human Services Passed Through City of Chicago Department of Family and Support Services					**$ 77,347,026**	**$ 7,399,765**	**$ 42,122,244**	**$ 38,550,897**	**$ 38,550,897**	**$ —**	**$ 3,828,418**	**$ 25,871,358**	**$ 64,422,255**
Direct Funding														
Teen Pregnancy Prevention Program	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-05-00	09/01/15-08/31/16	$ 979,953	$ —	$ 80,134	$ 80,134	$ 80,134	$ —	$ —	$ 752,161	$ 832,295
	Teen Pregnancy Prevention Grant (MICAH)	N/A	93.297	TP1AH000066-05-00	07/01/16-06/30/17	65,000	—	7,505	45,890	45,890	—	38,385	—	45,890
Projects of Regional and National Significance	Enhancing Students Skills for Success	N/A	93.243	5U795M060297-03	09/30/15-09/29/16	136,515	6,121	27,118	20,997	20,997	—	—	99,115	120,112
Children's Health Insurance Program	Healthy Schools Health City Medicaid Enrollment Project	N/A	93.767	1Z0CMS331507-01-00	07/01/16-06/30/17	435,962	—	163,229	267,268	267,268	—	104,039	—	267,268
	Total U.S. Department of Health and Human Services — Direct Funding					**$ 1,617,430**	**$ 6,121**	**$ 277,986**	**$ 414,289**	**$ 414,289**	**$ —**	**$ 142,424**	**$ 851,276**	**$ 1,265,565**
Passed Through Illinois Department of Human Services														
Refugee and Entrant Assistance	Refugee Children Impact Grant	N/A	93.566	FCSUK01131	07/01/15-06/30/16	$ 57,525	$ 18,473	$ 17,411	$ (1,062)	$ (1,062)	$ —	$ —	$ 55,267	$ 54,205
		N/A	93.566	FCSUVK01131	07/01/16-06/30/17	57,525	—	37,940	56,653	56,653	—	18,713	—	56,653
	Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services					**$ 115,050**	**$ 18,473**	**$ 55,351**	**$ 55,591**	**$ 55,591**	**$ —**	**$ 18,713**	**$ 55,267**	**$ 110,858**
Passed Through National Opinion Research Center														
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	R01HD067500	12/01/13-11/30/14	$ 313,705	$ 155,793	$ 198,772	$ 42,979	$ 42,979	$ —	$ —	$ 274,293	$ 317,272
	Total U.S. Department of Health and Human Services Passed Through National Opinion Research Center					**$ 313,705**	**$ 155,793**	**$ 198,772**	**$ 42,979**	**$ 42,979**	**$ —**	**$ —**	**$ 274,293**	**$ 317,272**
Passed Through Illinois Department of Healthcare and Family Services (IDHFS)														
Medicaid Cluster														
Medical Assistance Program	Medicaid — Administrative Services	N/A	93.778	95-4900-00	07/01/13-06/30/17	$ N/A	$ 6,105,753	$ 12,630,713	$ 8,870,533	$ 8,870,533	$ —	$ 2,345,573	$ 32,557,642	$ 41,428,175
	Total Medicaid Passed Through Illinois Department of Health care and Family Services (Including Cluster)					**$ —**	**$ 6,105,753**	**$ 12,630,713**	**$ 8,870,533**	**$ 8,870,533**	**$ —**	**$ 2,345,573**	**$ 32,557,642**	**$ 41,428,175**
	Total U.S. Department of Health and Human Services Passed Through IDHFS (including cluster)					**$ —**	**$ 6,105,753**	**$ 12,630,713**	**$ 8,870,533**	**$ 8,870,533**	**$ —**	**$ 2,345,573**	**$ 32,557,642**	**$ 41,428,175**
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**$ 80,252,326**	**$ 13,758,300**	**$ 55,547,028**	**$ 48,231,111**	**$ 48,231,111**	**$ 2,400**	**$ 6,442,383**	**$ 59,992,711**	**$ 108,223,822**
U.S. DEPARTMENT OF JUSTICE														
Passed Through Illinois Department of Human Services														
Juvenile Accountability Block Grants	Restorative Justice Conflict Resolution	N/A	16.523	FCSUR03403	07/01/15-06/30/16	$ 76,589	$ 26,961	$ 26,961	$ —	$ —	$ —	$ —	$ 76,589	$ 76,589
	Total U.S. Department of Justice Passed Through Illinois Department of Human Services					**$ 76,589**	**$ 26,961**	**$ 26,961**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 76,589**	**$ 76,589**
Passed Through the City of Chicago														
National Forum on Youth Violence Prevention	National Youth Forum on Violence	N/A	16.819	2013-NY-FX-K001	10/01/13-09/30/16	$ 200,000	$ 120,301	$ 1	$ (120,300)	$ (120,300)	$ —	$ —	$ 120,300	$ —
	Total U.S. Department of Justice Passed Through City of Chicago					**$ 200,000**	**$ 120,301**	**$ 1**	**$ (120,300)**	**$ (120,300)**	**$ —**	**$ —**	**$ 120,300**	**$ —**
Direct Funding														
National Institute of Justice Research, Evaluation and Development Project Grants	Connect and Redirect to Respect	N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/15	$ 737,861	$ 44,120	$ 44,120	$ —	$ —	$ —	$ —	$ 226,703	$ 226,703
		N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/16	720,009	116,476	512,746	416,825	416,825	—	20,555	116,476	533,301
		N/A	16.560	2014-CK-BX-0002	01/01/16-12/31/17	739,307	—	43,795	71,114	71,114	—	27,319	—	71,114
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113004	02/01/15-01/31/16	118,896	2,936	—	(2,936)	(2,936)	—	—	119,981	117,045
	Total U.S. Department of Justice — Direct Funding					**$ 2,316,073**	**$ 163,532**	**$ 600,661**	**$ 485,003**	**$ 485,003**	**$ —**	**$ 47,874**	**$ 463,160**	**$ 948,163**
	TOTAL U.S. DEPARTMENT OF JUSTICE					**$ 2,592,662**	**$ 310,794**	**$ 627,623**	**$ 364,703**	**$ 364,703**	**$ —**	**$ 47,874**	**$ 660,049**	**$ 1,024,752**
U.S. DEPARTMENT OF LABOR														
Passed Through Manufacturing Renasissance														
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17	07/01/15-06/30/16	$ 148,683	$ 148,683	$ 148,683	$ —	$ —	$ —	$ —	$ 148,683	$ 148,683
		N/A	17.274	YC-25414-14-60-A-17	07/01/16-06/30/17	186,000	—	—	137,442	137,442	—	137,442	—	137,442
	Total U.S. Department of Labor Passed Through Manufacturing Renasissance					**$ 334,683**	**$ 148,683**	**$ 148,683**	**$ 137,442**	**$ 137,442**	**$ —**	**$ 137,442**	**$ 148,683**	**$ 286,125**
	TOTAL U.S. DEPARTMENT OF LABOR					**$ 334,683**	**$ 148,683**	**$ 148,683**	**$ 137,442**	**$ 137,442**	**$ —**	**$ 137,442**	**$ 148,683**	**$ 286,125**
U.S. DEPARTMENT OF COMMERCE														
Passed through the Illinois Deparment of Commerce and Economic Opportunity														
Coastal Zone Management Administration Awards	CIMBY-IDNR	N/A	11.419	16-065-N15-23	10/17/15-04/30/16	$ 100,000	$ 22,986	$ 68,581	$ 64,013	$ 64,013	$ —	$ 18,418	$ 35,112	$ 99,125
	Total U.S. Department of Commerce Passed Through Illinois Department of Commerce and Economic Opportunity					**$ 100,000**	**$ 22,986**	**$ 68,581**	**$ 64,013**	**$ 64,013**	**$ —**	**$ 18,418**	**$ 35,112**	**$ 99,125**
	TOTAL U.S. DEPARTMENT OF COMMERCE					**$ 100,000**	**$ 22,986**	**$ 68,581**	**$ 64,013**	**$ 64,013**	**$ —**	**$ 18,418**	**$ 35,112**	**$ 99,125**

STATUTORY REPORTING SECTION

B-115

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Fiscal Year Ended June 30, 2017

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2016	Cash (Received) Refunded July 1, 2016 June 30, 2017	Revenue Recognized July 1, 2016 June 30, 2017	Federal Award Expenditures July 1, 2016 June 30, 2017	Pass Through to Subrecipients July 1, 2016 June 30, 2017	Accrued (Deferred) Grant Revenue June 30, 2017	Final Status: Prior Years' Expenditures Through June 30, 2016	Final Status: Cumulative Expenditures Through June 30, 2017
U.S. DEPARTMENT OF TRANSPORTATION														
Passed Through Illinois Department of Aviation														
Airport Improvement Program	Noise Abatement — Farnsworth	N/A	20.106	3-17-0022-106-2009	09/23/09-09/22/11	$ 300,000	$ 800	$ —	$ (800)	$ (800)	$ —	$ —	$ 291,791	$ 290,991
		N/A	20.106	3-17-0022-125-2012	09/06/12-09/07/15	4,550,000	178,196	—	(178,196)	(178,196)	—	—	4,730,610	4,552,414
	Noise Abatement — Ebinger	N/A	20.106	3-17-0022-142	09/16/14-06/30/16	6,000,000	5,330,461	5,291,225	(39,236)	(39,236)	—	—	5,330,461	5,291,225
	Total U.S. Department of Transportation Passed Through Illinois Department of Aviation					**$ 10,850,000**	**$ 5,509,457**	**$ 5,291,225**	**$ (218,232)**	**$ (218,232)**	**$ —**	**$ —**	**$ 10,352,862**	**$ 10,134,630**
U.S. DEPARTMENT OF DEFENSE														
Passed Through City Colleges of Chicago														
Basic and Applied Scientific Research	Critical MASS Year 3	N/A	12.300	16-12-1-0738	04/01/15-03/31/16	$ 542,072	$ 106,157	$ 106,157	$ —	$ —	$ —	$ —	$ 357,816	$ 357,816
	Critical MASS Year 4	N/A	12.300	17-12-1-0738	04/01/16-03/31/17	420,000	101,126	393,666	292,540	292,540	—	—	101,126	393,666
	Critical MASS Year 5	N/A	12.300	18-12-1-0738	04/01/17-03/31/18	410,000	—	—	68,261	68,261	—	68,261	—	68,261
	Total U.S. Department of Defense Passed Through City Colleges of Chicago					**$ 1,372,072**	**$ 207,283**	**$ 499,823**	**$ 360,801**	**$ 360,801**	**$ —**	**$ 68,261**	**$ 458,942**	**$ 819,743**
Direct Funding														
Basic Scientific Research	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/15-06/30/16	$ 1,084,253	$ 297,654	$ 277,701	$ (19,953)	$ (19,953)	$ —	$ —	$ 621,093	$ 601,140
	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/16-06/30/17	883,925	69,742	481,091	657,300	657,300	—	245,951	69,742	727,042
	Total U.S. Department of Defense — Direct Funding					**$ 1,968,178**	**$ 367,396**	**$ 758,792**	**$ 637,347**	**$ 637,347**	**$ —**	**$ 245,951**	**$ 690,835**	**$ 1,328,182**
	TOTAL U.S. DEPARTMENT OF DEFENSE					**$ 3,340,250**	**$ 574,679**	**$ 1,258,615**	**$ 998,148**	**$ 998,148**	**$ —**	**$ 314,212**	**$ 1,149,777**	**$ 2,147,925**
ENVIRONMENTAL PROTECTION AGENCY														
Environmental Education Grant Program	CIMBY-EPA	N/A	66.951	NE-83619701-0	04/01/16-09/30/17	192,200	—	51,841	70,665	70,665	—	18,824	—	70,665
	Total Environmental Protection Agency					**$ 192,200**	**$ —**	**$ 51,841**	**$ 70,665**	**$ 70,665**	**$ —**	**$ 18,824**	**$ —**	**$ 70,665**
NATIONAL SCIENCE FOUNDATION														
Passed Through DePaul University														
Computer and Information Science and Engineering	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	10/15/15-06/30/16	$ 114,346	$ 21,645	$ 26,325	$ 29,115	$ 29,115	$ —	$ 24,435	$ 21,645	$ 50,760
	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	07/01/16-06/30/17	164,018	—	—	18,728	18,728	—	18,728	—	18,728
	Total National Science Foundation Passed Through DePaul University					**$ 278,364**	**$ 21,645**	**$ 26,325**	**$ 47,843**	**$ 47,843**	**$ —**	**$ 43,163**	**$ 21,645**	**$ 69,488**
Passed Through University of Massachusetts														
Education and Human Resources	Broadening Advanced Technological Education Connections	N/A	47.076	DUE-1104145	05/01/16-07/31/18	60,593	—	—	19,419	19,419	—	19,419	—	19,419
	Total National Science Foundation Passed University of Massachusetts					**$ 60,593**	**$ —**	**$ —**	**$ 19,419**	**$ 19,419**	**$ —**	**$ 19,419**	**$ —**	**$ 19,419**
	TOTAL NATIONAL SCIENCE FOUNDATION					**$ 338,957**	**$ 21,645**	**$ 26,325**	**$ 67,262**	**$ 67,262**	**$ —**	**$ 62,582**	**$ 21,645**	**$ 88,907**
	GRAND TOTAL					**$1,550,768,456**	**$102,963,149**	**$721,079,503**	**$712,735,982**	**$712,735,982**	**$48,211,554**	**$94,619,628**	**$1,208,040,251**	**$1,920,776,233**

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL CATALOG NUMBER
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total
Plant and Animal Disease, Pest Control, and Animal Care	10.025	$ 7,200	$ —	$ —
School Breakfast Program **(1)**	10.553	47,524,909	—	—
National School Lunch Program **(1)**	10.555	143,466,343	—	190,991,252**(1)**
Child and Adult Care Food Program	10.558	7,448,929	—	—
Team Nutrition Grants	10.574	(1,200)	—	—
Fresh Fruit and Vegetable Program	10.582	1,698,006	—	—
Coastal Zone Management Administration Awards	11.419	64,013	—	—
Basic and Applied Scientific Research	12.300	360,801	—	—
Basic Scientific Research	12.431	637,347	—	—
Language Grant Program	12.900	83,682	—	—
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	487,939	—	—
Project Safe Neighborhood	16.609	(2,936)	—	—
National Forum on Youth Violence Prevention	16.819	(120,300)	—	—
Youthbuild	17.274	137,442	—	—
Airport Improvement Program	20.106	(218,232)	—	—
Computer and Information Science and Engineering	47.070	47,843	—	—
Education and Human Resources	47.076	19,419	—	—
Environmental Education Grant Program	66.951	70,665	—	—
Title I Grants to Local Education Agencies	84.010	285,777,147	43,192,507	—
Special Education Grants to State **(2)**	84.027	93,810,301	—	95,552,330**(2)**
Impact Aid	84.041	103,071	—	—
TRIO — Talent Search **(3)**	84.044	187,080	—	187,080**(3)**
Career and Technical Education	84.048	6,515,665	—	—
Indian Education — Grants to Local Education Agencies	84.060	172,743	—	—
Rehabilitation Grants to States	84.126	417,037	—	—
Special Education - Preschool Grants **(2)**	84.173	1,742,029	—	—
Safe and Drug-Free Schools and Communities	84.184	194,430	—	—
Education for Homeless Children and Youth	84.196	874,386	—	—
Fund for the Improvement of Education	84.215	824,877	—	—

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL CATALOG NUMBER (continued)
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total
Twenty-First Century Community Learning Centers	84.287	$ 5,889,310	$ —	$ —
Education Research, Development and Dissemination	84.305	13,603	—	—
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	1,446,944	—	—
Teacher Quality Partnership Grants	84.336	(29,103)	—	—
Arts in Education	84.351	507,487	—	—
Early Reading First	84.359	(69,116)	—	—
High School Graduation Initiative	84.360	63,345	—	—
English Language Acquisition Grants	84.365	10,466,507	547,989	—
Supporting Effective Instruction State Grants	84.367	42,434,419	4,468,658	—
School Improvement Grants	84.377	10,002,806	—	—
Race to the Top	84.395	585,070	—	—
Education Innovation and Research	84.411	438,865	—	—
Preschool Development Grants	84.419	424,098	—	—
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	288,028	2,400	—
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	29,791	—	—
Teen Pregnancy Prevention Program	93.297	126,024	—	—
Refugee and Entrant Assistance	93.566	55,591	—	—
Head Start	93.600	38,550,897	—	—
Projects of Regional and National Significance Children's Health Insurance Program	93.767	267,268	—	—
Medical Assistance Program **(4)**	93.778	8,870,533	—	8,870,533**(4)**
Child Health and Human Development Extramural Research	93.865	42,979	—	—
Total		**$712,735,982**	**$48,211,554**	**$295,601,195**

Clusters:

(1) Child Nutrition Cluster
(2) Special Education Cluster (IDEA)
(3) TRIO Cluster
(4) Medicaid Cluster

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SINGLE AUDIT
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

1. SCOPE OF SINGLE AUDIT

General — The Board of Education of the City of Chicago ("CPS") is a body politic and corporate of the State of Illinois. All significant federal financial and compliance operations of CPS are included in the scope of the Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The U.S. Department of Education ("ED") is CPS cognizant federal agency for the Single Audit. Cognizant duties have been delegated to the Illinois State Board of Education (the "ISBE") by the ED, which, in turn, oversees the performance of such duties.

2. NATURE OF FEDERAL FINANCIAL ASSISTANCE

Generally, federal awards are granted for the purpose of providing specific goods or services or aid to specific individuals. In addition to the purposes they serve, federal programs can be classified according to the basis under which the federal programs are funded. For certain federal programs, funds are received based upon actual qualified expenditures up to the total federal awards amount (expenditure-driven federal programs). For other federal programs, funds are received based on an approved formula such as a standard reimbursement rate applied to qualified unit of service provided (formula-driven federal program).

The majority of CPS' federal awards are passed through and received from the ISBE. For those pass-through federal awards, CPS' direct reporting responsibility is to ISBE, which, in their capacity as sub-grantors, oversee and monitor the utilization of such federal awards by CPS.

3. BASIS OF PRESENTATION IN THE SCHEDULE OF GRANT ACTIVITY

General — The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CPS under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and the pass through requirements of ISBE. Because the Schedule presents only a selected portion of the operations of CPS, it is not intended to and does not present the financial position or changes in net position of CPS. Only federal programs considered active during the year ended June 30, 2017, are reflected in the Schedule. An active federal program is defined as a federal program that incurred expenditures (adjustments) of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. In addition, there is no federal insurance in effect during the year and no loan or loan guarantees outstanding at year end.

Revenues — Grant revenues for expenditure-driven federal programs are recognized in the Schedule based on expenditures incurred during the fiscal year. Grant revenues for formula-driven federal programs are recognized based on units of services provided as of June 30, 2017.

Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA").

Expenditures — For all expenditure-driven federal programs, expenditures included on the Schedule represent actual expenditures incurred (governmental fund basis) during the fiscal year ended June 30, 2017. In accordance with Uniform Guidance, pension costs are uniformly charged to all positions as a direct benefit cost in proportion to pensionable salary regardless of whether the funding source is local, state, or federal.

For formula-driven federal programs, expenditures are presented on the Schedule as follows:

- The expenditures for the National School Lunch and Breakfast Program in the schedule only reflect the portion funded by the Program.
- Expenditures for the Food Donation Program represent commodities received at amounts per the USDA standard price listings.

Adjustments to Increase (Decrease) Accrued Grant Revenue — Adjustments reflected in the Schedule of Expenditures of Federal Awards represent (1) adjustments for recorded expenditures that have been determined to be unallowable by respective funding agencies, (2) corrections of prior year's estimated accruals.

Accrued and Unearned Grant Revenue — Various funding schedules are used for the federal awards received by CPS. Consequently, timing differences between the recognition of revenues and related cash receipts can exist at the beginning and end of the fiscal year. Accrued grant revenue balances represent the excess of revenue recognized over cash received to date. Unearned grant revenue balances represent the excess of cash received over revenue recognized to date.

Indirect Cost Rate — The amount expended includes amounts claimed as indirect cost recovery using an approved indirect cost rate percent by the ISBE or as per the funding agencies approved budget. The Chicago Public Schools has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. RELATIONSHIP TO THE FINANCIAL STATEMENTS INCLUDED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The following is a reconciliation of federal grant revenues as reflected in the Supplementary Schedule of Expenditures of Federal Awards in CPS' Comprehensive Annual Financial Reports:

"Revenue recognized" per the Schedule	$712,735,982
E-Rate program revenues not included in the Schedule	16,706,020
Medicare Part D Revenue not included in the Schedule	238,837
Medicaid Fee for Service Revenue not included in the Schedule	26,870,123
Build America Bonds (BABS) revenue not included in the Schedule	25,006,637
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	6.903,289
Adjustments to record revenue that do not provide current financial resources	(4,517,864)
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$783,943,024

Expenditures relating to individual federal programs are not represented separately from other CPS expenditures in CPS Comprehensive Annual Financial Report. Accordingly, a similar reconciliation of expenditures is not included herein.

5. FINAL CLAIMS

Some final claims for federal programs with a contractual funding period ended June 30, 2017, were filed prior to recording certain year-end adjustments and, therefore, do not agree with the related amounts accrued and reported in the Schedule. CPS plans to submit a program liquidation report to the respective grantor agencies, which will revise the outstanding obligation amounts per the final claim, thereby reflecting the appropriate year-end adjustments for these federal awards.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

> Material weakness (es) identified?	___ yes _X_ no
> Significant deficiency (ies) identified?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards
Internal control over major programs:

> Material weakness (es) identified?	___ yes _X_ no
> Significant deficiency (ies) identified?	___ yes _X_ none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	___ yes _X_ no
Auditee qualified as low-risk auditee?	___ yes _X_ no

Identification of major federal programs:

CFDA Number	Name of Federal Program	Amount Expended
84.010	Title I — Grants to Local Educational Agencies	$285,777,147
84.365	Title III — English Language Acquisition State Grants	10,466,507
84.367	Title II — Supporting Effective Instruction State Grants	42,434,419
93.600	Head Start	38,550,897
		$377,228,970

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

SECTION II — FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None reported.

SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

STATUTORY REPORTING SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017

I. FINANCIAL STATEMENT FINDINGS

Finding 2016-001: Maintenance of Capital Asset Records

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2016-002: Subrecipient Monitoring

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-003: Standards of Documentation of Personnel Expenses

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-004: Procurement

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2016-005: Special Education Funding and Child Tracking System

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York ("**DTC**"), has been furnished by DTC for use in this Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization"* within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "**Exchange Act**"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "**SEC**"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See "**THE BONDS - General**."

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee under the Indenture securing such Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures ("**MMI Procedures**"). Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or its Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, the Board or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board, or the Trustee under the Indenture securing such bonds, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Bonds. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates are required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE UNDER THE INDENTURE SECURING A SERIES OF BONDS HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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APPENDIX D

THE REAL PROPERTY TAX SYSTEM

Real Property Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "**County**") applicable to the School District. The following is not an exhaustive discussion, nor is there any assurance that the procedures described in this Appendix will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (35 ILCS 200) (the "**Property Tax Code**").

Substantially all (approximately 99.99%) of the **"Equalized Assessed Valuation"** (as herein defined) of taxable property in the School District is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth in this Appendix and elsewhere in this Official Statement with respect to taxable property of the School District does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the **"Assessor"**) is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The real property within the School District is reassessed every three years, with 2018 being a reassessment year..

Pursuant to the Cook County Real Property Assessment Classification Ordinance (the "**Classification Ordinance**"), real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the **"Assessed Valuation"**) for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the Classification Ordinance pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the **"Board of Review"**). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the **"PTAB"**), a state-wide administrative body, or to the Circuit Court of Cook County (the **"Circuit Court"**). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The Board believes that the impact of any such case on the Board would be minimal, as the Board's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

<u>Equalization</u>. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year, including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the **"Equalization Factor"**), commonly called the *"multiplier,"* for each county. The purpose of equalization is to bring the aggregate assessed value of all real property in each county, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, to the statutory requirement of 33-1/3% of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the **"Equalized Assessed Valuation"** or **"EAV"**).

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the **"Assessment Base"**). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. In addition, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. See the discussion under the heading "**Property Tax Extension Limitation Law"** below. For a listing of the Equalization Factors for the ten years ended December 31, 2016, see the section of the Official Statement entitled **"FINANCIAL INFORMATION – Property Tax Revenues –** *Property Tax Base, Tax Extensions and Collections***.**"

<u>Exemptions</u>. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of $10,000 in the County and $6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least

65 years of age), for whom the Assessor is authorized to reduce the EAV by $8,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $100,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by $2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $65,000 or less, and who are either the owner of record or have a legal or equitable interest in their residential property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called *"freeze"* and each year thereafter in which the qualifying criteria are maintained.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

In 2001, the County enacted the *"Longtime Homeowner Exemption Ordinance,"* which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115% of the "*Chicago Primary Metropolitan Statistical Area"* median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the **"Units"**) located in whole or in part in the County that have taxing power. There are six major units of local government located in whole or in part within the boundaries of the School District which are: the City; the Chicago Park District; Community College District Number 508; the County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real property taxes, proceedings are adopted by the governing body of each Unit. Typically, real property taxes are levied in one calendar year and collected in the following calendar year. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real property taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the **"County Collector"**).

The Local Government Debt Reform Act (30 ILCS 350/16) (the "**Debt Reform Act**") includes special provisions applicable to tax levies to pay debt service on general obligation bonds, including Alternate Revenue Bonds, such as the Bonds. A governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds, including Alternate Revenue Bonds, at any time prior to March 1 of the calendar year during which the tax will be collected. The County Clerk is required to accept the filing of the ordinance levying such tax notwithstanding that such time is subsequent to the end of the calendar year next preceding the calendar year during which such tax will be collected.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law. Pursuant to the Debt Reform Act, in extending taxes for general obligation bonds, including Alternate Revenue Bonds, such as the Bonds, the County Clerk is required to increase the levy for debt service on such bonds to provide an allowance for loss in collections, in an amount sufficient, in view of all losses and delinquencies in tax collection, to produce tax receipts adequate for the prompt payment of such debt service.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the **"Warrant Books"**) the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the **"Truth in Taxation Law"**) contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service (including debt service on Alternate Revenue Bonds, such as the Bonds), levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the Unit's general obligations bonds and notes (including payment of debt service on Alternate Revenue Bonds, such as the Bonds).

<u>Collection</u>. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2008 to 2017; the first installment penalty date has been March 1, 2 or 3 for all years.

Second Installment

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

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the **"Annual Tax Sale"**). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue interest at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the **"Scavenger Sale"**), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the Board has a provision for an allowance for uncollectible taxes for debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2016, collectible in 2017, the allowance for uncollectible taxes is about four percent of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the Board after four years, but are fully reserved after one year.

Property Tax Extension Limitation Law

The Property Tax Code specifically limits the annual growth in property tax extensions for certain Units pursuant to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18-185) (the **"PTELL"**). The effects of the PTELL are to limit or retard the growth in the amount of property taxes that can be extended for a non-home rule taxing body and to impose direct referendum requirements upon the issuance of certain types of general obligation bonds by such non-home rule taxing bodies.

The PTELL was extended in 1995 (effective as of the 1994 assessment year) to non-home rule taxing districts in the County, including the Board. The PTELL limits the annual growth in certain property tax extensions by the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction and referendum approval of tax or limitation rate increases. The PTELL requires the County Clerk in extending taxes to use the Equalized Assessed Valuation of all property within the taxing district for the levy year prior to the levy year for which taxes are then being extended.

The PTELL does not limit the rate or amount of taxes extended by the Board to pay its Alternate Revenue Bonds, including the Bonds.

APPENDIX E

FORMS OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEDGED TAXES

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APPENDIX E-1

FORM OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEDGED TAXES RELATED TO THE SERIES 2018C BONDS

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2018C OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO

STATE OF ILLINOIS	)	
	) SS	
COUNTY OF COOK	)	

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution No. 18-0725-RS8, adopted by the Board of Education of the City of Chicago (the "*Board*") on July 25, 2018 being entitled:

> RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $500,000,000 FOR THE PURPOSE OF PAYING THE COSTS OF REFUNDING OUTSTANDING BONDS

(the "*Bond Resolution*"), a certified copy of which has been filed in each of your offices, the Board authorized the issuance, from time to time, of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), in the maximum principal amount of $500,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2018 to 2035, inclusive, on all taxable property within the school district governed by the Board (the "*School District*") sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution.

The Bond Resolution further authorized the direct deposit of such direct annual tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $450,115,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C (the "*Series 2018C Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2018C Bonds (the "*Series 2018C Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2018C Pledged Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into the respective account of Amalgamated Bank of Chicago, as Trustee (the "*Trustee*") under the Indenture securing the Series 2018C Bonds for application as described in said Indenture.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2018C Pledged Taxes are to be extended, commencing with the taxes levied for the year 2018 (collectible in 2019), the Board shall file in your office (i) evidence of the abatement in full of such Series 2018C Pledged Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution to be received during such year which is attributable to the Series 2018C Pledged Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the respective account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2018C Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2018C Pledged Taxes have been levied (as set out in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the respective account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2018C Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2018C Pledged Taxes levied for such year bears to the total tax extension of the Board for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2018C Pledged Taxes specified for such year in *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2018C Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA# 071 003 405
Further Credit to: ______________________________
Final Credit to: ______________________________
Reference: ___________________________________
Attention: ______________, (__) ___-____

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2018C Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Series 2018C Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of December, 2018.

____
Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2018C PLEDGED TAXES

LEVY YEAR	TAX LEVY
2018	$29,290,558.33
2019	18,114,892.41
2020	38,131,500.00
2021	62,904,500.00
2022	63,013,000.00
2023	63,146,250.00
2024	63,172,500.00
2025	63,291,250.00
2026	89,702,000.00
2027	26,253,750.00
2028	26,307,000.00
2029	26,360,250.00
2030	26,400,750.00
2031	16,616,250.00

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Trust Indenture, dated as of December 1, 2018 (the "*Series 2018C Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $450,115,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C, of the Board (the "*Series 2018C Bonds*"), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2018C Bonds described in said Direction and will apply all collections of the Series 2018C Pledged Taxes as provided in the Direction and the Series 2018C Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ______________________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C, of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2031, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of December, 2018.

____
County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C, of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2018 to 2031, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of December, 2018.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

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APPENDIX E-2

FORM OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEDGED TAXES RELATED TO THE SERIES 2018D BONDS

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2018D OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution No. 18-0725-RS6, adopted by the Board of Education of the City of Chicago (the "*Board*") on July 25, 2018 being entitled:

> RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $313,280,000 FOR THE PURPOSE OF PAYING THE COSTS OF CAPITAL IMPROVEMENTS

(the "*Bond Resolution*"), a certified copy of which has been filed in each of your offices, the Board authorized the issuance, from time to time, of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), in the maximum principal amount of $313,280,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2018 to 2048, inclusive, on all taxable property within the school district governed by the Board (the "*School District*") sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution.

The Bond Resolution further authorized the direct deposit of such direct annual tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $313,280,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D (the "*Series 2018D Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2018D Bonds (the "*Series 2018D Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2018D Pledged Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into the respective account of Amalgamated Bank of Chicago, as Trustee (the "*Trustee*") under the Indenture securing the Series 2018D Bonds for application as described in said Indenture.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2018D Pledged Taxes are to be extended, commencing with the taxes levied for the year 2019 (collectible in 2020), the Board shall file in your office (i) evidence of the abatement in full of such Series 2018D Pledged Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution to be received during such year which is attributable to the Series 2018D Pledged Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the respective account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2018D Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2018D Pledged Taxes have been levied (as set out in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the respective account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2018D Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2018D Pledged Taxes levied for such year bears to the total tax extension of the Board for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2018D Pledged Taxes specified for such year in *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2018D Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA# 071 003 405
Further Credit to: ________________________________
Final Credit to:__________________________________
Reference: ______________________________________
Attention: _______________, (___) ___-____

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Series 2018D Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Series 2018D Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of December, 2018.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2018D PLEDGED TAXES

LEVY YEAR	TAX LEVY
2019	$ 742,793
2020	15,664,000
2021	15,664,000
2022	15,664,000
2023	15,664,000
2024	15,664,000
2025	15,664,000
2026	15,664,000
2027	15,664,000
2028	15,664,000
2029	15,664,000
2030	15,664,000
2031	15,664,000
2032	15,664,000
2033	15,664,000
2034	15,664,000
2035	15,664,000
2036	15,664,000
2037	15,664,000
2038	15,664,000
2039	15,664,000
2040	15,664,000
2041	15,664,000
2042	44,724,000
2043	79,211,000
2044	132,931,000
2045	102,112,500

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Trust Indenture, dated as of December 1, 2018 (the "*Series 2018D Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $313,280,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D, of the Board (the "*Series 2018D Bonds*"), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2018D Bonds described in said Direction and will apply all collections of the Series 2018D Pledged Taxes as provided in the Direction and the Series 2018D Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ______________________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D, of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2045, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of December, 2018.

____
County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of December, 2018, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D, of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2045, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of December, 2018.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

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APPENDIX F

FORM OF STATE AID REVENUES ESCROW AGREEMENT

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STATE AID REVENUES ESCROW AGREEMENT

This State Aid Revenues Escrow Agreement, dated as of July 13, 2017 (the or this "*Agreement*"), by and between the Board of Education of the City of Chicago (the "*Board*") and Amalgamated Bank of Chicago, as escrow agent (the "*Escrow Agent*"), in consideration of the mutual promises and agreements herein set forth:

WITNESSETH:

ARTICLE I

Definitions

The following words and terms used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning:

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means any Bond issued by the Board in the future (but prior to the Termination Date) in accordance with the provisions of the Act.

"*Aggregate Annual Debt Service Requirement*" means, with respect to a Bond Year, the sum of the Series Debt Service for all Series for that Bond Year.

"*Agreement*" means this State Aid Revenues Escrow Agreement.

"*Authorized Officer*" means (i) the Chief Financial Officer of the Board or (ii) the Senior Vice President of Finance of the Board.

"*Bankruptcy Event*" means the adoption by the Chicago Board of Education of a resolution authorizing the filing by the Board, in a manner authorized by State law, of a petition under Chapter 9 of Title 11 of the United States Code (or any other applicable federal bankruptcy law) seeking a composition of indebtedness or any other debt relief or protection from creditors.

"*Board*" means the Board of Education of the City of Chicago governed by the Chicago Board of Education.

"*Bondholder*" means any holder or owner of Bonds.

"*Bond Indenture*" means any indenture securing Bonds.

"*Bond Payment Default Event*" means the failure to fully pay when due the principal (including mandatory sinking fund installments) of or interest on any General Obligation Debt when due on any required payment date when such failure is not fully remedied by the tenth day next following such required payment date.

"*Bonds*" means any bonds issued by the Board pursuant to Section 15 of the Act and secured by a pledge of State Aid Revenues.

"*Bond Trustee*" means any trustee appointed under any Bond Indenture.

"*Bond Year*" means the annual period beginning on March 2 of a Year and ending on March 1 of the following Year.

"*Business Day*" means any day other than a Saturday, a Sunday or any day on which banking institutions located in the city in which the designated office of the Escrow Agent is located are authorized by law or executive order to close, and the Escrow Agent is in fact closed.

"*Debt Service*" means, with respect to any Series of the Bonds, the interest on and principal (including mandatory sinking fund installments) of the then outstanding Bonds of such Series.

"*District*" means the school district administered by the Board.

"*Escrow Agent*" means Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent, and any successor thereto as Escrow Agent.

"*Escrow Fund*" means the special fund created by Section 2.01 for the purpose of holding and disbursing the State Aid Revenues.

"*General Account*" means the account so named within the Escrow Fund.

"*General Obligation Debt*" means any bond, note or other evidence of indebtedness of the Board (including the Bonds) for the payment of which the Board is empowered to levy ad valorem property taxes upon all taxable property in the District without limitation as to rate or amount, exclusive of Short Term Debt.

"*Government Obligations*" means (i) any noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

"*Permitted Investments*" means any of the following securities authorized by law and the Investment Policy as permitted investments of Board funds at the time of purchase thereof:

(i) Government Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent the full, faith and credit of the United States of America, including:

- *Farm Credit System Financial Assistance Corporation*

- *Farmers Home Administration*

- *General Services Administration*
- *U.S. Maritime Administration*
- *Small Business Administration*
- *Government National Mortgage Association (GNMA)*
- *U.S. Department of Housing & Urban Development (PHA's)*
- *Federal Housing Administration;*

(iii) Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government agencies;

(iv) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Escrow Agent and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);

(v) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-l+" or above by Standard & Poor's and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(vi) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" or better by Standard & Poor's, including those for which the Escrow Agent or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise; and

(vii) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State.

"*Regular Period*" means any period of time that is not a Required Funding Period.

"*Required Funding Period*" means any period of time commencing on the Business Day next following a Bankruptcy Event or a Bond Payment Default Event and ending on the earlier to occur of (A) the first date that the Bonds are rated (i) "Baa3" or higher by Moody's or (ii) "BBB-" or higher by Standard & Poor's or (iii) "BBB-" or higher by Fitch or (B) the first date that the Board sells a Series of Additional Bonds pursuant to a public offering (including a limited public offering).

"*Security Account*" means the account so named within the Escrow Fund.

"*Security Account Requirement*" means (A) at all times during any Required Funding Period, an amount equal to the greater of (1) the unpaid amount of the Aggregate Annual Debt Service Requirement for the then current Bond Year and (2) the Aggregate Annual Debt Service

Requirement for the Bond Year next following the then current Bond Year, and (B) at all times during any Regular Period, zero.

"*Series*" means Bonds issued and secured under a Bond Indenture and designated in such Bond Indenture as a separate series of Bonds.

"*Series Debt Service*" means, with respect to a Bond Year, the Debt Service payable on a Series in the Bond Year, exclusive of Debt Service paid or with respect to which provision for payment has been made by the deposit of funds in trust for that purpose in accordance with the Bond Indenture securing such Series including, but not limited to, funds held in debt service funds, capitalized interest accounts and escrow defeasance accounts.

"*Short Term Debt*" means any bond, note or other evidence of indebtedness of the Board (A) issued in anticipation of certain taxes, grants or other revenue and (B) having a term from date of issuance to maturity of two years or less.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State aid payments to be made to the Board after August 1, 2017, pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5/18, or such other successor or replacement fund or act as may be enacted in the future, excluding the $261,000,000 of Supplemental General State Aid required to be distributed for specific purposes pursuant to Section 18-8.05(H)(4) of the School Code.

"*Termination Date*" means the earlier to occur of (A) the first date that no Bond remains outstanding under a Bond Indenture or (B) the first date that the Bonds are rated (i) "A3" or better by Moody's or (ii) "A-" or better by Standard & Poor's or (iii) "A-" or better by Fitch.

"*Year*" means a calendar year.

ARTICLE II

Establishment of the Escrow Fund and Accounts

2.01. **Establishment of the Escrow Fund**. The Escrow Fund is hereby established with the Escrow Agent pursuant to Section 13 of the Act and this Agreement. The Escrow Fund is an "Escrow Account" within the meaning of Section 13 of the Act and a special fund of the Board, separate and segregated from all other funds and accounts of the Board. There are hereby established within the Escrow Fund two special Accounts, the "General Account" and the "Security Account"

2.02. **State Aid Revenues**. For the purpose of securing the punctual payment of Debt Service and for the equal benefit and protection of each Bondholder without preference of any Bondholder over any other Bondholder except as expressly provided for in Section 3.03 or Section 3.04 of this Agreement, the Board covenants and agrees that all State Aid Revenues paid to the Board shall be paid to the Escrow Agent for deposit into the Escrow Fund. The Board shall do all acts and things necessary to cause the State Aid Revenues to be deposited in the Escrow Fund and not to any other account of the Board or any other person. During any Required Funding Period, if the Board fails to deposit State Aid Revenues with the Escrow Agent within 10 days of the receipt of such State Aid Revenues, then such failure shall constitute an event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to compel such deposit.

Pursuant to Section 13 and Section 15 of the Act and the Bond Indentures, the portion of the State Aid Revenues required to be deposited into the Security Account and the moneys held in the Security Account (subject to application in accordance with this Agreement), are pledged as security for the payment of the principal of and interest on the Bonds. In accordance with Section 13 of the Act, such State Aid Revenues and the moneys held in the Security Account shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Consistent with and pursuant to Section 13 and Section 15 of the Act and the grant under the applicable Bond Indenture pursuant to which each Series of the Bonds was issued, the Board grants to each Bond Trustee for the benefit of the Bondholders a first lien on and security interest in the State Aid Revenues required to be deposited into the Security Account and the moneys, securities and funds held from time to time in the Security Account.

2.03. **Deposit Direction**. When duly authorized by a resolution of the Chicago Board of Education, the Board, acting pursuant to Section 13 of the Act, shall file with the State Comptroller (and, if necessary, with the State Superintendent of Education and the State Treasurer) a written direction that the State Aid Revenues are to be paid directly to the Escrow Agent for deposit into the Escrow Fund. The Board shall file such written direction with the State Comptroller on or prior to the 60th day next following the adoption of the aforesaid authorizing resolution of the Chicago Board of Education and the failure to do so shall constitute an event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to compel such filing. This direction shall remain in effect until the Termination Date and shall not be revoked and shall not be modified or amended except as may be required by changes in State law or administrative regulations. Pursuant to the terms of the direction, the Escrow Agent and each Bond Trustee shall have the right to enforce the terms of the direction.

2.04. **Debt Service Information.** Prior to August 1, 2017, the Board shall file with the Escrow Agent a schedule of Debt Service on each Series of Bonds then outstanding. The Debt Service schedule of each Series shall set forth for each Debt Service payment date the principal payable and the interest payable. Interest on variable rate Bonds shall be determined for each Bond Year at the greater of (A) the rate in effect on the first day of the Bond Year or (B) the rate used to determine the February 15 deposit requirement for that Series. No later than February 15th of each Bond Year the Board shall file with the Escrow Agent an updated Debt Service schedule. In addition, within 20 days next following the date of any change in Debt Service amounts the Board shall file with the Escrow Agent a revised Debt Service schedule, provided, however, that no such revision shall be required with respect to Debt Service paid on its required payment date. During any Regular Period, and absent contrary information, Debt Service shall be deemed to have been paid in full when due. During any Required Funding Period, the Escrow Agent may rely conclusively on information provided by each Bond Trustee in determining Debt Service and the amount required to cure a Debt Service payment default or deficiency.

Prior to August 1, 2017, the Board shall file with the Escrow Agent a list of the Bonds secured by State Aid Revenues and their current Bond Trustee. Thereafter the Board will provide an updated list whenever there are issued Additional Bonds or there is a change in the Bond Trustee for any of the Bonds.

Annually, prior to each February 15th, the Board shall file with the Escrow Agent and each Bond Trustee the Series Debt Service for each Series for the next Bond Year and the Aggregate Annual Debt Service Requirement for the next Bond Year.

2.05. **Bankruptcy Event Notice.** The Board shall immediately file with the Escrow Agent notice of the adoption by the Chicago Board of Education of a resolution authorizing the Board to file a petition under Chapter 9 of Title 11 of the United States Code (or any other applicable federal bankruptcy law) seeking a composition of indebtedness or any other debt relief or protection from creditors. In addition, any Bond Trustee may file with the Escrow Agent notice of the commencement of a Bankruptcy Event.

2.06. **Bond Payment Default Event Notice.** The Board shall immediately file with the Escrow Agent notice of the failure of the Board to fully pay when due the principal (including mandatory sinking fund installments) of or interest on any General Obligation Debt when due on any required payment date and shall immediately file notice that such failure was not fully remedied by the tenth day next following such required payment date. In addition, any Bond Trustee may file with the Board and the Escrow Agent a written statement supporting the fact that a Bond Payment Default Event has occurred.

2.07. **End of Required Funding Period.** In determining the end date of any Required Funding Period, the Escrow Agent may rely on a written certificate of an Authorized Officer setting forth that one of the conditions required to end the Required Funding Period has been satisfied and each such certificate shall include supporting documentation satisfactory to the Escrow Agent.

ARTICLE III

Operation of the Escrow Fund

3.01. **Deposit of State Aid Revenues**. Any State Aid Revenues received by the Escrow Agent (A) during any Regular Period, shall be deposited into the General Account and (B) during any Required Funding Period, shall be deposited in the following order of priority:

First, to the Security Account to the extent required to increase the amount then held in the Security Account to the Security Account Requirement.

Second, to the General Account, any remaining amount.

3.02. **Application of General Account**. During any Regular Period, funds in the General Account may be withdrawn by the Board, at any time and from time to time, without limitation and free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

On the first Business Day of each Required Funding Period, and thereafter on each Business Day until the end of such Required Funding Period, all funds in the General Account shall be withdrawn therefrom and deposited into the Security Account to the extent required to increase the amount then held in the Security Account to the Security Account Requirement.

If on any date the amount then held in the Security Account equals or exceeds the then current Security Account Requirement, then any funds then held in the General Account may be withdrawn by the Board free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

3.03. **Application of Security Account**. During any Regular Period, funds in the Security Account may be withdrawn by the Board, at any time and from time to time, without limitation and free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

During any Required Funding Period, funds in the Security Account shall be allocated and applied by payments to the applicable Bond Trustees in the following order of priority:

First, to cure any payment default with respect to the payment of Debt Service, with an allocation among the various Series of Bonds as provided in Section 3.04(A).

Second, to cure any deficiency with respect to the amounts held by Bond Trustees for the payment of Debt Service due and payable in the then current Bond Year, with an allocation among the various Series of Bonds as provided in Section 3.04(B).

Third, to fund the annual deposit requirements for the next February 15 deposit date, as required by the Bond Indentures, with allocation among the various Series of Bonds as provided in Section 3.04(C).

Fourth, at the direction of the Board, to pay Debt Service, to purchase Bonds, to redeem Bonds or to defease Bonds.

If on any date, (A) the amount then held in the Security Account equals or exceeds the then current Security Account Requirement and (B) all of the disbursements then required by Clause First and Clause Second of this Section 3.03 have been made or provision has been made for such disbursements, then all or any portion of such excess, at the direction of the Board, shall be withdrawn from the Security Account and paid to the Board free from the obligations of this Agreement but subject to the lien of the Bond Indentures.

3.04. **Series Allocations**. (A) If, at any time, a Debt Service payment default exists with respect to more than one Series of Bonds, then each such Series shall be entitled to its allocable share of the funds in the Security Account. With respect to such distribution from the Security Account pursuant to Clause First of Section 3.03, the allocable share of each such Series shall be an amount equal to the lesser of (A) the amount required to cure the Debt Service payment default for the Series and (B) the amount then held in the Security Account multiplied by a fraction, the numerator of which is the amount required to cure the Debt Service payment default of that Series and the denominator of which is the aggregate amount required to cure the Debt Service payment defaults of all such Series. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within two business days of receipt.

(B) If, at any time, a Debt Service funding deficiency as described in Clause Second of Section 3.03 exists with respect to more than one Series of Bonds, then each such Series shall be entitled to its allocable share of the funds in the Security Account. With respect to such distribution from the Security Account pursuant to Clause Second of Section 3.03, the allocable share of each Series shall be an amount equal to the lesser of (A) the amount of the deficiency for such Series and (B) the amount then held in the Security Account multiplied by a fraction, the numerator of which is the amount of the deficiency for that Series and the denominator of which is the aggregate amount of the deficiency of all such Series. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within five business days of receipt.

(C) With respect to each distribution from the Security Account pursuant to Clause Third of Section 3.03, each Series of Bonds shall be entitled to its allocable share, which shall be an amount equal to the amount in the Security Account and then available for distribution pursuant to Clause Third of Section 3.03 multiplied by a fraction the numerator of which is the Series Debt Service for such Series for the applicable Bond Year to be funded from the February 15 deposit, and the denominator of which is the Aggregate Annual Debt Service Requirement for the applicable Bond Year. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within five business days of receipt.

3.05. **Investment of Moneys in the Escrow Fund**. Pending the allocation of moneys in the Escrow Fund as provided in this Article III, such moneys may be invested by the Escrow Agent in Permitted Investments only in accordance with the written directions of an Authorized Officer. All investment earnings derived from the investment of moneys in (A) the General Account shall be credited to the General Account and (B) the Security Account shall be credited to the Security Account.

3.06. **Monthly Reports**. The Escrow Agent will submit to the Chief Financial Officer of the Board and to the Bond Trustees, on or before the 10^{th} day of each calendar month, commencing in the month of September, 2017, a statement, as of the last day of the prior calendar month, itemizing (i) all moneys received by it and all payments made by it under the provisions of this Agreement during such prior calendar month and (ii) the balances in the General Account and in the Security Account as of the end of such prior calendar month, and also listing the Permitted Investments on deposit therewith on the date of said report, including all moneys held by it received as interest on the Permitted Investments. The Escrow Agent shall, with reasonable promptness, provide such additional information regarding the State Aid Revenues and the Escrow Fund as the Board may request.

3.07. **Daily Reports on Receipts and Distributions**. On each Business Day that State Aid Revenues are received by the Escrow Agent, the Escrow Agent shall provide to the Chief Financial Officer of the Board a report setting forth the amount of State Aid Revenues received by the Escrow Agent. On each Business Day that State Aid Revenues are required to be allocated and distributed pursuant to Article III, the Escrow Agent shall provide to the Chief Financial Officer of the Board a report detailing the amounts allocated and distributed to each Bond Trustee with respect to each Series then outstanding. The reporting requirements of this Section 3.07 may be satisfied by providing to the Board electronic access to the Escrow Agent's trust accounting system.

3.08. **Board Records.** The Board will maintain records of all withdrawals of State Aid Revenues from the Escrow Fund.

3.09. **Bond Indenture Deposit Requirements.** The Board will comply with all deposit requirements contained in the Bond Indentures, including, but not limited to, the February 15 deposit date funding requirements.

3.10. **Payment of Fees**. The fees of the Escrow Agent shall be paid by the Board upon receipt of appropriate statements therefor. From and after any Bankruptcy Event the Escrow Agent shall be entitled to a lien on the Security Account for the payment of its fees and its costs of administration of the Escrow Fund, which lien shall be in all respects junior and subordinate to the lien on State Aid Revenues granted by the Bond Indentures in favor of the Bondholders and the Bond Trustees.

ARTICLE IV

Covenants

4.01. **Escrow Covenants.** The Board and the Escrow Agent covenant and agree as follows:

The Escrow Agent shall have no responsibility or liability whatsoever for (a) any of the recitals herein (except those relating to its own organization); (b) the performance of or compliance with any covenant, condition, term or provision of the Bonds, or any Bond Indenture; (c) any undertaking or statement of the Board hereunder or under the Bonds, or any Bond Indenture or (d) actions taken on the basis of facts that are not within the direct knowledge of the Escrow Agent.

The Escrow Agent has all the powers and duties herein set forth with no liability in connection with any act or omission to act hereunder, except for its own negligence or willful misconduct, and shall be under no obligation to institute any suit or action or other proceeding under this Agreement or to enter any appearance in any suit, action or proceeding in which it may be a defendant or to take any steps in the enforcement of its, or any, rights and powers hereunder, nor shall it be deemed to have failed to take any such action, unless and until it shall have been indemnified by the Board, the Bond Trustees or the Bondholders to its satisfaction against any and all costs and expenses, outlays, reasonable counsel fees and other disbursements, including its own reasonable fees (provided notice is given to the Board of such costs and outlays within a reasonable time after they are incurred), and if any judgment, decree or recovery be obtained by the Escrow Agent, payment of all sums due it, as aforesaid, shall be a first charge against the amount of any such judgment, decree or recovery.

The Escrow Agent, in its separate capacity as a banking institution, may, at the direction of an Authorized Officer, as provided in Section 3.05, invest for the Escrow Fund in Permitted Investments purchased from itself.

All payments to be made by, and all acts, and things required to be done by, the Escrow Agent under the terms and provisions of this Agreement, shall be made and done by the Escrow Agent without any further direction or authority of the Board except as expressly provided herein.

The Escrow Agent shall not be liable for any act taken or omitted hereunder if taken or omitted by it in good faith and in the exercise of its own best judgment. The Escrow Agent shall also be fully protected in relying upon any written notice, demand, certificate or document which it in good faith believes to be genuine.

The Escrow Agent shall not be responsible for the sufficiency or accuracy of the form, execution, validity or genuineness of any securities now or hereafter deposited hereunder, or of any endorsement thereon, or for any lack of endorsement thereon, or for any description therein, nor shall it be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such document, security or endorsement or this Escrow Agreement. The Escrow Agent shall not be liable for any depreciation or change in the value of such investments.

If the Escrow Agent reasonably believes it to be necessary to consult with counsel concerning any of its duties in connection with this Agreement, or in case it becomes involved in litigation on account of being Escrow Agent hereunder or on account of having received property subject hereto, then in either case, its costs, expenses, and reasonable attorneys' fees shall be paid by the Board, and upon timely notice thereof having been given.

4.02. **Administration and Enforcement.** This Agreement shall be construed, enforced, and administered in accordance with the laws of the State, and shall inure to, and be binding upon, the respective successors and assigns of the parties hereto. If the Board provides a direction to the Escrow Agent contrary to the provisions of this Agreement or takes any action to prevent or interfere with the Escrow Agent performing its duties under this Agreement, then such direction or action taken shall constitute any event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to annul any such direction and to enjoin any such action, or for such other remedy at law or in equity as the Escrow Agent or any such Bond Trustee shall deem appropriate. In addition, the Escrow Agent will not follow any direction from the Board that is contrary to the provisions of this Agreement and shall be fully protected from so doing.

4.03. **Rights of Bondholders and Bond Trustees.** The Bondholders and each of the Bond Trustees are explicitly recognized as being third-party beneficiaries of this Agreement and may enforce the provisions of this Agreement, including by instituting an action for specific performance of the covenants and agreements of the Board under this Agreement. This Agreement shall not constitute a limitation of any of the rights granted to Bondholders and Bond Trustees under the Bond Indentures including any lien on State Aid Revenues created by any Trust Indenture.

4.04. **Bankruptcy Event Expense Account.** The Board hereby establishes the Bankruptcy Event Expense Account to be held by the Escrow Agent under this Agreement separate and apart from the Escrow Fund. On or prior to September 1, 2017 the Board shall deposit the sum of $75,000 into the Bankruptcy Event Expense Account. Following a Bankruptcy Event the moneys held in the Bankruptcy Event Expense Account may be withdrawn by the Escrow Agent to pay the Escrow Agent's costs and expenses of administration and enforcement of this Agreement. On or prior to the 10th day of each month, commencing with the first month next following a Bankruptcy Event, the Escrow Agent shall file with the Board a report setting forth all costs and expenses paid from the Bankruptcy Event Expense Account in the prior month. Moneys in the Bankruptcy Event Expense Account may be invested by the Escrow Agent in Permitted Investments only in accordance with the written directions of an Authorized Officer. Any investment earnings derived from the investment of moneys in the Bankruptcy Event Expense Account shall be credited to the Bankruptcy Event Expense Account. Prior to a Bankruptcy Event, if on March 2nd of any Year the amount then held in the Bankruptcy Event Expense Account is in excess of $75,000, then the amount of such excess shall be paid to the Board.

ARTICLE V

Resignation or Removal of the Escrow Agent

The Escrow Agent may at any time resign as escrow agent under this Agreement by giving thirty days written notice to the Board and the Bond Trustees and such resignation shall take effect upon the appointment of a successor Escrow Agent by the Board. The Board may select as successor Escrow Agent any financial institution located within the State which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000.

If at any time the Escrow Agent is no longer legally authorized or qualified (by reason of any Federal or State law or any other law or regulation) to act as escrow agent hereunder, then the Board may remove the Escrow Agent and may select as successor Escrow Agent any financial institution which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000.

Bond Trustees serving as Bond Trustee for a majority in aggregate principal amount of the then outstanding Bonds may remove the Escrow Agent at any time and appoint as a successor Escrow Agent any financial institution located within the State which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000, by filing with the Board and the Escrow Agent written statements directing such removal and appointment executed by trust officers of such Bond Trustees.

ARTICLE VI

Alteration and Termination of Agreement

6.01. **Modification or Amendment**.

(A) All of the rights, powers, duties and obligations of the Board and the Escrow Agent hereunder shall not, except as specifically provided in this Article VI, be subject to modification or amendment by the Board or the Escrow Agent.

(B) The Board and the Escrow Agent may modify or amend the terms of this Agreement without the consent of any Bondholder or Bond Trustee for the following purposes:

(1) *to correct errors, clarify ambiguities or insert inadvertently omitted material; or*

(2) *to alter the provisions of this Agreement and to confirm this Agreement to changes in State law and procedures with respect to the allocation and distribution of the State Aid Revenues; or*

(3) *to confirm, as further assurance, any pledge of or lien on the State Aid Revenues pledged under this Agreement;*

provided, however, that each such modification or amendment shall not adversely affect the protections provided by this Agreement to the Bondholders and the Bond Trustees.

(C) In addition to the amendments and modifications permitted by paragraph (B) of this Section 6.01, this Agreement may be modified or amended by the Board and the Escrow Agent, provided, however, that no such amendment or modification shall take effect until there shall have been filed with the Escrow Agent and the Board the written consent of each Bond Trustee to such modification or amendment.

6.02. **Termination**. This Agreement shall terminate on the Termination Date. On the Termination Date, the Escrow Agent shall transfer any balances remaining in the Escrow Fund and in the Bankruptcy Event Expense Account to the Board.

IN WITNESS WHEREOF, the Board of Education of the City of Chicago has caused this Agreement to be executed by the Senior Vice President of Finance of the Board as of the date first set forth above.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

By: ______________________________
Senior Vice President of Finance

IN WITNESS WHEREOF, Amalgamated Bank of Chicago, as Escrow Agent, has caused this Agreement to be signed in its corporate name by one of its officers and all as of date first set forth above.

AMALGAMATED BANK OF CHICAGO, as Escrow Agent

By: ______________________________________
Its ____________________________________

APPENDIX G

OVERVIEW OF HISTORICAL STATE AID REVENUES TO THE BOARD

The following is a description of the Historical State Aid Formula and the Historical State Aid Revenues paid to the Board under the School Code prior to adoption of Public Act 100-465.

Overview. Article 18A of the School Code provides formulas for determining the amount of Historical State Aid Revenues that each school district was entitled to claim based on numerous factors as described below. In addition the State's payment of Historical State Aid Revenues to school districts was subject to the appropriation of sufficient moneys to fund the statutory claims of all school districts, and in the absence of full funding each school district's Historical State Aid Revenue, payments to school districts were reduced on a pro rata basis. Another factor that impacted the Historical State Aid Revenues received by the Board was the diversion of funds to State-Approved Charter Schools (as defined herein). For Fiscal Year 2017, the Illinois General Assembly appropriated funding for Historical State Aid Revenues that augmented the historical formula funding under the School Code rather than applying the Board's demographics to the traditional funding formula.

Historical State Aid Revenues Calculation under the School Code. The School Code provided for the distribution of Historical State Aid Revenues through two grants to school districts. One was a Foundation Formula Grant (the "Foundation Formula Grant") that was calculated based on the combination of State funding and "available local resources" to meet the statutory Foundation Level (as defined herein) per pupil. As the local resources of a school district increased, the Foundation Formula Grant per pupil that a school district could claim decreased. The second grant was the grant for low–income students (the "Poverty Grant"). This grant was not offset by "available local resources" of a school district and was based on the number and proportion of low–income students in a school district. The amount of the Poverty Grant per pupil increased as the number and/or proportion of low–income students in such school district increased.

The calculation of the Foundation Formula Grant was based upon a foundation level which was established by the School Code for all school districts in the State (the "Foundation Level") and had been set at $6,119 per pupil since Fiscal Year 2010. The Foundation Formula Grant provided this amount per pupil less a school district's "available local resources" per pupil, which was calculated pursuant to a complex statutory formula that takes into account numerous locally–based factors. These factors included the equalized assessed valuation of property within a school district, an assumed property tax extension, and corporate personal property replacement tax ("PPRT") revenues. For a discussion of the sources of revenues of the Board see "FINANCIAL INFORMATION" in the Official Statement.

In addition, the "per pupil count" used in calculating the Foundation Formula Grant was the greater of a school district's best three months' average daily attendance in the previous year or an average of the best three months' average daily attendance in the previous three years (the "Per Pupil Count"). Since the Foundation Formula Grant portion of Historical State Aid Revenues paid to the Board was based on a Per Pupil Count, the level of enrollment and attendance in the school district could impact the amount of Historical State Aid Revenues received by the Board.

The Poverty Grant was calculated under the School Code for each school district within the State to provide additional funding for the impact of at–risk pupils in a school district and was calculated based on a school district's number and proportion of low–income students. This grant was not offset by the Board's *"available local resources."* A formula was used to calculate the Poverty Grant with payments that ranged from $355 to $2,994 per low–income student.

The total amount calculated by ISBE pursuant to the School Code for each school district was the sum of the Foundation Formula Grant and the Poverty Grant and was referred to as the "Statutory Claim." The portion of the Statutory Claim attributable to the Foundation Formula Grant was referred to as the "Foundation Formula Grant Statutory Claim" and the portion of the Statutory Claim attributable to the Poverty Grant was referred to as the "Poverty Grant Statutory Claim."

Historical State Aid Revenues could be increased or decreased annually from the prior year's Statutory Claims based on factors including adjustments to prior–year equalized assessed valuations or State Board of Education staff audits. Typically, there was a net increase to the yearly aggregate Historical State Aid Revenues entitlement as a result of these prior–year adjustments. Applicable State law imposed an annual cap on these adjustments of $25 million and proration of these payments across all school districts, resulting in an average annual adjustment to the Board of approximately $16.3 million.

<u>Historical State Aid Revenues Received by the Board</u>. Although the Board's Statutory Claim was calculated according to the formulas described above, the amount of Historical State Aid Revenues received by the Board in each Fiscal Year was impacted by several factors including the appropriation of funds by the Illinois General Assembly and the allocation of funds to State-Approved Charter Schools within the boundaries of the School District.

State–Approved Charter Schools. "State–Approved Charter Schools," which are separate from Board–sponsored charter schools that are funded as a part of the Board's annual budget, received Historical State Aid Revenues calculated on the same basis as the formulas used to determine the Board's Statutory Claim, and since Fiscal Year 2014 have been provided their share of Historical State Aid Revenues from the Board's allocation of Historical State Aid Revenues prior to the Board receiving such funds.

Fiscal Year 2010-2016 State Appropriation Proration. From Fiscal Year 2010 through Fiscal Year 2016, the General Assembly did not appropriate sufficient funds to fully fund the Statutory Claim for each school district in Illinois. In the event of an appropriation of less than the full amount of the Statutory Claims of Illinois school districts, ISBE equally prorated payments to school districts based on the amount of the appropriation as a percentage of the total aggregate amount of Statutory Claims for all school districts in the State. The resulting share of the Statutory Claim allocated to each school district is referred to as its "State Appropriation Proration." Because receipt of payments of Historical State Aid Revenues is subject to appropriation by the Illinois General Assembly, such payments are consequently subject to the availability of sufficient revenues of the State and competing obligations and spending priorities of the State.

Fiscal Year 2017 State Appropriation. For Fiscal Year 2017, rather than applying the Board's demographics to the traditional funding formula, the State's appropriation "held harmless" Historical State Aid Revenues funding to all school districts to the funding levels provided in Fiscal Year 2016 and provided $250 million in additional funding to by shared by school districts with a high concentration of low-income students providing approximately $102 million in additional funding to the Board.

APPENDIX H

BOARD OF EDUCATION OF THE CITY OF CHICAGO

PENSION AND OTHER POST EMPLOYMENT OBLIGATIONS

Introduction

Employees of the Board of Education of the City of Chicago (the "Board") participate in one of two defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Pension Code, Chapter 40, Act 5, Articles 1, 1A, 17, 20 and 22 of the Illinois Compiled Statutes (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The two Retirement Funds are: (i) the Public School Teachers' Pension and Retirement Fund of Chicago (the "Pension Fund"), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Annuity Fund"), which covers non-teacher employees of the Board and most civil servant employees of the City of Chicago (the "City").

Information concerning the Retirement Funds contained in this Official Statement is sourced primarily from documents published by the Retirement Funds (such information is collectively referred to as the "Third-Party Source Pension Information"). Except for certain information derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2017, the information contained herein pertaining to the Pension Fund relies on (i) the Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2017 (the "2017 Actuarial Valuation Report"), prepared by Gabriel, Roeder, Smith & Company ("GRS Consulting"), independent actuaries and consultants engaged by the Pension Fund Board defined below (the "Pension Fund Actuaries"), and (ii) the comprehensive annual financial report of the Pension Fund for its Fiscal Year ending June 30, 2017 (the "Pension Fund 2017 CAFR"), prepared by the Pension Fund's administrative staff and its independent auditors Plante & Moran, PLLC Southfield, MI (the "Pension Fund Auditors"). The 2017 Actuarial Valuation Report and the Pension Fund 2017 CAFR are referred to herein as the "Pension Fund Source Information."

The Pension Fund recently released the Actuarial Valuation Report for its fiscal year ended June 30, 2018 (the "2018 Actuarial Valuation Report"). Information in the 2018 Actuarial Valuation Report provides information regarding results in the Pension Fund's fiscal year ended June 30, 2018 that supplements certain, but not all, of the information under "– Overview of Retirement Funds," "– Background Information Regarding the Pension Fund," "– Pension Fund Contributions" and "– Other Post-Employment Benefits and Other Board Liabilities." Information in the 2018 Actuarial Valuation Report, when audited, will become a part of the Pension Fund's 2018 CAFR, which is not yet publicly available. What follows in this paragraph is selected information from the 2018 Actuarial Valuation Report. Reference should be made to the full 2018 Valuation Report for complete information. In the Pension Fund's fiscal year ending June 30, 2018, the Pension Fund reported an investment return of approximately 5.84%. Since 5.84% is less than the assumed rate of return of 7.25% for FY18, there was a loss on the actuarial value of the assets, and the Funded Ratio of the Pension Fund for the Pension Fund fiscal year ended June 30, 2018 based on the actuarial value of assets is reported to be 47.9%, versus

50.1% in the Pension Fund fiscal year ended June 30, 2017. As a result, the Board's Fiscal Year 2019 Pension Fund contribution is projected to increase by $12.6 million and the State's contribution is projected to increase by $11.9 million. The Board's Fiscal Year 2018 Pension Fund contribution has already been certified to the Board by the Pension Fund as required by State statute and will not change.

As of the date of this Official Statement, the Pension Fund 2017 CAFR, the 2017 Actuarial Valuation and the 2018 Actuarial Valuation are the most recent audit and actuarial valuations pertaining to the Pension Fund available to the Board. Copies of the Pension Fund 2017 CAFR, the 2017 Actuarial Valuation and the 2018 Actuarial Valuation, as well as Pension Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be accessed at http://www.ctpf.org/general_info/Financial_lists.htm. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into this Official Statement. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Pension Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Pension Fund Source Information.

Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein pertaining to the Annuity Fund relies on (i) the comprehensive annual financial reports of the Annuity Fund for its Fiscal Years ending December 31, 2017 and December 31, 2016 (the "Annuity Fund 2017 CAFR"), prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois, and (ii) the actuarial valuation of the Annuity Fund as of December 31, 2017 (the "2017 Annuity Fund Actuarial Valuation" and, together with the Annuity Fund 2017 CAFR, the "Annuity Fund Source Information"), prepared by The Segal Company, independent actuaries and consultants engaged by the Annuity Fund Board (the "Annuity Fund Actuaries," and, together with the Pension Fund Actuaries, referred to herein as the "Actuaries").

At the time of the preparation of this Disclosure, the Annuity Fund 2017 CAFR and the 2017 Annuity Fund Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Annuity Fund available to the Board. Copies of the Annuity Fund 2017 CAFR and the 2017 Annuity Fund Actuarial Valuation, as well as Annuity Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be viewed at http://www.meabf.org None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Annuity Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Annuity Fund Source Information.

Healthcare benefits for certified teachers and administrators employed by the Board are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein regarding the Health Insurance Program can be found in the Pension Fund 2017 CAFR, as well as the 2017 Actuarial Valuation Report and, together with relevant information in the Pension Fund 2017 CAFR, the "Health Insurance Plan Source Information"). At the time of the preparation of this Disclosure, the Pension Fund 2017 CAFR and the 2017 Actuarial Valuation Report is the most recent information pertaining to the Health Insurance Program available to the Board. The Board has not independently verified the Health Insurance Plan Source Information and makes no representations nor expresses any opinion as to the accuracy of the Health Insurance Plan Source Information.

Overview of Retirement Funds

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees, the Board, the City, the State of Illinois (the "State") and, in certain instances, approved City charter schools make contributions to the Retirement Funds (the "Statutory Contributions").

The Retirement Funds invest Statutory Contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds. Information, as reported by the Board, pertaining to the Retirement Funds and the Board's Statutory Contributions is contained in the Board's Comprehensive Annual Financial Reports of the Chicago Public Schools for each Fiscal Year, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2017**.**

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds.

On August 31, 2017, Public Act 100-465 ("P.A. 100-465") became effective. P.A. 100-465 provides a significant revision to the State's funding of the Pension Fund and the Board. In Fiscal Year 2018, under P.A. 100-465, the Pension Fund expects to receive approximately $221 million in State funding of the the employer normal cost for Fiscal Year 2018 and the amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs (i.e., the annual retiree healthcare reimbursement subsidy), and the Board expects to receive an increase of pension property tax revenues previously approved by P.A. 099-0521 (as hereinafter defined) by approximately $130 million, which when combined with the existing pension property tax revenues will bring the total amount to approximately $405 million in Fiscal Year 2018. As of November 1, 2018, the Board's unaudited estimate of pension property tax revenues received by the Pension Fund for Fiscal Year 2018 is approximately $424 million. This number has not been finalized by the Pension Fund. The increase over the original estimate by the Board is a combination of the timing of revenue receipts and tax increment revenues included in the distributions (see "– Legislation and Litigation Relevant to the Retirement Funds" herein).

In light of new funding sources provided under P.A. 100-0465 and P.A. 099-0521, the Board and the Pension Fund have entered into an intergovernmental agreement (the "Intergovernmental Agreement") regarding early payments. Effective with the 2017 Actuarial Valuation Report, certain contributions are assumed to occur as follows:

1.) Additional Board contribution (0.58 percent of pay) — June 30th (end of fiscal year)
2.) Additional State contribution (0.544 percent of pay_ — monthly (middle of year)
3.) State normal cost contribution — monthly (middle of year)
4.) Board early payment of pension property tax levy — March 1st, annually
   a.) 55 percent of prior year's pension property tax levy is assumed to occur each March 1st

i). An amount of $141,625,000 was assumed for Fiscal Year 2018 and increased by 3 percent annually thereafter.

5.) Remaining Board contribution — June 30th (end of fiscal year)

Forward-Looking Statements and Actuarial Assumptions

The information included under the headings "–Background Information Regarding the Pension Fund," "– Pension Fund Contributions," "– Pensions for Other Board Personnel" and "– Other Post-Employment Benefits and Other Board Liabilities" relies to a large extent on Pension Fund Source Information. Actuarial assessments contained under such headings and in the Pension Fund Source Information are "*forward-looking*" information that reflects the judgment of the Pension Fund fiduciaries, including the Pension Fund Actuaries. A variety of factors impact the Unfunded Actuarial Liabilities and Funded Ratios of the Pension Fund and the Annuity Fund. Increases in member salaries and benefits, a lower rate of return on investment than that assumed by the respective Fund and insufficient contributions when compared to the employer's normal cost plus interest on the Unfunded Actuarial Liability will all cause an increase in the Unfunded Actuarial Liability and a decrease in the Funded Ratio. Conversely, decreases in member salaries and benefits, a higher return on investment than assumed and employer contributions in excess of the employer's normal cost plus interest will decrease the Unfunded Actuarial Liability and increase the Funded Ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the Unfunded Actuarial Liability and the Funded Ratio. No assurances can be given that the Board, the City or the State will make the contributions necessary to meet any escalating costs incurred by the Retirement Funds.

The projections herein, including those in Table 4 under "– Pension Fund Contributions," are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on actuarial assumptions and assumptions made regarding such future events, including but not limited to the assumptions that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in Table 4 or with respect to any other statements and projections that constitute forward-looking statements or are based on actuarial assumptions.

Background Information Regarding the Pension Fund

General. The Pension Fund is a multiple-employer, defined-benefit public employee retirement system established by the State to provide annuity, disability, survivor, death, and health benefits for certain certified teachers and other employees of the Chicago Public Schools, Pension Fund employees and approved City charter schools. *"Defined-benefit"* refers to the fact that the Pension Fund pays a periodic benefit to retired employees and survivors in a fixed (defined) benefit amount determined at the time of retirement (benefits are increased annually in retirement by the defined Automatic Annual Increase factor, which is 3% for the Tier 1 members (hired before 2011) and ½ the rate of inflation for the Tier 2 members (hired after 2010)). The Pension Fund has a Fiscal Year ending June 30.

Membership. Participation in the Pension Fund is mandatory for teachers, educational, administrative, professional and other certified individuals employed by the Board. In addition, certified teachers and staff employed by City charter schools must also participate in the Pension Fund. As of June 30, 2017, according to the most recently available information, the Pension Fund had 75 participating employers consisting of the primary employer, Chicago Public Schools, 71 charter schools, the Illinois Federation of Teachers, the Chicago Teacher' Union and the Pension Fund itself. The Pension Fund included 63,356 members consisting of 28,439 retirees and beneficiaries currently receiving benefits, 6,062 vested terminated members entitled to benefits but not yet receiving them, 17,800 total active vested current members and 11,055 nonvested current members.

Governance of the Pension Fund. The Pension Fund is governed by a 12 member Board of Trustees (the "Pension Fund Board") including six trustees elected by the active teacher membership, three trustees elected by the retired teacher membership, one trustee elected by the active principals and administrators, and two trustees appointed by the Board. The Pension Fund Board is authorized by State law to make investments, pay benefits, hire staff and consultants, and carry out all necessary functions in compliance with the Pension Code.

The Pension Fund Board is a fiduciary of the Pension Fund and is authorized to perform all functions necessary for operation of the Pension Fund. The Pension Code authorizes each pension board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

The Pension Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Pension Fund, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Pension Fund are not construed to be debt imposed upon the Board. Such expenses are the obligation of the Pension Fund exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Pension Fund or any act or practice which violates any provision of the Pension Code.

Benefits and Contributions. Article 17 of the Pension Code governs the retirement, survivor and disability benefits provided by the Pension Fund and establishes the statutorily required contributions from the Board, the State and participating employees. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the Board), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. The benefits available under the Pension Fund accrue throughout the time a member is employed by the Board. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the Board. The Pension Fund also provides certain disability benefits and retiree healthcare benefits to eligible members. Section 5 of Article XIII of the Illinois Constitution (the "Illinois Pension Clause") provides as follows:

"Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

For purposes herein, references to "*employee*" or "*member*" are references to the employees of the Board; the employees of the Pension Fund and approved City charter school employees that also participate in the Pension Fund.

Pension Fund Contributions

Required Contributions. The Pension Code requires funding of the Pension Fund from contributions by the Board (the employer), the State and employees. Board (and State) contributions are required (the "Statutory Required Contributions") only if the actuarially determined value of the assets as a percentage of its actuarially determined accrued liabilities (the "Funded Ratio") is less than 90%. The Pension Code does not require that assets of the Pension Fund at any time equal or exceed the actuarially determined accrued liabilities of the Pension Fund. On an annual basis, an actuarial valuation is performed by an independent actuary firm retained by the Pension Fund Board (each an "Actuarial Valuation") in order to determine the amount of required contributions. The Pension Code provides for an actuarially based funding ramp intended to accumulate the actuarial assets of the Pension Fund at a level equal to 90% of the actuarial liabilities of the Pension Fund beginning in the 2059 Fiscal Year and to maintain the actuarial assets of the Pension Fund equal to 90% of the actuarial liabilities in the fiscal years after 2059.

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

Employer Required Annual Statutory Contributions. Prior to the enactment of P.A. 96-0889, the Pension Code required that the Board's minimum contributions for each Fiscal Year be in an amount sufficient to bring the Funded Ratio to equal 90% by Fiscal Year 2045. P.A. 96-0889 extended the deadline to achieve the required 90% Funding Ratio by fourteen years from Fiscal Year 2045 to Fiscal Year 2059. In addition P.A. 96-0889 specified fixed Board contribution amounts for Fiscal Years 2011, 2012 and 2013 ($187,000,000, $192,000,000 and $196,000,000, respectively) which are substantially lower than the amounts which would otherwise be required by the Pension Code (required contributions were decreased approximately $400,000,000 for each of those years). This reduction in required contributions by the Board further increased the Unfunded Actuarial Liability of the Pension Fund. See Table 2 – "Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2006-2017."

Beginning in Fiscal Year 2014, Required Annual Statutory contributions from the Board (and State) for Fiscal Years 2014 through 2059, as determined by the actuary for the Pension Fund, are required to be sufficient to bring the Actuarial Funded Percentage to 90% by the end of Fiscal Year 2059, and Required Annual Statutory contributions will be required thereafter to maintain the 90% Funded Percentage in each fiscal year. See Table 4 – "Projections of Contributions, Liabilities and Assets."

State "Normal Cost" Contributions. Under P.A. 100-465, the Pension Fund expects to receive annual State funding of the employer normal cost and the amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs costs (i.e., the annual retiree healthcare reimbursement subsidy). The total amount of additional State funding under P.A. 100-465 was approximately $221 million in FY 2018 and will be approximately $227 million in FY 2019.

State and Board Required Payroll Contributions. The Pension Code requires that the State and Board each make an annual contribution to the Pension Fund equal to a defined percentage of total teacher payroll (0.544% of payroll for the "*State Payroll Contribution*" and 0.580% of payroll for the "*Board Payroll Contribution*"). These contributions are not required in those years in which the Pension Fund Board has certified that the Pension Fund is at least 90% funded. The required contributions based on payroll for Fiscal Year 2018 were $11,692,000 for the State and $12,466,000, for the Board. This required payroll contribution was added to the Pension Code by P.A. 90-0582, and was intended by the General Assembly to cover part of the cost of a benefit increase resulting from that Act.

State Appropriation Contributions. The State historically made additional discretionary contributions to the Pension Fund from State appropriations in the amount of approximately $65,000,000 per year in addition to the State's required statutory contributions. These contributions were in furtherance of provisions of the Pension Code regarding the goal and intention of the State to make annual contributions to the Pension Fund in an amount that is between 20% and 30% of the amount of the annual State contribution to the other teachers' retirement system in the State. For several previous fiscal years the State discretionary appropriation was either reduced or not contributed. In Fiscal Year 2018, the State was required to make Pension Fund contributions of $11,692,000. There were no discretionary contributions by the State in Fiscal Year 2018 to supplement the Board's required contribution. The Board does not anticipate that the State will make contributions in excess of its statutorily-required contributions in the future.

Credit for State Contributions. The Pension Code provides that "*any contribution by the State to or for the benefit of the Fund . . . shall be a credit against any contribution required to be made by the Board of Education . . . .*"

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Historical Contributions. The following table provides historical contribution information and the Actuarially Determined Contribution (as defined herein) for Fiscal Years 2006-2017.

Table 1

Historical Contributions

(All dollar amounts are in millions)

		Employer Contributions			
Fiscal Year	**Employee Contributions**	**State Appropriations and Payroll Contributions[1]**	**BOE Contributions[2]**	**Total Employer Contributions**	**Actuarially Determined Contribution (ARC)[3]**
2006	$158.6	$74.9	$35.2	$110.1	$328.4
2007	148.2	75.2	92.0	167.2	370.2
2008	161.2	75.2	149.9	225.1	290.1
2009	166.8	74.8	188.2	263.1	292.1
2010	161.2	37.6	324.6	362.2	355.8
2011	167.0	10.4	168.0	178.4	425.6
2012	167.7	10.4	195.8	206.2	510.1
2013	165.9	10.9	234.5	245.4	585.5
2014	163.8	11.9	601.6	613.0	719.8
2015	168.1	62.2	634.4	696.5	728.5
2016	158.2	12.1	675.9	688.0	749.8
2017	153.3	12.2	733.2	745.4	754.8

Sources: Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2006-2017. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2006-2017.

(1) As discussed above under "– *State Appropriation Contributions*," the State historically appropriated $65 million in non-GSA funds to the Pension Fund except that for Fiscal Year 2004 the State failed to make such appropriation and instead provided that amount to the Board for capital purposes. The figures for Fiscal Years 2006 through 2009 reflect additional payroll contributions received from the State.

(2) "**BOE Contributions**" are comprised of a number of contributions that are described in Note 13 to the Chicago Public School Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017 and are included in the **"Total Employer Contributions"** (**"Total Employer Contributions" – total "State Appropriations" = "BOE Contributions"**). The numbers may differ from actuarially or statutorily required contribution amounts and have been the subject of various litigation proceedings.

(3) **"Actuarially Determined Contributions"** do not include the required contributions associated with the Health Insurance Program, i.e., the amount described in P.A. 100-465 as allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs, which is $65 million for FY 2018, and which is further described below under "– Other Post-Employment Benefits and Other Board Liabilities." Also note that this concept is referred to in the Chicago Public Schools Comprehensive Annual Financial Report as "*Annual Determined Contributions*" – see footnote to section "– *Actuarial Process*" for explanation of naming convention herein.

Funded Status of Pension Fund. As of the end of its Fiscal Year 2017, the Pension Fund had liabilities of $21,822,010,297 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) $10,933,031,685 if valued on an actuarial basis (using the "Asset Smoothing Method" (as described below), or (ii) $10,793,173,927 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $10.89 billion on an actuarial basis (using the Asset Smoothing Method), and $11.03 billion on a market value basis and

Funded Percentages of 50.1% on an actuarial basis (using the Asset Smoothing Method) and 49.5% on a market value basis. The Fiscal Year 2017 Actuarial Liability of $21,822,010,297 represents a net increase of $1,575.9 million compared to the Actuarial Liability as of June 30, 2016. This increase is due mainly to the assumption changes adopted by the Pension Fund for the June 30, 2017 Actuarial Valuation. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2017 Actuarial Valuation Report. Information in the Actuarial Valuation regarding the reconciliation of change in Unfunded Actuarial Liability shows the impact of such factors as salaries, funding status and investment returns.

The following table summarizes the Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Fiscal Years 2006-2017 and the Annual Covered Payroll.

Table 2

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2006-2017

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2006	$10,947,998,433**	$14,035,627,452	$3,087,629,019	78.00%	$1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%
06/30/2014	10,045,542,575	19,503,893,632	9,458,351,057	51.51%	2,233,280,995	423.5%
06/30/2015	10,344,375,122	19,951,289,974	9,606,914,852	51.85%	2,273,551,432	422.6%
06/30/2016	10,610,746,831	20,246,140,298	9,635,393,467	52.41%	2,281,268,890	422.4%
06/30/2017	10,933,031,685	21,822,010,297	10,888,978,612	50.10%	2,221,849,230	490.1%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2006-2017.

** Health Insurance Fund assets are included for Fiscal Years ending 6/30/2005 and 6/30/2006 and are excluded with the results for the Fiscal Year ending 6/30/2007 and thereafter.

Table 3

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Based on GASB No. 67 Actuarial Valuations Fiscal Years 2015-2017 (1)

Actuarial Valuation Date	Fiduciary Net Position (FNP) (a)	Pension Total Liability (TPL) (b)	Net Pension Liability (NPL) (b) - (a)	GASB 67 Funded Ratio (a) ⁄ (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll [(b) - (a)] ⁄ (c)
06/30/2015	$10,689,954,320	$20,713,217,296	$10,023,262,976	51.61%	$2,273,551,432	440.90%
06/30/2016	10,093,067,588	21,124,697,012	11,031,629,424	47.78%	2,281,268,890	483.57%
06/30/2017	10,793,173,927	23,175,590,999	12,382,417,072	46.57%	2,030,175,116	609.92%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2015-2017.

(1) Excludes Health Insurance Fund Assets.

Table 4 shown on the following page presents projected required contributions, liabilities, assets, unfunded liability and funded ratios in the Fiscal Years 2017 through 2059 for the Pension Fund prepared by the Actuaries and which reflect the impact of P.A. 96-0889.

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Table 4

Projection of Contributions, Liabilities and Assets[1]

(Board contributions are based on P. A. 96-0889)

(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

Fiscal Year	Employee Contribution	Required Statutory Employer Contribution	State Normal Cost Contribution	Additional State Contribution	Additional Board Contribution	Required Board of Education Contribution[2]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Percentage
2018	$193.1	$784.4	$221.3	$11.7	$12.5	$538.9	$22,230.1	$10,942.3	$11,287.8	49.22%
2019	200.0	808.6	226.8	12.1	12.9	556.8	22,651.5	11,048.1	11,603.4	48.77%
2020	206.6	835.5	232.1	12.5	13.3	577.6	23,088.0	11,365.3	11,722.7	49.23%
2021	213.3	862.4	237.3	12.9	13.7	598.5	23,540.5	11,597.2	11,943.3	49.26%
2022	220.0	889.6	242.2	13.3	14.2	620.0	24,010.9	11,856.0	12,154.9	49.38%
2023	226.8	917.1	246.8	13.7	14.6	642.0	24,500.4	12,141.2	12,359.2	49.56%
2024	233.7	945.0	250.9	14.1	15.1	664.9	25,009.1	12,452.6	12,556.5	49.79%
2025	240.5	972.7	254.3	14.5	15.5	688.3	25,536.0	12,792.3	12,743.7	50.10%
2026	247.3	999.9	257.2	14.9	15.9	711.8	26,081.3	13,161.1	12,920.2	50.46%
2027	253.9	1,026.8	259.3	15.3	16.4	735.7	26,643.1	13,558.6	13,084.5	50.89%
2028	260.4	1,052.8	261.0	15.7	16.8	759.2	27,233.7	13,997.4	13,236.3	51.40%
2029	266.5	1,077.5	261.8	16.1	17.2	782.4	27,838.8	14,463.7	13,375.1	51.96%
2030	272.1	1,100.4	262.1	16.4	17.5	804.3	28,456.7	14,955.7	13,501.0	52.56%
2031	277.5	1,122.1	262.0	16.8	17.9	825.4	29,086.1	15,471.8	13,614.3	53.19%
2032	282.7	1,143.2	261.2	17.1	18.2	846.7	29,724.7	16,011.0	13,713.7	53.86%
2033	287.8	1,163.8	259.5	17.4	18.5	868.3	30,369.5	16,571.6	13,797.9	54.57%
2034	292.8	1,183.8	256.8	17.7	18.9	890.5	31,017.6	17,152.5	13,865.1	55.30%
2035	297.5	1,203.1	253.0	18.0	19.2	912.9	31,665.7	17,751.6	13,914.1	56.06%
2036	302.1	1,221.5	248.3	18.3	19.5	935.4	32,310.2	18,366.8	13,943.4	56.85%
2037	306.4	1,239.1	242.6	18.5	19.7	958.2	32,947.8	18,996.5	13,951.3	57.66%
2038	310.6	1,256.1	235.8	18.8	20.0	981.4	33,573.9	19,638.1	13,935.8	58.49%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2017.

(1) Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2017 actuarial valuation, including the 7.25% assumed rate of investment return, are exactly realized each year.

(2) Any discretionary contributions by the State of Illinois (other than the State "Normal Cost" and Additional State Contributions shown above) will replace amounts otherwise that are required to be contributed by the Board.

Table 4 (Continued)

Projection of Contributions, Liabilities and Assets[1]
(Board contributions are based on P. A. 96-0889)
(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

Fiscal Year	Employee Contribution	Required Statutory Employer Contribution	State Normal Cost Contribution	Additional State Contribution	Additional Board Contribution	Required Board of Education Contribution[2]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Percentage
2039	$314.7	$1,272.5	$227.9	$19.0	$20.3	$1,005.3	$34,182.0	$20,287.3	$13,894.7	59.35%
2040	318.5	1,287.9	219.4	19.3	20.5	1,028.7	34,767.6	20,941.2	13,826.4	60.23%
2041	322.2	1,302.9	210.3	19.5	20.8	1,052.3	35,325.5	21,596.5	13,729.0	61.14%
2042	325.8	1,317.3	200.1	19.7	21.0	1,076.4	35,848.6	22,248.8	13,599.8	62.06%
2043	329.2	1,331.0	190.3	19.9	21.2	1,099.6	36,333.8	22,896.4	13,437.4	63.02%
2044	332.6	1,344.9	180.6	20.1	21.4	1,122.7	36,777.9	23,538.5	13,239.4	64.00%
2045	336.0	1,358.7	171.7	20.3	21.7	1,145.1	37,178.2	24,174.2	13,004.0	65.02%
2046	339.6	1,373.2	165.0	20.5	21.9	1,165.7	37,538.6	24,808.3	12,730.3	66.09%
2047	343.7	1,389.6	160.3	20.8	22.1	1,186.5	37,862.0	25,446.7	12,415.3	67.21%
2048	348.2	1,408.0	157.7	21.0	22.4	1,206.9	38,154.3	26,098.2	12,056.1	68.40%
2049	353.3	1,428.6	156.2	21.4	22.8	1,228.3	38,417.9	26,769.1	11,648.8	69.68%
2050	358.7	1,450.4	156.2	21.7	23.1	1,249.4	38,656.5	27,466.7	11,189.8	71.05%
2051	364.5	1,473.8	157.2	22.0	23.5	1,271.0	38,870.9	28,196.1	10,674.8	72.54%
2052	370.5	1,498.1	159.4	22.4	23.9	1,292.3	39,064.5	28,964.4	10,100.1	74.15%
2053	376.8	1,523.6	163.0	22.8	24.3	1,313.5	39,238.4	29,776.8	9,461.6	75.89%
2054	383.5	1,550.5	166.0	23.2	24.7	1,336.6	39,386.1	30,633.5	8,752.6	77.78%
2055	390.1	1,577.4	170.1	23.6	25.1	1,358.6	39,506.0	31,537.0	7,969.0	79.83%
2056	397.0	1,605.2	175.2	24.0	25.6	1,380.5	39,596.9	32,491.3	7,105.6	82.06%
2057	404.2	1,634.3	181.2	24.4	26.0	1,402.6	39,661.5	33,505.3	6,156.2	84.48%
2058	411.6	1,664.5	188.0	24.9	26.5	1,425.1	39,705.3	34,591.1	5,114.2	87.12%
2059	419.4	1,695.9	194.4	25.4	27.0	1,449.1	39,723.7	35,752.4	3,971.3	90.00%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2017.

(1) Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2017 actuarial valuation, including the 7.25% assumed rate of investment return, are exactly realized each year.

(2) Any discretionary contributions by the State of Illinois (other than the State "Normal Cost" and Additional State Contributions shown above) will replace amounts otherwise that are required to be contributed by the Board.

The projections in Table 4 rely on information produced by the Pension Fund's Actuaries (based on the actuarial assumptions employed by the Pension Fund) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results (including results of Fiscal Year 2017), and readers are cautioned not to place undue reliance on the prospective financial information. Neither the Board nor the Board's independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Investment Authority, Performance and Valuation of Assets. Investment authority for the Pension Fund is found in the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 17. A discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is available in the Pension Fund 2017 CAFR. The Pension Fund maintains a highly diversified portfolio of investments among U.S. stocks, real estate, fixed income, private equity, and international investments.

Investment Return. The 2017 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund of 7.25%. The investment return assumption was reduced from 7.75% to 7.25% beginning with the 2017 Actuarial Valuation Report. Previously, the 7.75% investment return assumption had been used for the three prior Fiscal Year's ending from June 30, 2016 through June 30, 2014. Whereas, in the ten Fiscal Years prior to the Fiscal Year ending June 30, 2014, the Pension Fund had assumed an investment return rate of 8.0%. Due to the volatility of the market, however, the actual rate of return earned by the Pension Fund on its assets may be higher or lower than the assumed rate. The actual rate of return on an actuarial basis for the year ending June 30, 2017, was 8.3%. Since the actual return on an actuarial basis was greater than the assumed return, the Pension Fund experienced an actuarial gain with regard to its investments during the year ended June 30, 2017. The following table summarizes the actuarial and market investment returns on the assets in the Pension Fund for its Fiscal Years 2007-2017.

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Table 5

Investment Returns for Past 10 Years

Fiscal Year	Market Value	Actuarial Value
2008	-5.3%	7.9%
2009	-22.4%	0.2%
2010	13.6%	-0.4%
2011	24.8%	-0.5%
2012	-0.4%	1.0%
2013	13.1%	11.2%
2014	17.9%	12.7%
2015	3.6%	8.2%
2016	-0.3%	8.6%
2017	12.5%	8.3%
Average Returns		
Last 10 years:	4.9%	5.6%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2017

Asset Smoothing. See "– Actuarial Methods – Actuarial Value of Assets" below for a discussion of the impact of Asset Smoothing on the valuation of investment returns.

Risks and Uncertainties. The Pension Fund invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Pension Fund's assets and impact required contributions.

The Actuarial Valuation

General. In addition to the process outlined herein, the Pension Code requires that the Pension Fund annually submit to the Board a report containing a detailed statement of the affairs of the Pension Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the funded status of the plan and establishes the statutorily required contribution amount. To calculate these amounts, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. Overall experience that is more favorable than anticipated (an actuarial gain), will have a decreasing effect on the contribution requirement. On the other hand, overall experience that is less favorable than expected (an actuarial loss) will have an increasing effect. A description of the statistics generated by the Pension Fund actuaries in the Actuarial Valuations follows in the next few paragraphs. The Governmental Accounting Standards Board ("GASB"), which is part of a private non-profit entity known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These GASB principles impact financial reporting by the Pension Fund and the employer but have no legal effect and do not impose any legal liability on the Board. Moreover, these GASB principles have no effect on the Pension Fund's statutorily required contribution amount. The references to GASB principles in this section do not suggest any legal effect or legal liability and should not be construed to suggest otherwise.

Actuarial Process. Under the Pension Code, the required employer contributions to fund the Pension Fund are determined by independent actuaries on an annual basis within nine months of the end of the Pension Fund's Fiscal Year. To meet the requirements of the Pension Code, the actuaries use demographic and other data (such as employee age, salary and service credits) and various assumptions (such as assumed investment return, estimated salary increases, interest rates, employee turnover, mortality and disability rates) to determine the amount that must be contributed in a given year. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates are made about the future. On an annual basis, the Pension Fund's actuary then produces a report called the "Actuarial Valuation," in which the actuary reports on the Pension Fund's assets, liabilities and the Required Annual Statutory Contribution for the following fiscal year.

Actuarial Methods

Pension Fund actuaries can employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets. The Pension Fund calculates the respective Actuarial Value of Assets by smoothing investment gains and losses over a period of four years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 25% of the investment gain or loss realized in that year and each of the previous three years. "Asset Smoothing" is an allowable method of determining the actuarial contribution and expense levels according to GASB; however, note that GASB No. 67 reporting now uses the market value of plan assets in order to calculate the NPL. As a result of the use of the Asset Smoothing Method, only a portion of investment gains or losses will be recognized in the year when realized. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. The smoothing of unexpected gains and losses occurs over a period of 4 years. The gain or loss for a year is calculated as the total investment income on the market value of assets, minus expected investment return on the prior actuarial value of assets. The final actuarial value is equal to the expected actuarial value plus (or minus) 25% of the calculated gain (or loss) in the prior 4 years. "Asset Smoothing" lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the Unfunded Actuarial Accrued Liability ("UAAL") and the Funded Ratio that may otherwise occur as a result of market volatility. However, "Asset Smoothing" delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true market value of pension plan assets at the time of the measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually (e.g., GASB No. 67 for reporting of the NPL).

Actuarial Assumptions

Use of Estimates and Assumptions. The Actuarial Valuations of the Pension Fund use a variety of estimates and assumptions to calculate the Actuarial Liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Pension Fund. Actual results almost always differ from those estimates and assumptions. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Liability, the Unfunded Actuarial Liability, the

Funded Ratio or the actuarially calculated contributions and expense levels. Certain of these assumptions include the assumed rate of return on investments, mortality rates, termination rates, disability rates, retirement rates, salary progression, other interest rates used in the valuation, marital status, spouse's age and total service credit at retirement. The 2017 Actuarial Valuation Report, a copy of which may be viewed as described in "– Introduction" above, contains additional information on these assumptions.

The Pension Code requires the Pension Fund to conduct an actuarial experience review every five years. The purpose of the experience review is to determine the adequacy of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Pension Fund. Based upon the results of this review, the Pension Fund may change the actuarial assumptions as it deems appropriate.

Actuarial Valuation. The primary purpose of the Actuarial Valuation is to determine the amount the Board must contribute to the Pension Fund in a given fiscal year as provided in the Pension Code (the "Required Annual Statutory Contribution"). To determine the Required Annual Statutory Contribution, the actuary calculates both the "Actuarial Liability" and the "Actuarial Value of Assets." The Actuarial Liability is an estimate of the portion of the present value of the benefits that is attributable to the past service of the current employees and the retired members, which the Pension Fund is obligated to pay over time as those benefits become due. The Actuarial Liability is calculated by use of the Projected Unit Credit cost method and a variety of demographic assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). See Table 4, "Projection of Contributions, Liabilities and Assets" herein**.**

Any shortfall between the Actuarial Value of Assets and the Actuarial Liability is referred to as the "Unfunded Actuarial Liability" and represents the excess of the portion of the present value of benefits that is attributed to past service over the actuarial value of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Liability and is expressed as a percentage. An increasing Unfunded Actuarial Liability and a decreasing Funded Ratio from year to year signals a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing Unfunded Actuarial Liability and an increasing Funded Ratio indicates an improvement in the financial health of a pension plan because such change reflects a closing gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

The Actuaries use the Actuarial Liability, the Actuarial Value of Assets and the Unfunded Actuarial Liability to compute the Required Annual Statutory Contribution for the Pension Fund in accordance with the Pension Code. See "– State and Board Required Payroll Contributions" herein.

GASB Statements 67, 68 and 71

On June 25, 2012, GASB approved two new standards for employee pension accounting and financial reporting by state and local governments. The two new GASB statements, Nos. 67 and 68 ("GASB 67" and "GASB 68" and collectively, the "Statements"), replace some of the requirements of previous GASB statements (Nos. 25, 27, and 50) related to pension plans. Some of the key changes imposed by the Statements include: (1) requiring governments for the first time to recognize a Net Pension Liability ("NPL"), which is the difference between the Total Pension Liability ("TPL"; i.e., the portion of the present value of projected benefit payments to employees that is attributed to their past service under the level percentage of payroll Entry Age Normal cost method and the blended discount rate as described in GASB 67 and 68) and pension assets (mostly investments reported at fair market value) as a liability of the employer; (2) immediate recognition of annual service cost (net of employee contributions), interest on the Total Pension Liability, expected return on assets (a negative component of expense), and immediate recognition of the effect on net pension liability of changes in benefit terms, and amortization of gains and losses (including changes in assumptions); (3) the effects on net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the Statements will have an impact on the Unfunded Actuarial Liability. However, because the Board contributes to the Pension Fund pursuant to methods established by the Pension Code, the Statements would not impact the contributions made by the Board without legislative action. GASB 67 went into effect for Fiscal Year 2014 and GASB 68 became effective for Fiscal Year 2015.

GASB 68, Accounting and Financial Reporting for Pensions, was effective for the Board beginning with its Fiscal Year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this standard will result in an unfunded pension liability to be recognized on the Statement of Net Position.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was effective for the Board with Fiscal Year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

Actuaries, the Actuarial Process and GASB. GASB standards are completely independent from the Pension Code's requirements. GASB No. 67, which became effective for plan reporting for the Fiscal Year ending June 30, 2014 and is discussed in more detail below, relates to the reporting of an NPL and an Actuarially Determined Contribution ("ADC"). The NPL reported is equal to the difference between the TPL, as calculated using the level percentage of payroll Entry Age Normal Cost actuarial cost method and the blended discount rate as described in GASB 67, and the Plan's Fiduciary Net Position ("FNP", i.e., the market value of plan assets). The amount of the GASB No. 67 ADC reported is the employer's Normal Cost plus a 30-year fixed-period amortization payment on the UAAL beginning July 1, 2013 as a level percentage of payroll. Starting in Fiscal Years that begin after June 15, 2014, GASB Statement No. 68 changes the way that an employer's accounting expense is determined for a pension plan. Under the new method, the annual expense reported is determined on an actuarial basis (using the level percentage of payroll Entry Age Normal actuarial cost method and the blended discount rate as described in GASB 68) and by amortizing any unfunded liability over a period no longer than the average remaining service period of covered employees (actives and inactive employees combined).

Required Annual Statutory Contributions Not Related to GASB Standards. The Required Annual Statutory contributions to the Pension Fund are not based on the standards promulgated by GASB for reporting purposes. Instead, the Required Annual Statutory contributions are based on the requirements of the Pension Code. While both the GASB and the Pension Code calculations are determined utilizing actuarial techniques, there are many differences between these two calculations. Thus, the Annual Statutory contribution amount required by the Pension Code is different than the GASB No, 67 ADC or the GASB No. 68 accounting expense amount. One primary difference is that the goal of the Pension Code's statutorily-required contribution amounts is to reach a Funded Percentage in the Pension Fund of 90% by 2059 via contribution amounts that remain a level percentage of salary over a 42-year period from FY 2018 to FY 2059; whereas, GASB's financial reporting standards require the calculation of an ADC or annual expense amount that amortizes the plan's entire UAAL over a shorter time period (i.e., over the 26-years that remain from the 30-year fixed-period that began on June 30, 2013) and which is designed to recognize 100% of the total plan liability, rather than just 90% of the total plan liability. Also, the GASB ADC excludes the annual amount allowed under paragraph (3) of Section 17-142.1 to defray health insurance costs (i.e., the annual retiree healthcare reimbursement subsidy), which was $65 million for FY 2017.

Overlapping Taxing Bodies

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

Recent Reports Regarding the Pension Fund

For more information on the Pension Fund and the retirement funds of the overlapping taxing bodies, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website. None of the information on such website is incorporated by reference into this Disclosure and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

The COGFA is a bipartisan, joint legislative commission intended to provide the State General Assembly with information relevant to the State's economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long-range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State. As a result of these responsibilities, COGFA issues several reports on an annual basis which provide an overview of the financial condition of various Illinois pension funds, including the Pension Fund. The COGFA reports provide significant information on the funded status, historical and projected information with respect to pensions and a history of pension legislation. COGFA does not make findings in the COGFA Report.

Pensions for Other Board Personnel

Overview. Employees of the School District that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. Except as described below in the section captioned "– *Members and Member Contributions*," the Board makes no direct contributions to the Annuity Fund. The Annuity Fund receives its income from three primary sources: a City tax levy; income from investments; and deductions from participating employees' salaries.

The Annuity Fund is administered under the direction of a five-member retirement board (the "Retirement Board") comprised of three elected members and the City Treasurer and the City Comptroller serving ex-officio. The Retirement Board sets investment policies and objectives, hires investment managers and investment consultants, reviews investment performance and makes the final decision in granting or denying rights, credits and benefits to members.

The Annuity Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, death, and health benefits for certain employees of the City and the Board. It is administered in accordance with the Pension Code and has a Fiscal Year ending December 31.

Legal Authority and Funding. Article 8 of the Pension Code governs the retirement, survivor and disability benefits provided by the Annuity Fund and establishes the statutorily required contributions from participating employers and employees. Current Tier 1 and Tier 2 active members (totaling 28,935 active members as of December 31, 2017) contribute 8.5% of their salary. Under P.A. 100-0023 effective July 7, 2017, active members whose contributions for age and service annuities are governed by 40 ILCS 5/8-174(a-10) will contribute the lesser of 11.5% of their salary or the normal cost accrual rate but at least 8.5% of their salary (see "- Legislation and Litigation Relevant to the Retirement Funds" herein). The Pension Code (40 ILCS 5/8-173; P.A. 100-0023) provides for fixed-dollar Statutory Required employer funding in payment years 2018 to 2022 followed by a Statutory Required actuarially based funding ramp beginning in payment year 2023 which is intended to accumulate the actuarial assets of the Annuity Fund at a level equal to 90% of the actuarial liabilities of the Annuity Fund by the beginning of the 2058 Fiscal Year and to maintain the actuarial assets of the Annuity Fund equal to 90% of the actuarial liabilities in Fiscal Years after 2058. However, the Pension Code does not require that the Annuity Fund Statutory Required Contributions be sufficient to cover the actuarially determined contribution requirement (the "Annual Determined Contribution"). For the past ten years the Annuity Fund Statutory Required Contribution has been less than the Annual Determined Contribution and does not conform to the requirements of GASB No. 25 as superseded by GASB No. 67 beginning in FY 2014.

Members. As of December 31, 2017, the Annuity Fund had 73,854 total members including 25,383 retirees and beneficiaries, 17,549 inactive members entitled to benefits and 30,922 active members (of which 15,320 were vested and 15,602 were non-vested). As of December 31, 2017, the most recently available information, CPS employees comprised about 54% of the Annuity Fund's active participants.

Experience Study. The Annuity Fund Actuaries prepared an experience study based on census information provided by the Annuity Fund for the period from January 1, 2012 through December 31, 2016. The primary purpose of the study was to evaluate actuarial assumptions to be used in the annual actuarial valuation. Based on the results of the experience study, the Annuity Fund Actuaries recommended modifying some of the actuarial assumptions. For the year ended December 31, 2017 the Annuity Fund adopted recommendations in the demographic assumptions and economic assumptions, and in regards to investment rate of return, the Annuity Fund adopted a change of investment rate of return from 7.5% to 7.0% per year (collectively, the "New Assumptions"). The total impact of the New Assumptions was an increase in the actuarial accrued liability of $862 million, a decrease in the funded ratio of 150 basis points and an increase in the actuarially determined contribution of 1.0%.

Funded Status of Annuity Fund. As of the end of its' Fiscal Year 2017, based on the New Assumptions, the Annuity Fund had actuarial accrued liabilities of $16,282,396,195, compared to $15,055,348,696 as of the end of Fiscal Year 2016, and assets of: (i) $4,456,771,744 as of the end of Fiscal Year 2017, compared to $4,590,366,241 as of the end of Fiscal Year 2016, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) $4,554,018,287 as of the end of Fiscal Year 2017, compared to $4,436,227,596 as of the end of Fiscal Year 2016, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $11,825,624,451 as of the end of Fiscal Year 2017, compared to $10,464,982,455 as of the end of Fiscal Year 2016, on an actuarial basis (using the Asset Smoothing Method), and $11,728,377,908 as of the end of Fiscal Year 2017, compared to $10,619,121,100 as of the end of Fiscal Year 2016, on a market value basis; and Funded Percentages of 27.37% as of the end of Fiscal Year 2017 compared to 30.49% as of the end of Fiscal Year 2016, on an actuarial basis (using the Asset Smoothing Method) and 27.97% as of the end of Fiscal Year 2017 compared to 29.47% as of the end of Fiscal Year 2016, on a market value basis. As of the date of this Disclosure, there has not been a reassessment of the funding status of the Annuity Fund in light of the provisions of P.A. 100-0023 (see, "– Legislation and Litigation Relevant to the Retirement Funds" herein). However, P.A. 100-0023 will require higher future Required Statutory contributions to the Annuity Fund beginning in the 2018 payment year than those that were based on the prior law; therefore, the Annuity Fund is projected to have assets sufficient to pay future benefits as those amounts become due.

Other Post-Employment Benefits and Other Board Liabilities

Retiree Health Insurance Program. Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in the Health Insurance Program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers.

For financial reporting purposes, the assets of the Health Insurance Program are maintained in a separate fund (the "Health Insurance Fund"). The Health Insurance Fund consists of benefits to subsidize healthcare premiums for members receiving pension benefits. No direct contributions are currently being made by the Pension Fund for other post-employment benefits ("OPEB"). Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The Pension Fund then makes transfers into the Health Insurance Fund equal to the amount of OPEB expenses for that year. The rebate percentage for fiscal year 2017 was 50%. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended (carryover). This spending limit has changed several times within the last twenty years and is subject to further change if new legislation is passed. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB Statement No. 45, *Accounting and Financial Reporting of Employers for Postemployment Benefits Other than Pension*.

The Pension Fund has total discretion over the program. Beginning with fiscal years on and after 2018, as a result of the implementation of P.A. 100-0465, the State will pay the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions (i.e., the annual retiree healthcare reimbursement subsidies) which have historically been capped at $65 million annually. See, "– Legislation and Litigation Relevant to the Retirement Funds" herein. Although the

Board does not contribute directly to retirees' health care premiums, the impact of the annual retiree healthcare payments from the Pension Fund does require increased contributions to the Pension Fund in order to build assets to the 90% funded percentage requirement since the annual amounts diverted from the Pension Fund to the Health Insurance Program reduce the available assets of the Pension Fund and require subsequently increased Required Statutory contributions to build assets to the 90% funded percentage requirement in FY 2059 for the Pension Fund.

Sick Pay Benefits. In addition to the Pension and Health Insurance benefits noted above, as of June 30, 2017, the Board had $289,818,000 in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. Additional information regarding sick pay benefits is included within Note 12 of the Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2017.

Legislation and Litigation Relevant to the Retirement Funds

From time to time, legislation has been introduced in the State General Assembly that would reform the Retirement Funds and the formula for State funding of school districts generally. Certain of such proposed legislation in the past has addressed changes to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions and benefits (including cost of living adjustments and retirement ages). The Board cannot predict if any such legislation if enacted, including particularly pension reform legislation, would withstand any legal challenges. Following is a discussion of recent legislation and certain pending legislation as of the date of the Disclosure.

Public Act 96-0889. On April 14, 2010, Public Act 96-0889 ("P.A. 96-0889") became effective. P.A. 96-0889 was designed in part to provide relief to the Board from its pension funding obligations by extending the statutory deadline for the Board to bring the ratio of the actuarially determined value of the assets of the Pension Fund to its actuarially determined accrued liabilities to 90% and substantially reducing the Board's contribution requirements for Fiscal Years 2011, 2012 and 2013. In addition it provided reduced retirement benefits for future employees who become members of the Pension Fund after January 1, 2011. P.A. 96-0889 established a "*two-tier*" benefit system with less generous benefits for future employees who become members of the Pension Fund after January 1, 2011, as compared to those provided to current Board employees. Among other reforms, P.A. 96-0889:

- Increased the minimum age at which an employee may retire with unreduced benefits to age 67, from age 60 (or even younger based on a formula combining the age of the employee and the number of years of service);
- Reduced the Automatic Annual Increase adjustment for beneficiaries in retirement to the lower of 3% or 50% of the change in the Consumer Price Index for all urban consumers, whichever is lower, for employees hired after January 1, 2011;
- Increased the minimum age for eligibility of the Automatic Annual Increase adjustment stated above from age 61 to age 67
- Calculated benefits based on the highest continuous eight years of compensation in the employee's last 10 years of employment for employees hired after January 1, 2011;
- Capped the salary on which a pension may be calculated at $106,800 in 2011 (subject to certain adjustments for future inflation); and
- Suspended retirement annuities if the annuitant accepts another public sector job covered by a public retirement system.

Public Act 099-0521. On June 1, 2016, Public Act 099-0521 ("P.A. 099-0521") became effective and authorized the Board to annually levy a new property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% (the "Pension Property Tax Levy"). The proceeds from this additional Pension Property Tax Levy are paid directly to the Pension Fund. They are credited toward the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. P.A. 099–0521 became effective June 1, 2017. The Board first authorized the levy of this additional tax for tax year 2016 and applied a credit of $250 million toward the Fiscal Year 2017 required contribution.

Public Act 100-0023. On July 7, 2017, Public Act 100-0023 (P.A. 100-0023") became effective. It provides for a new third tier of benefits ("Tier 3") under most Illinois pension systems, including the Pension Fund and the Annuity Fund. The Tier 3 benefit plan applicable to the Pension Fund is a hybrid plan comprised of a defined benefit and defined contribution plan, which would apply to new hires and any Tier 2 member who irrevocably elects to be subject to the Tier 3 benefit structure. The availability of the Pension Fund to offer a Tier 3 benefit plan relies on the adoption of a resolution by the Board to opt into the Tier 3 benefit plans structure. As of the date of the Disclosure, the Board has not passed such a resolution and the Pension Fund has not valued the benefits provided under P.A. 100-0023, and currently, members hired on or after the approval of P.A. 100-0023 continue to be valued under P.A. 96-0889 Tier 2 benefit provisions by the Pension Fund. The availability of the Annuity Fund to offer a Tier 3 benefit defined benefit plan relies on the adoption of an ordinance by the City of Chicago to opt into the Tier 3 benefit plans structure. The City passed such an ordinance, and any person who becomes a contributing member to the Annuity Fund on or after July 6, 2017; or any Tier 2 member who irrevocably elected, between October 1, 2017 and November 15, 2017, to be subject to the Tier 3 benefit structure will now be part of the Tier 3 benefit structure. As of December 31, 2017, the Annuity Fund had 1,987 active Tier 3 members.

Public Act 100-465. On August 31, 2017, Public Act 100-465 ("P.A. 100-465") became effective and authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in tax year 2017 and thereafter from 0.383% in tax year 2016. The Board increased such levy to the maximum rate for tax year 2017 which is expected to increase revenues by approximately $130 million in collection year 2018 specifically as a result of the 0.184% increase. In addition to the increase as a result of the additional Pension Property Tax Levy approved under P.A. 100-465, the Board expects a $24 million increase in revenue from the 0.383% component of the Pension Property Tax Levy for an aggregate of a $154 million increase in the Pension Property Tax Levy. P.A. 100-465 also provides for an increase in the required annual contribution by the State to the Pension Fund in the amount of approximately $221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. When combined with the existing $12 million State Pension Fund normal cost contribution, this increase is expected to bring the total contributions by the State to the Pension Fund for Fiscal Year 2018 to $233 million. The $221 million is expected to increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions (i.e., the annual retiree healthcare reimbursement subsidies) which have historically been capped at $65 million. See Table 1 for historical contributions by the State to the Pension Fund.

As of the date of this Disclosure, there is no litigation relevant to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions or benefits (including cost of living adjustments and retirement ages) related to the Retirement Funds.

APPENDIX I

FORMS OF SPECIAL REVENUES OPINIONS RELATING TO THE BONDS

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APPENDIX I-1

FORM OF SPECIAL REVENUES OPINION RELATING TO THE SERIES 2018C BONDS

December 13, 2018

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C– Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C, in the aggregate principal amount of $450,115,000 (the "Bonds"), issued pursuant to that certain Trust Indenture, dated as of December 1, 2018 (the "Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee").

The Board is issuing the Bonds pursuant to Resolution No. 18-0725-RS8, adopted by the Board on July 25, 2018 (, the "Bond Resolution"). The Board's issuance of the Bonds pursuant to the Indenture and the Bond Resolution is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the Indenture, the Bond Resolution, the Tax Exemption Certificate and Agreement, by and between the Board and the Trustee (the "TECA"), those certain Directions Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of the Bonds (the "Deposit Direction") and applicable statutes of the State of Illinois and the United States, as referenced herein. The Indenture, the Bond Resolution, the TECA and the Deposit Direction are referred to herein, collectively, as the "Documents."

The proceeds of the Bonds will be used to (i) refund certain of the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues) as described in this paragraph (the "Outstanding Bonds"), (ii) capitalize interest on the Bonds and (iii) pay the costs of issuance of the Bonds. Specifically, the Bonds will consist of two parts, designated in the Indenture as the "2018C-1 Bonds", the "2018C-2 Bonds." The 2018C-1 Bonds will be used to refund a portion of the Board's outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009D (the "2009D Bonds"). The 2018C-2 Bonds will be used to refund all the Board's outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008C (the "2008C Bonds").

Payment of the Bonds is secured by, *inter alia*, the Board's pledge of and its granting of liens upon (i) State Aid payments to be made to the Board by the State of Illinois pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"), in the amounts specified in the Indenture (the "Pledged State Aid Revenues") and (ii) *ad valorem* property taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property within the school district of the City of

Chicago, Illinois (the "School District"), without limitation as to rate or amount in favor of the Trustee for the benefit of the holders of the Bonds (the "Pledged Taxes").

Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code"), should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) the Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture.

II. ASSUMPTIONS

We have examined the Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Documents and that the Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Documents submitted to us as originals; (d) the conformity of the Documents submitted to us as copies to the executed and delivered originals thereof; (e) the genuineness of all signatures on all Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Documents or otherwise in connection with the transactions contemplated by the Documents; (g) the representations and warranties of the Board set forth in the Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee and the County Clerks and County Collectors (each, as defined below) have performed and will perform its (or their) obligations under applicable Illinois law and the Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

In accordance with the provisions of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act"), on June 28, 2006, the Board adopted Resolution 06-0628-RS78 authorizing the issuance of Alternate Bonds (as defined in Section 3 of the Act), in an amount not to exceed $750,000,000 and completed (i) the backdoor referendum proceedings required by Section 15 of the Act and (ii) the notice and hearing requirements of the Bond Issue Notification Act, authorizing the Board to issue its Alternate Bonds in said amount of not to exceed $750,000,000 (the "2006 Authorization"). Pursuant to the 2006 Authorization, the Board issued the 2009D Bonds in the principal amount of $75,720,000. The aggregate outstanding principal amount of $12,260,000 of the 2009D Bonds will be refunded by the 2018C-1 Bonds.

In accordance with the provisions of the Act, on February 27, 2008, the Board adopted Resolution No. 08-0227-RS13 authorizing the issuance of Alternate Bonds, in an amount not to exceed $1,900,000,000 and completed (i) the backdoor referendum proceedings required by Section 15 of the Act and (ii) the notice and hearing requirements of the Bond Issue Notification Act, authorizing the Board to issue its Alternate Bonds in said amount of not to exceed $1,900,000,000 (the "2008 Authorization"). Pursuant to the 2008 Authorization, the Board issued the 2008C Bonds in the principal amount of $464,655,000. The aggregate outstanding principal amount of $444,775,000 of the 2008C Bonds will be refunded by the 2018C-2 Bonds.

Pursuant to the Bond Resolution, the Board authorized the issuance, from time to time, in one or more series, of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues) in an aggregate principal amount not to exceed $500,000,000 for the purpose of refunding certain outstanding Alternate Bonds of the Board.

The Bond Resolution reflects the Board's determination that is in the best interest of the Board to restructure its indebtedness by refunding the Outstanding Bonds (the "Refunding Plan").

Refunding and the Project

From time to time, the Board approves its Capital Improvement Program for one or more subsequent fiscal years, which identifies various projects and associated budgets to construct, acquire and equip school and administrative buildings, perform site improvements and acquire and improve other real and personal property in and for School District (as from time to time amended by resolution of the Board, the "Project"). Each of the Outstanding Bonds subject to the Refunding Plan are Alternate Bonds that either were used to fund the Project (and the costs of issuing such Alternate Bonds) or to refund previous Alternate Bonds that can ultimately be traced directly back to Alternate Bonds, the proceeds of which were used to fund the Project (each such series of Alternate Bonds, the proceeds of which were used directly to fund the Project, "Original Project Bonds"). Attached as Schedule I hereto is a list tracing Outstanding Bonds used to refund and redeem Alternate Bonds back to the Original Project Bonds.

We understand the following with respect to Original Project Bonds: (a) that the indenture for each series of Original Project Bonds sets forth limitations on the Board's ability to access and use proceeds of such Original Project Bonds (each such indenture, an "Original Project Bond Indenture"); (b) that under each Original Project Bond Indenture, the net proceeds of such Original Project Bonds issued thereunder were deposited in a Project Fund (as such term is defined in the Original Project Bond Indenture) in the bond trustee's name for payment of the costs of the Project: (c) that the bond trustee was required to pay out moneys on deposit in the Project Fund to the Board in order to provide for the payment of Project costs only upon receipt by the trustee of a certificate of an authorized officer of the Board describing the Project costs to be paid and stating, *inter alia*, (i) that the costs are necessary and appropriate costs of the Project, (ii) the amount to be paid is reasonable and (iii) that no part of the requested payment was included in any prior certificate provided to the bond trustee.

Based on our understanding of the Board's obligations under the Original Project Bond Indenture, we assume that all funds received from the sale of each series of Original Project Bonds were applied in compliance with the respective Original Project Bond Indenture and that all net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such Original Project Bonds, were used to pay the costs of the Project, interest due on such Original Project Bonds and administrative expenses of the bond trustee**.**

Pledged Taxes

The Bonds are payable from and secured by a valid lien on and pledge of the Pledged State Aid Revenues and the Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes for the Bonds upon all of the taxable property within the School District, in the years for which the Bonds are outstanding, for the stated purpose of providing funds, in addition to the Pledged State Aid Revenues, to pay the principal of and interest on the Bonds. Section 3(a) of the Bond Resolution further provides that the Pledged Taxes levied for the Bonds shall be a "direct annual tax" in an amount sufficient to produce the yearly sums set forth therein for each year such Bonds are outstanding. Section 3(b) of the Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce the aggregate Pledged Taxes specified in Section 3(a) of the Bond Resolution for the Bonds and shall extend the Pledged Taxes for collection on behalf of the Board. The Pledged Taxes have been levied for the years 2018 through and including 2031. For each year, the levy of the Pledged Taxes immediately precedes the year in which the Pledged Taxes are to be extended and collected.

Deposit of Pledged Taxes with Trustee

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200/20-90 (the "Property Tax Code") and Section 6 of the Bond Resolution, the Designated Officials of the Board are authorized to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Pledged Taxes directly with the Trustee under the Indenture as an escrow agent designated by the Board in order to secure the payment of the Bonds. Pursuant to the Property Tax Code and the Bond Resolution and prior to the issuance of the Bonds, the Board's Senior Vice President of Finance (who is among the Designated Officials under the Bond Resolution) issued the Deposit Direction to the County Collectors, pursuant to which the Board has directed the County Collectors to transfer the collections of the Pledged Taxes directly to the Trustee for deposit by the Trustee into a Pledged Taxes Account established pursuant to the Indenture. Section 5.4(B) of the Indenture, in turn, provides that all Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Bonds subject to the Indenture due during the calendar year in which said Pledged Taxes are collected.

Section 7.6(A) of the Indenture provides that, as long as any of the Bonds under the Indenture remain outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in Illinois law, and procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. Any modification of the respective Deposit Direction in a manner not permitted by the Indenture is an Event of Default thereunder.

We assume that certified copies of the Bond Resolution have been or will be timely filed with each of the County Clerks and County Collectors.

Payment of the Bonds; Extension and Abatement of Pledged Taxes

The Bonds bear interest from their date payable on June 1, 2019 and semiannually thereafter on June 1 and December 1 of each year. The Bonds mature on December 1 in each of 2019 through 2032, inclusive.

Pursuant to Section 5.4(A) of the Indenture, on or before February 15th of each year or such earlier date as may be necessary to permit the lawful abatement of the Pledged Taxes and as provided in Sections 5.4(A) and 7.6(B) of the Indenture (the "Deposit Date"), the Board is required to deposit the respective Pledged State Aid Revenues into the Pledged State Aid Revenues Sub-Account maintained by the Trustee in such amounts as are necessary to cause the amount on deposit in those accounts to equal the total interest on and principal of the Bonds that will become due and payable during the current Bond Year in which the Deposit Date occurs.[1] In any given year, provided that the Board has timely deposited the required amount of Pledged State Aid Revenues into the Pledged State Aid Revenues Sub-Accounts, pursuant to Section 5.4(A) and 7.6(B) of the Indenture, the Board is required to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes levied for the preceding calendar year, which would otherwise be extended and collected during such calendar year the Pledged State Aid Revenues are deposited with the Trustee. If, by February 15th of a given year, the amount of Pledged State Aid Revenues deposited into the State Aid Revenues Sub-Accounts is insufficient to pay the amounts due on the Bonds during the current Bond Year, under the terms of the Bond Resolution, the Indenture and the Deposit Directions, the Pledged Taxes, as the case may be, are to be extended for collection in such amounts as necessary to provide sufficient funds to the Trustee to satisfy the amount of interest and principal that will become due and payable on the Bonds during that Bond Year. Accordingly, under the terms of the Documents, the Pledged Taxes are required to be extended for collection every year, unless, and only to the extent that, the Board directs the County Clerks and County Collectors to abate the Pledged Taxes.

As discussed above, Section 5.4(B) of the Indenture expressly require that all Pledged Taxes received by the Trustee be applied to the payments due on Bonds during the year in which said Pledged Taxes are collected. In addition, each such section provides that –

> All amounts remaining in the Pledged Taxes Account on December 2 of any Year [the day after the final payment of the year is due] shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board *and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement*.

(Emphasis added.) Therefore, any excess Pledged Taxes after the payments due on the Bonds are made in a given Bond Year are credited back to the School District's taxpayers in the form of an abatement to the Educational Fund tax levy and may not be used by the Board.

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1 "Bond Year" is defined in the Indenture as each annual period beginning on December 2nd of a calendar year to and including December 1st of the next succeeding calendar year.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and compliance with the covenants set forth in (i) Article III and Sections 5.1, 5.2, 5.3, 5.4, 7.5 and 7.6 of the Indenture. We further assume the following:

(a) the Board has not, and as long as the Bonds remain outstanding, will not amend, modify, revoke or attempt to revoke or replace the Deposit Direction with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Direction;

(b) the Board has not, and as long as the Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Bond Resolution or the specific authorizations and other terms thereof or that amends or modifies the Bond Resolution in any manner that is materially inconsistent with the Bond Resolution or the facts and assumptions set forth in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the Bonds and the Indenture shall be the valid, binding and legal general obligations of the Board, and the Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the Bonds on the Pledged State Aid Revenues and the Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the Bonds;

(d) no statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the Bonds, to levy and abate the Pledged Taxes and to direct the transfer and application of the Pledged Taxes as contemplated and required by the Documents, including, without limitation, Section 15 of the Act, applicable provisions of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the Bonds, and the holders of the Bonds as long as the Bonds remain outstanding;

(e) The Board is duly authorized under Illinois law to levy the Pledged Taxes for each year the Bonds are outstanding as more fully set forth in the Bond Resolution and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Pledged Taxes under the Bond Resolution;

(f) the Board will not use or assert the right to use the proceeds of the Bonds except to pay the costs of the Refunding Plan;

(g) the Board used the entire net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such series of Original Project Bonds, to pay the costs of the Project, including any capitalized interest on the Original Project Bonds;

(h) the Board used the entire net proceeds of each series of Alternate Bonds used to refund and redeem Original Project Bonds, following the payment of the costs of issuance of the such series of Alternate Bonds, to pay the costs of refunding and redeeming such Original Project Bonds, and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed from proceeds of the Bonds as set forth on Schedule I hereof), the entire net proceeds of such series of Alternate Bonds, following the payment of the costs of issuance of such series of Alternate Bonds, were used to pay the costs of such refunding(s) and redemption(s);

(i) the costs of the Project were limited to the costs of such projects and improvements and related expenses identified and described in the Board's approved and published Capital Improvement Program in effect at the time Original Project Bonds were issued and amended from time to time;

(j) to the extent the costs of the Project included administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses were directly related to the Project and would not have been incurred but for the Project and the financing of the Project; and

(k) the Pledged Taxes pledged for the Bonds are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of such series of Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested with respect to the Financing, we believe that our reliance on the representations, covenants and other provisions in the Documents relating to the purposes and permitted uses of the Pledged Taxes and the proceeds of the Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The Bonds will be issued pursuant to the provisions of Section 15 of the Act. Section 15, entitled "Double-barrelled bonds" states, in relevant part as follows:

> Whenever revenue bonds have been authorized to be issued pursuant to applicable law or whenever there exists for a governmental unit a revenue source,[2] the procedures set forth in this Section may be used by a governing body. General obligation bonds may be issued in lieu of such revenue bonds as authorized, and general obligation bonds may be issued payable from any revenue source. Such general obligation bonds may be referred to as "alternate bonds". Alternate bonds may be issued … only upon the conditions provided in this Section.

30 ILCS 350/15.

[2] Section 3(l) of the Act defines "revenue source" as "a source of funds, other than enterprise revenues, received or available to be received by a governmental unit and available for any one or more of its corporate purposes." 30 ILCS 350/3(l).

Among other required conditions for the issuance of alternate bonds, Section 15(e) of the Act provides that "[t]he enterprise revenues or revenue source, as applicable, *shall be in fact pledged* to the payment of the alternate bonds; and the governing body *shall covenant*, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 (or .10 [times debt service for governmental revenue source such as the state aid payments pledged for the payment of the Bonds]). 30 ILCS 350/15(e) (emphasis added). Section 15(e) further provides that "[t]he pledge and … the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such … imposition and a continuing appropriation of the amounts received." *Id.* The governmental unit's covenants relating to alternate bonds "are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General." *Id.*

Section 15(e) of the Act provides that "alternate bonds … shall be payable from the levy of taxes as is provided in this Act for general obligation bonds." Section 16 of the Act, entitled "Levy for bonds" states that "[a] governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds … at any time prior to March 1 of the calendar year during which the tax will be collected." 30 ILCS 350/16.

The Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added).

Bankruptcy Law

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Section 901(a) of the Bankruptcy Code incorporates many, but not all, of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

The Automatic Stay

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate; ….
>
> (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[3] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "1988 Amendments")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[4] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In one of only two decisions to date interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

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3 Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

4 A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

As noted in *Collier*, however, and as held by another court in connection with the Puerto Rico debt adjustment proceeding (discussed below) "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues pledged to secure its bonds and unwilling to apply them to payment of its bonds.

Moreover, Section 904 of the Bankruptcy Code provides that "[n]otwithstanding any power of the court, unless the debtor consents or the plan [of debt adjustment] so provides, the court may not, by any stay, order, or decree, in the case or otherwise, interfere with (1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor's use or enjoyment of any income-producing property."

Thus, while Section 922(d) should permit the Trustee to apply Pledged Taxes in its possession to payment of the Bonds and permit the Board to *voluntarily* continue to honor its obligations with respect to Pledged Taxes without interference from the bankruptcy stay, if the Board countermands the Deposit Directions or the County Collectors otherwise refuse to deposit collected Pledged Taxes with the Trustee, the court in a chapter 9 case of the Board may be powerless to compel the turnover or payment of Pledged Taxes to the Trustee for application to payment of the Bonds. While the court, as a condition to maintaining the stay against non-consensual enforcement of the lien against the Pledged Taxes, could require the Board to provide additional adequate protection if the bondholders are in danger of becoming undersecured,[5] if the Board refused or was unable to do so and the stay was lifted, the bondholders' recourse with respect to the Pledged Taxes may be limited to pursuit of their remedies under state law.

Certain of these issues have arisen most recently in the debt adjustment case of the Commonwealth of Puerto Rico under the Puerto Rico Oversight, Management, and Economic Stability Act ("<u>PROMESA</u>"). In *In re: The Financial Oversight and Management Board for Puerto Rico (Assured Guaranty Corp., et al v. Commonwealth of Puerto Rico, et al.)*, 582 B.R. 579 (D.P.R. 2018) ("<u>Assured Guaranty</u>"), plaintiffs were financial guarantee insurers of various bonds issued by certain public corporations of the Commonwealth, including the Puerto Rico Highway and Transportation Authority ("<u>PHRTA</u>"), and secured by a lien on what the plaintiffs contended were special revenues. The Commonwealth and, subsequently, the Commonwealth's Oversight Board, had ceased making payments on the bonds and also controlled the proceeds of pledged revenues held in a reserve account. The plaintiffs brought an action to compel payment of the bonds from pledged revenues and sought turnover of the revenues in the reserve account. The plaintiffs alleged that the failure of PHRTA to continue to make payments on its bonds as they come due violates Sections 922(d) and 928(a) of the Bankruptcy Code, made applicable in the PROMESA case by Section 301 of PROMESA. *Id.* at 590. They further contended, pleading in the alternative, that the proceeds in the reserve account were (i) the bondholders' property, (ii) held in trust for the bondholders, or (iii) subject to the lien of the bondholders. *Id*. at 597. The court held that Section 922(d) only exempts from the automatic stay the *consensual* application of special revenues by municipalities and others in control of special revenues, and does not impose a payment obligation on the municipality, address actions to enforce liens, or sanction the court's non-consensual interference with governmental properties or revenues which, the court believed, would violate constraints on its power under Section 305 of PROMESA (the counterpart to Section 904 of the

[5] If a creditor is oversecured and the debtor therefore has equity in the surplus collateral, the "equity cushion" itself may constitute adequate protection.

Bankruptcy Code discussed above). *Id*. at 594-96. The court further held that Section 928(a) merely provides that a prepetition lien on special revenues continued during the post-petition period notwithstanding Section 552(a) of the Bankruptcy Code – it does not require payment or turnover of special revenues. *Id.* at 596. With respect to the proceeds in the reserve account, the court held that it lacked subject matter jurisdiction on justiciability grounds as to the lien claim alternatively pled by the plaintiffs, and held that with respect to the ownership and trust claims asserted by the plaintiffs, PRHTA had a sufficient interest in the reserve account proceeds to preclude a holding that the proceeds were property of or had to be turned over to the plaintiffs. *Id*. at 596-99.[6]

Whether or not particular municipal bonds are payable from "special revenues", if the bonds are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee is entitled to certain protections where there is diminution in the value of that property caused by the imposition of the automatic stay. Notably, the plaintiffs in *Assured Guaranty* did not seek stay relief.[7]

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Sections 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C. §§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan of adjustment. 11 U.S.C. § 943(b)(5); *see* S. Rep. No. 100-506, 100th Cong., 2d Sess. 11 (1988). Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a pledged revenue source of the debtor and who have

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6 Plaintiffs have appealed the court's decision to the United States Court of Appeals for the First Circuit (Docket No. 18-1166). The appeal remains pending as of the date hereof.

7 Because the lien granted on collateral under bond indenture is in favor of the bond trustee for the benefit of all bondholders, it may be that no party other than the bond trustee can seek stay relief to exercise remedies as to the collateral.

been provided with adequate protection are entitled to a priority claim that must be paid in full pursuant to the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured creditor in chapter 9 case that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69. See also *Assured Guaranty,* 582 B.R. at 593.

Therefore, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section [subjecting such lien on project or system revenues to the operating expenses of such project or system], special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of Section 552(a). *Collier* ¶ 928.02, at 928-3.

Although there is some support for the suggestion that, in enacting Section 928, Congress was primarily concerned with preserving liens on special revenues securing revenue bonds and not general obligation bonds,[8] the text of Section 928 (as well as Section 922(d)) is not limited to revenue bonds (or even bonds for that matter).[9] Moreover, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[10] provides that "[p]roposed section 92[8] *does not distinguish between bonds backed solely by special revenues and so-called doublebarrelled bonds*. These latter bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes." *NBC Report*, at 21 (emphasis added). Further, several legal commentators have observed that Section 928 should apply with equal force to "double-barreled" bonds. *See Collier* ¶ 928.02[2], at 928-5 ("[I]t should not matter whether the security interest arising under the security agreement is recourse or nonrecourse, or in the language of municipal finance, whether the bonds are 'double-barreled.'"); *Robert S. Amdursky, The 1988 Municipal Bankruptcy Amendments: History, Purposes and Effects*, 22 Urban Lawyer 1, 8 (Winter 1990) ("Section 928 does not distinguish between bonds backed solely by special revenues and so-called 'double-barrelled' bonds. Double-barrelled bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes. Section 928 should protect the bondholders' lien on the special revenues securing the double-barrelled bonds."); *see also General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations*, National Association of Bond Lawyers (August 2014), at 18 ("Although the 1988 Amendments were intended to resolve concerns about treatment of revenue bonds in Chapter 9, holders of general obligation bonds also may be able to take advantage of these provisions if the security pledged for their bonds constitutes special revenues.").

<u>Special Revenues</u>

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged Taxes, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. The *NBC Report* contains the following discussion:

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8 S*ee* H. Rep. No. 100-1011, 100th Cong., 2d Sess., 4 (1988) (commenting that the termination of liens on post-bankruptcy revenues under Section 552(a) would cause "[t]he post-petition revenues generated by the asset financed [to] … not be used to repay *holders of revenue bonds*. Instead, the revenues would go into the general treasury, for distribution to all creditors of the municipality) (emphasis added).

9 Section 922(d)'s exception to the automatic stay applies to "indebtedness secured by [pledged special] revenues," and Section 928's protection of consensual liens against post-petition property of the debtor applies to liens on special revenues "resulting from any security agreement entered into by the debtor before the commencement of the case." Section 902(2)'s definition of special revenues does not even contain the word "bond".

10 Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the report of the Senate accompanying its version of the relevant bill (S. 1863) contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

S. Rep. No. 100-506, 100th Cong., 2d Sess., 21 (1988) (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes. The *Heffernan* decision is also notable, and relevant to the opinions expressed herein, because the special sales taxes were pledged to pay bonds that were, in turn, used to refinance the Heffernan Memorial Hospital District's outstanding indebtedness; the proceeds of the bond sale were used to purchase all claims against the debtor and make all payments due to creditors under its chapter 9 plan. Thus, the case implicitly recognized that the costs of *refinancing* debt used to fund project costs – there the costs of a hospital district – satisfies Section 902(2)(E)'s requirement that the taxes be "levied to *finance* one or more projects or systems." *See In re Heffernan Memorial Hospital District*, 202 B.R. at 148 ("The Authority will generate sufficient proceeds from the Bonds ... to pay creditors in accordance with the Plan. As a result, the District will be indebted to the Authority on account of its 'buying' all claims against the District."). However, the *Heffernan* decision does not suggest that the refinancing issue was raised or challenged by the parties.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The bonds were issued by the debtor "for the purpose of financing the expansion, improvement, acquisition, construction, equipping and renovation of the Hospital." *Id.* at *7. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged Taxes' Qualification as Special Revenues

In the case of the Bonds, the Documents and applicable Illinois statutory law provide a reasonable basis to conclude that the Pledged Taxes should be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

With respect to the first requirement, the Bond Resolution and the Indenture provide a reasonable basis to conclude that the Pledged Taxes have been specifically levied to finance one or more projects. Section 3(a) of the Bond Resolution provides that they are "*hereby levied*," "[f]or the purpose of providing funds in addition to the Pledged Revenues to pay the principal of and interest on the Bonds." (Emphasis added.) Section 3(a) further describes the Pledged Taxes as a "direct annual tax" levied at a rate sufficient for each series of Bonds to achieve specified amounts of revenue for the Bonds are outstanding. Therefore, it is reasonably clear that the Pledged Taxes were "specifically levied" to repay the Bonds. No other purpose is contemplated or permitted by the Bond Resolution. Moreover, the Bond Resolution, which effectuates the levy of the Pledged Taxes, was adopted for the purpose of authorizing the issuance of the Bonds. Thus, as described by the *NBC Report*, the Pledged Taxes have been levied and will be collected, if necessary, "for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax." *NBC Report*, at 19.

Consideration must then be given to the purpose of the Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, we assume that the proceeds of the Bonds will be used only to pay the costs of the Refunding Plan. The Refunding Plan consists of the refunding of two series of Alternate Bonds as more fully set forth above. The net proceeds received by the Board from each series of Outstanding Bonds were either used to pay the costs of the Project or used to refund and redeem Alternate Bonds that can be traced back to Original Project Bonds, as well as to pay interest that became due on and the costs to issue the Outstanding Bonds. The proceeds received by the Board from the sale of each series of Original Project Bonds were used to finance capital improvement costs in connection with the Project as outlined in the Board's then-effective Capital Improvement Program, as well as to pay the costs of issuance of such series of Original Project Bonds.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the costs of their respective hospital districts.[11] Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the capital improvement costs of the School District constitute project costs, particularly where such costs were described and itemized in the Board's Capital Improvement Program. We have assumed, based on the Board's obligations with respect to the use of the net proceeds of Original Project Bonds under the Original Project Bond Indenture, that the proceeds of the underlying Original Project Bonds were in fact used to pay for capital improvement costs. We note that the costs of the Project may have included administrative expenses, including employee salaries appropriately allocated to the Project or professional fees and expenses, but we assume that all such costs were directly related to the Project and would not have been incurred but for the Project and the financing of the Project. We further assume that the Board did not use the proceeds of the Original Project Bonds, or any Alternate Bonds used to refund and redeem Original Project Bonds and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed pursuant to the Refunding Plan from proceeds of each series of Bonds, as set forth

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[11] In *Sierra Kings*, the court made clear that the bond proceeds were used to finance capital improvements, 2010 Bankr. LEXIS 6536, at *7, whereas, in *Heffernan*, the court's decision only states that the bond proceeds were used to fund the debtor's chapter 9 plan and does not clarify whether or not the creditor's claims related to capital improvements.

on Schedule II hereof), to pay its general operating expenses. We similarly assume that the Board will not use the proceeds of the Bonds to pay its general operating expenses.

The structure and characteristics of the Original Project Bonds, Alternate Bonds issued to refund and redeem the Original Project Bonds, and the Bonds are largely identical. Each are Alternate Bonds issued under Section 15 of the Act and each is, or was, secured by the same two-stage pledge of an alternate revenue source (such as general state aid, personal property replacement taxes or moneys to be received by the Board from the City of Chicago pursuant to an intergovernmental agreement) and ad valorem property taxes – specially levied at the time of issuance for the purpose of repaying the subject bonds – that is described in this opinion letter with respect to the subject bonds. Indeed, under the principles and analysis set forth in this opinion letter, the ad valorem property taxes pledged to the repayment of the Original Project Bonds should have qualified as special revenues under Section 902(2)(E) of the Bankruptcy Code at the time the Original Project Bonds were issued.

The text of Section 902(2)(E) of the Bankruptcy Code refers to taxes issued to "*finance* one or more projects or systems." We believe that a bankruptcy court should conclude that "refinancing" is a subset of "financing" for purposes of Section 902(2)(E) or, alternatively, under the particular facts of this case, view the Financing undertaken by the Board with respect to the Bonds as an indirect continuation of the Original Project Bonds, which were clearly issued for the purpose of funding costs of the Board's Capital Improvement Program. This conclusion is supported by the bankruptcy court's decision in *In re Heffernan Memorial Hospital District*, 202 B.R. at 148-49, which held that sales taxes pledged to pay amounts due on certain revenue bonds qualified as special revenues pursuant to Section 902(2)(E). In that case, the proceeds of the newly issued bonds were not used directly to fund capital improvement costs but were instead used to satisfy the existing indebtedness of the municipal debtor under its chapter 9 plan. Accordingly, we believe there is a reasonable basis to conclude that the costs of the Refunding Plan are costs of one or more projects of the Board and, consequently, that the Bonds will be used, as provided in Section 902(2)(E) to "finance one or more projects".

With respect to the second requirement under Section 902(2)(E), the Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged Taxes may not be used to finance the general expenses of the Board.

The Bonds are alternate bonds issued under Section 15 of the Act and are, therefore, the general obligation bonds of the Board "payable from a revenue source." 30 ILCS 350/15. Pursuant to the Indenture, the Bonds are payable and secured by the Pledged State Aid Revenues and the Pledged Taxes. Section 15(e) of the Act requires that such revenue sources "be in fact pledged to the payment of the [Bonds]," and that the Board covenant … to provide for, collect and apply such … revenue source[s] … to the payment of the [Bonds]." 30 ILCS 350/15(e). Accordingly, Illinois law mandates that the Pledged Taxes be pledged to and used for the payment of the Bonds.[12] Section 15 of the Act provides no authority for the application of the Pledged Taxes to the Board's general operating expenses.

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[12] Although we express no opinion as to whether Section 15(e) of the Act creates a statutory lien on the Pledged State Aid Revenues or the Pledged Taxes for purposes Section 101(53) of the Bankruptcy Code, there is some basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the Indenture. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County.").

Pursuant to Section 6 of the Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Direction directing the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, into the Pledged Taxes Accounts maintained by the Trustee under the Indenture. Consistent with the requirements of Section 15(e) of the Act, Section 5.4(B) of the Indenture requires that all Pledged Taxes received by the Trustee shall be applied to the payment of the respective Bonds due during the year in which the Pledged Taxes are collected. In the event that any excess Pledged Taxes remain on December 2nd of any year, after payment of the second and final payment due during a year, the Indenture requires that such excess amount "shall be transferred to the Board and … appl[ied] … to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement." Finally, Section 4(e) of the Bond Resolution and corresponding provisions in the Indenture, require the Board to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes reducing the Pledged Taxes for any year in which the amount levied is greater than the amount required to the Bonds, after taking into account the Pledged State Aid Revenues.

Based on the foregoing, the Board has should have no access to, or authority to use, the Pledged Taxes for any purpose other than to pay the Bonds. To the extent extended and collected, the Pledged Tax revenues will be deposited directly with the Trustee and must be applied by the Trustee to the payment of the Bonds. To the extent there is any excess Pledged Taxes after paying the amounts due on the Bonds during a given year, the School District's taxpayers – the same tax base that would have provided the Pledged Tax revenues – will receive a credit in the form of an abatement of the Education Fund tax levy. Similarly, if the Pledged Taxes are not needed because Pledged State Aid Revenues are sufficient, the Board is required to abate the levy of the Pledged Taxes for that year. Thus, assuming the Documents are complied with, the Pledged Taxes cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude that the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), if the Board commenced a chapter 9 case, the County Collectors and the Trustee should continue to be able to, respectively, transfer and apply the Pledged Taxes to the payment of the Bonds in accordance with the terms of the Deposit Direction and the Indenture, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged Taxes in the possession of the Trustee at the time a chapter 9 case is commenced as well as Pledged Taxes that may be collected and deposited with the Trustee during the chapter 9 case. As noted above, however, to the extent that, notwithstanding the Deposit Directions, the Board obtains possession of the Pledged Taxes or otherwise blocks their deposit with the Trustee, there is a risk that actions to compel the payment of the Bonds will be stayed and that the Trustee will be required to seek relief from the bankruptcy court. We express no opinion regarding the Board's power to revoke the Deposit Directions, the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief, or, because of Section 904 of the Bankruptcy Code, the power of the bankruptcy court to grant the Trustee or bondholders any relief other than lifting the bankruptcy stay to permit the Trustee to pursue its state law and contractual remedies with respect to the Pledged Taxes.

Continuation of Lien on Pledged Taxes

Since the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), pursuant to Section 928(a) of the Bankruptcy Code, the liens granted to the Trustee under the Indenture on the Pledged Taxes should remain valid and enforceable against any Pledged Taxes collected during a bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged Taxes collected prior to the commencement of such case.

Therefore, even if application of the Pledged Taxes to the payment of the Bonds is stayed, the Trustee, on behalf of the holders of the Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged Taxes, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged Taxes, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged Taxes before sharing pro rata in the Board's general treasury funds with unsecured creditors to the extent of any deficiency. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[13]

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application by the Trustee of the Pledged Taxes to the payment of the Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the respective Indenture.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this

[13] To the extent that Pledged State Aid Revenues are deposited by the Board with the Trustee in an amount sufficient to pay the Bonds for the year and abate the Pledged Taxes and, thereafter, but prior to the actual payment of the Bonds for the year, the Board commences a chapter 9 case, the Trustee should nonetheless be found to hold an enforceable first priority lien against the deposited Pledged State Aid Revenues, to the extent in the Trustee's possession. We reach this conclusion because, under such facts, the Pledged State Aid Revenues would be property of the Board acquired *before* the commencement of its bankruptcy case such that Section 552(a) of the Bankruptcy Code would not affect the continuing validity of the Trustee's liens on such revenues. In addition, the Pledged State Aid Revenues would be held by the Trustee in segregated accounts, and thus likely to be considered subject to a perfected lien. Accordingly, in this situation, the Trustee would be entitled to assert the various rights of a secured creditor, as discussed herein, with respect to such Pledged State Aid Revenues. We do not conclude, however, that the Pledged State Aid Revenues are special revenues under Section 902(2) of the Bankruptcy Code and we express no opinion regarding the potential impact of the automatic stay upon the Trustee's ability to apply the Pledged State Aid Revenues to payment of the Bonds or regarding the ability of the Board to use such Pledged State Aid Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee.

transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court should reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a State's authority to control its municipalities. These considerations may allow a bankruptcy court properly, among other things, to authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Alternatively, the limitation on the bankruptcy court's powers under Section 904 of the Bankruptcy Code may prevent it from interfering with the use by the Board of its property notwithstanding such property's status as special revenues. Moreover, proceedings for reorganization or debt adjustment under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion letter may be furnished to, but may not be relied upon by, the Board's professional advisers, municipal bond rating agencies engaged by the Board for the purpose of rating the Bonds and the professional advisers of any such rating agencies. We further consent to the inclusion of a copy of this opinion letter in the appendices to the preliminary official statement and the official statement with respect to the public offering of the Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

<u>**SCHEDULE I**</u>

Tracing of Outstanding Bonds to Original Project Bonds

Series of Outstanding Bonds	**Series of Original Project Bonds and Each Series of Refunding Alternate Bonds (if any)**
Series 2008C	Series 2003A (Original Project Bonds) Series 2003B (Original Project Bonds) Series 2004C (Original Project Bonds) Series 2004D (Original Project Bonds) Series 2004E (Original Project Bonds)
Series 2009D	Series 2004C (Original Project Bonds) Series 2004D (Original Project Bonds) Series 2004E (Original Project Bonds)

APPENDIX I-2

FORM OF SPECIAL REVENUES OPINION RELATING TO THE SERIES 2018D BONDS

December 13, 2018

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D, in the aggregate principal amount of $313,280,000 (the "Bonds"), issued pursuant to that certain Trust Indenture, dated as of December 1, 2018 (the "Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as trustee (the "Trustee").

The Board authorized its issuance of the Bonds pursuant to the following resolutions: (i) Resolution No. 16-0824-RS5, adopted by the Board on August 24, 2016 (the "Authorizing Resolution") and (ii) Resolution No. 18-0725-RS6, adopted by the Board on July 25, 2018 (the "Bond Resolution," and together with the Authorizing Resolution, the "Resolutions"). The Board's issuance of the Bonds pursuant to the Indenture and the Resolutions is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the Indenture, the Resolutions, that certain Tax Exemption Certificate and Agreement, by and between the Board and the Trustee (the "TECA"), that certain Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D of the Board of Education of the City of Chicago (the "Deposit Direction") and applicable statutes of the State of Illinois and the United States, as referenced herein. The Indenture, the Resolutions, the TECA and the Deposit Direction are referred to herein, collectively, as the "Documents."

The Financing will be used to finance the costs to acquire, construct and equip school and administrative buildings, perform site improvements and acquire and improve other real and personal property in and for the Chicago Public School District (the "School District") all in accordance with the Board's Capital Improvement Program, as from time to time approved and amended by the Board, including interest to become due on and the costs to issue the Bonds ("Project Costs") and reimbursement of the Board for its prior payment of Project Costs.

Payment of the Bonds is secured by, *inter alia*, the Board's pledge of and its granting of liens upon (i) State Aid payments to be made to the Board by the State of Illinois pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"), in the amounts specified in the Indenture (the "Pledged State Aid Revenues"), (ii) Personal Property Replacement Tax ("PPRT") revenue payments to be made to the Board by the State of Illinois pursuant to Section 12 of the Illinois

State Revenue Sharing Act, 30 Illinois Compiled Statutes 115, in the amounts specified in the Indenture (the "Pledged PPRT Revenues"), and (iii) *ad valorem* taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property in the School District without limitation as to rate or amount (the "Pledged Taxes") in favor of the Trustee for the benefit of the holders of the Bonds.

Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code") should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture.

II. ASSUMPTIONS

We have examined the Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Documents and that the Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Documents submitted to us as originals; (d) the conformity of the Documents submitted to us as copies to the executed and delivered originals thereof; (e) the genuineness of all signatures on all Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Documents or otherwise in connection with the transactions contemplated by the Documents; (g) the representations and warranties of the Board set forth in the Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee and the County Clerks and County Collectors (each, as defined below) will perform its (or their) obligations under applicable Illinois law and the Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

In accordance with the provisions of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act"), on August 24, 2016, the Board adopted the Authorizing Resolution authorizing the issuance of Alternate Bonds (as defined in Section 3 of the Act), in an amount not to exceed $945,000,000, and with respect to such Alternate Bonds (i) completed the backdoor referendum proceedings required by Section 15 of the Act and (ii) complied with the notice and hearing requirements of the Bond Issue Notification Act, 30 Illinois Compiled Statutes 352, thereby authorizing the Board to issue such Alternate Bonds up to such amount.

To avail itself of the Authorizing Resolution, on July 25, 2018, the Board adopted the Bond Resolution authorizing the issuance of Alternate Bonds in the aggregate principal amount not to exceed $313,280,000 for the purposes of providing funds to pay (i) a portion of the Project Costs, (ii) certain interest to become due on the Bonds to and including December 1, 2020, and (iii) the costs of issuance of the Bonds. The proceeds of the Bonds will not be used for the Board's general operating expenses.

Project Costs

As described above, the Project Costs consist of costs of acquisition, construction and equipping of school and administrative buildings, the performance of site improvements and the acquisition and improvement of other real and personal property within and for the School District in accordance with the Board's Capital Improvement Program. The Board approves and publishes its Capital Improvement Program at least once a year. The Capital Improvement Program for fiscal year 2019 (the "2019 Capital Program"), approved by the Board on July 25, 2018, includes over $900 million of investments to provide for facility renovation and maintenance projects as well as IT investments and school security equipment. The specific projects and improvements to be carried out pursuant to the 2019 Capital Program, along with the estimated costs therefor, are set forth in a budget annexed to the 2019 Capital Program. Similarly, the Board has approved and published written Capital Improvement Programs for each of fiscal years 2013 through 2018 and each such Program lists and describes the capital improvements and projects and their itemized estimated costs to be carried out by the Board in accordance with such Capital Improvement Programs. We have not reviewed the Board's Capital Improvement Programs for any year prior to fiscal year 2013 but assume for purposes of this opinion that such Programs have been approved and published and set forth plans and cost estimates to accomplish various capital improvements in a manner similar to the Capital Improvement Programs for fiscal years 2013 through 2019.

Pledged Taxes

The Bonds are payable from and secured by a valid lien upon and pledge of the Pledged State Aid Revenues and Pledged PPRT Revenues (collectively, the "Pledged Revenues") and the Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes upon all of the taxable property within the School District, in the years for which any of the Bonds are outstanding, for the stated purpose of providing funds, in addition to the Pledged Revenues and any other available revenues, to pay the principal of and interest on the Bonds. Section 3(a) of the Bond Resolution further provides that the Pledged Taxes shall be a "direct annual tax" in an amount sufficient to produce the yearly sums set forth therein for each year the Bonds are outstanding. Section 3(b) of the Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce the aggregate Pledged Taxes specified in Section 3(a) of the Bond Resolution and shall extend the Pledged Taxes for collection on behalf of the Board. The Pledged Taxes have been levied for the years 2019 through and including 2045. For each year, the levy of the Pledged Taxes immediately precedes the year in which the Pledged Taxes are to be extended and collected.

Deposit of Pledged Taxes with Trustee

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200/20-90 (the "Property Tax Code") and Section 6 of the Bond Resolution, the Designated Officials of the Board are authorized to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Pledged Taxes directly with the Trustee in order to secure the payment of the Bonds. Pursuant to the Property Tax Code and the Bond Resolution and prior to the issuance of the Bonds, the Board's Senior Vice President of Finance (who is among the Designated Officials under the Bond Resolution) issued the Deposit Direction to the County Collectors, pursuant to which the Board has directed the County Collectors to transfer the collections of the Pledged Taxes directly to the Trustee for deposit by the Trustee into the Pledged Taxes Account established pursuant to the Indenture. Section 5.4(B) of the Indenture, in turn, provides that "[a]ll Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the [Bonds] due during the [calendar year] in which said Pledged Taxes are collected."

Section 7.6(A) of the Indenture provides that, as long as any of the Bonds remain outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in Illinois law, and procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. Any modification of the Deposit Direction in a manner not permitted by the Indenture is an Event of Default thereunder.

We assume that certified copies of the Bond Resolution have been or will be timely filed with each of the County Clerks and County Collectors.

Payment of 2018D Bonds; Extension and Abatement of Pledged Taxes

The Bonds bear interest from their date payable on June 1, 2019 and semiannually thereafter on June 1 and December 1 of each year. The Bonds mature on December 1, 2046 and there are mandatory redemptions in each of 2043 through 2045, inclusive.

Pursuant to Section 5.4(A) of the Indenture, Pledged Revenues received by the Trustee pursuant to the Indenture are to be applied as follows:

(i) Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each calendar Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year, as set forth on Exhibit C to the Indenture;

(ii) In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount of Pledged PPRT Revenues to satisfy the requirements in subparagraph (i) above, the Board is required to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the

Bond Year beginning on December 2 of the then-current Year and scheduled to be paid from Pledged PPRT Revenues; and on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account;

(iii) On or before February 15 of each Year, the Board shall deposit to the credit of the State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Sub-Account and the Deposit Sub-Account to equal the interest on and principal of the Bonds scheduled to be paid from Pledged State Aid Revenues during the then-current Bond Year, as set forth on Exhibit C to the Indenture. Once such deposit has been made, the Board is required by Section 7.6(B) of the Indenture to take such actions as are necessary to abate in full the Pledged Taxes levied to otherwise provide funds for the payment of the debt service on the Bonds during the then-current Bond Year.

In the event that on February 15 there has been deposited to the credit of the State Aid Revenues Sub-Account and the Deposit Sub-Account an insufficient amount to satisfy the amount described in the preceding paragraph, the Board is required to take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the State Aid Revenues Sub-Account, to provide funds sufficient to satisfy such amount described in the preceding paragraph and set forth on Exhibit C to the Indenture.

As discussed above, Section 5.4(B) of the Indenture expressly requires that all Pledged Taxes received by the Trustee be applied to the payments due on Bonds during the year in which said Pledged Taxes are collected. In addition, Section 5.4(B) of the Indenture provides that –

> All amounts remaining in the Pledged Taxes Account on December 2 of any Year [the day after the final payment of the year is due] shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board *and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement*.

(Emphasis added.) Therefore, pursuant to Section 5.4(B), any excess Pledged Taxes after the payments due on the Bonds are made in a given year are credited back to the School District's taxpayers in the form of an abatement to the Educational Fund tax levy and may not be used by the Board.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and compliance with the covenants set forth in Article III and Sections 5.1, 5.2, 5.3, 5.4, 7.5, and 7.6 of the Indenture. We further assume the following:

(a) the Board has not, and as long as the Bonds remain outstanding, will not amend, modify, revoke or attempt to revoke or replace or attempt to replace the Deposit Direction with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Direction;

(b) the Board has not and, as long as the Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions or the facts and assumptions set forth in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the Bonds and the Indenture shall be the valid, binding and legal general obligations of the Board, and the Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the Bonds, on each of the Pledged State Aid Revenues, the Pledged PPRT Revenues and the Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the Bonds;

(d) no statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the Bonds, to levy and abate the Pledged Taxes and to direct the transfer and application of the Pledged Taxes as contemplated and required by the Documents, including, without limitation, Section 15 of the Act, applicable provisions of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the Bonds, and the holders of the Bonds as long as the Bonds remain outstanding;

(e) the Board is duly authorized under Illinois law to levy the Pledged Taxes for each year the Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Pledged Taxes under the Bond Resolution;

(f) the Board will not use or claim the right to use the proceeds of the Bonds except to pay Project Costs;

(g) the Project Costs will be limited to the costs of such projects and improvements and related expenses identified and described in the Board's approved and published Capital Improvement Programs in effect and amended from time to time;

(h) to the extent the Project Costs include administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses are or will be directly related to the Project;

(i) the Pledged Taxes are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested with respect to the Financing, we believe that our reliance on the representations, covenants and other provisions in the Documents relating to the purposes and permitted uses of the Pledged Taxes and the proceeds of the Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The Bonds will be issued pursuant to the provisions of Section 15 of the Act. Section 15, entitled "Double-barrelled bonds" states, in relevant part as follows:

> Whenever revenue bonds have been authorized to be issued pursuant to applicable law or whenever there exists for a governmental unit a revenue source,[1] the procedures set forth in this Section may be used by a governing body. General obligation bonds may be issued in lieu of such revenue bonds as authorized, and general obligation bonds may be issued payable from any revenue source. Such general obligation bonds may be referred to as "alternate bonds". Alternate bonds may be issued … only upon the conditions provided in this Section.

30 ILCS 350/15.

Among other required conditions for the issuance of alternate bonds, Section 15(e) of the Act provides that "[t]he enterprise revenues or revenue source, as applicable, *shall be in fact pledged* to the payment of the alternate bonds; and the governing body *shall covenant*, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 … times debt service. 30 ILCS 350/15(e) (emphasis added). Section 15(e) further provides that "[t]he pledge and … the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such … imposition and a continuing appropriation of the amounts received." *Id.* The governmental unit's covenants relating to alternate bonds "are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General." *Id.*

Section 15(e) of the Act provides that "alternate bonds … shall be payable from the levy of taxes as is provided in this Act for general obligation bonds. Section 16 of the Act, entitled "Levy for bonds" states that "[a] governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds … at any time prior to March 1 of the calendar year during which the tax will be collected." 30 ILCS 350/16.

The Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing

[1] Section 3(l) of the Act defines "revenue source" as "a source of funds, other than enterprise revenues, received or available to be received by a governmental unit and available for any one or more of its corporate purposes." 30 ILCS 350/3(l).

> authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added).

<u>Bankruptcy Law</u>

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

<u>The Automatic Stay</u>

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate; ….
>
> (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[2] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "<u>1988 Amendments</u>")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506,

[2] Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

100th Cong., 2d Sess., 4 (1988). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[3] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In one of only two decisions interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, and as held by another court in connection with the Puerto Rico debt adjustment proceeding (discussed below) "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Moreover, Section 904 of the Bankruptcy Code provides that "[n]otwithstanding any power of the court, unless the debtor consents or the plan [of debt adjustment] so provides, the court may not, by any stay, order, or decree, in the case or otherwise, interfere with (1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor's use or enjoyment of any income-producing property."

Thus, while Section 922(d) should permit the Trustee to apply Pledged Taxes in its possession to payment of the Bonds and permit the Board to *voluntarily* continue to honor its obligations with respect to Pledged Taxes without interference from the bankruptcy stay, if the Board countermands the Deposit Directions or the County Collectors otherwise refuse to deposit collected Pledged Taxes with the Trustee, the court in a chapter 9 case of the Board may be powerless to compel the turnover or payment of Pledged Taxes to the Trustee for application to payment of the Bonds. While the court, as a condition to maintaining the stay against non-consensual enforcement of the lien against the Pledged Taxes, could require the Board to provide additional adequate protection if the bondholders are in danger of becoming

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[3] A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

undersecured,[4] if the Board refused or was unable to do so and the stay was lifted, the bondholders' recourse with respect to the Pledged Taxes may be limited to pursuit of their remedies under state law.

Certain of these issues have arisen most recently in the debt adjustment case of the Commonwealth of Puerto Rico under the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"). In *In re The Financial Oversight and Management Board for Puerto Rico* (*Assured Guaranty Corp., et al v. Commonwealth of Puerto Rico, et al.*), 582 B.R. 579 (D.P.R. 2018) ("Assured Guaranty"), plaintiffs were financial guarantee insurers of various bonds issued by certain public corporations of the Commonwealth, including the Puerto Rico Highway and Transportation Authority ("PHRTA"), and secured by a lien on what the plaintiffs contended were special revenues. The Commonwealth and, subsequently, the Commonwealth's Oversight Board, had ceased making payments on the bonds and also controlled the proceeds of pledged revenues held in a reserve account. The plaintiffs brought an action to compel payment of the bonds from pledged revenues and sought turnover of the revenues in the reserve account. The plaintiffs alleged that the failure of PHRTA to continue to make payments on its bonds as they come due violates Sections 922(d) and 928(a) of the Bankruptcy Code, made applicable in the PROMESA case by Section 301 of PROMESA. *Id.* at 590. They further contended, pleading in the alternative, that the proceeds in the reserve account were (i) the bondholders' property, (ii) held in trust for the bondholders, or (iii) subject to the lien of the bondholders. Id. at 597. The court held that Section 922(d) only exempts from the automatic stay the consensual application of special revenues by municipalities and others in control of special revenues, and does not impose a payment obligation on the municipality, address actions to enforce liens, or sanction the court's non-consensual interference with governmental properties or revenues which, the court believed, would violate constraints on its power under Section 305 of PROMESA (the counterpart to Section 904 of the Bankruptcy Code discussed above). Id. at 594-96. The court further held that Section 928(a) merely provides that a prepetition lien on special revenues continued during the post-petition period notwithstanding Section 552(a) of the Bankruptcy Code – it does not require payment or turnover of special revenues. *Id.* at 596. With respect to the proceeds in the reserve account, the court held that it lacked subject matter jurisdiction on justiciability grounds as to the lien claim alternatively pled by the plaintiffs, and held that with respect to the ownership and trust claims asserted by the plaintiffs, PRHTA had a sufficient interest in the reserve account proceeds to preclude a holding that the proceeds were property of or had to be turned over to the plaintiffs. *Id.* at 596-99.[5]

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections where there is diminution in the value of that property caused by the imposition of the automatic stay. Notably, the plaintiffs in Assured Guaranty did not seek stay relief.[6]

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Sections 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C.

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[4] If a creditor is oversecured and the debtor therefore has equity in the surplus collateral, the "equity cushion" itself may constitute adequate protection.

[5] Plaintiffs have appealed the court's decision to the United States Court of Appeals for the First Circuit (Docket No. 18-1166). The appeal remains pending as of the date hereof.

[6] Because the lien granted on collateral under bond indenture is in favor of the bond trustee for the benefit of all bondholders, it may be that no party other than the bond trustee can seek stay relief to exercise remedies as to the collateral.

§§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see* S. Rep. No. 100-506, 100th Cong., 2d Sess. 11 (1988). Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) … cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69. See also *Assured Guaranty*, 582 B.R. at 593.

Therefore, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of Section 552(a). *Collier* ¶ 928.02, at 928-3.

Although there is some support for the suggestion that, in enacting Section 928, Congress was primarily concerned with preserving liens on special revenues securing revenue bonds and not general obligation bonds,[7] the text of Section 928 (as well as Section 922(d)) is not limited to revenue bonds (or even bonds for that matter).[8] Moreover, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "NBC Report") provides that "[p]roposed section 92[8] *does not distinguish between bonds backed solely by special revenues and so-called doublebarrelled bonds*. These latter bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes." NBC Report, at 21 (emphasis added). Further, several legal commentators have observed that Section 928 should apply with equal force to "double-barreled" bonds. *See Collier* ¶ 928.02[2], at 928-5 ("[I]t should not matter whether the security interest arising under the security agreement is recourse or nonrecourse, or in the language of municipal finance, whether the bonds are 'double-barreled.'"); *Robert S. Amdursky, The 1988 Municipal Bankruptcy Amendments: History, Purposes and Effects*, 22 Urban Lawyer 1, 8 (Winter 1990) ("Section 928 does not distinguish between bonds backed solely by special revenues and so-called 'double-barrelled' bonds. Double-barrelled bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes. Section 928 should protect the bondholders' lien on the special revenues securing the double-barrelled bonds."); *see also General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations*, National Association of Bond

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7 See H. Rep. No. 100-1011, 100th Cong., 2d Sess., 4 (1988) (commenting that the termination of liens on post-bankruptcy revenues under Section 552(a) would cause "[t]he post-petition revenues generated by the asset financed [to] … not be used to repay holders of revenue bonds. Instead, the revenues would go into the general treasury, for distribution to all creditors of the municipality) (emphasis added).

8 Section 922(d)'s exception to the automatic stay applies to "indebtedness secured by [pledged special] revenues," and Section 928's protection of consensual liens against post-petition property of the debtor applies to liens on special revenues "resulting from any security agreement entered into by the debtor before the commencement of the case." Section 902(2)'s definition of special revenues does not even contain the word "bond".

Lawyers (August 2014), at 18 ("Although the 1988 Amendments were intended to resolve concerns about treatment of revenue bonds in Chapter 9, holders of general obligation bonds also may be able to take advantage of these provisions if the security pledged for their bonds constitutes special revenues.").

Special Revenues

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged Taxes, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. First, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[9] contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the report of the Senate accompanying its version of the relevant bill (S. 1863) contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be*

9 Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

> *treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

S. Rep. No. 100-506, 100th Cong., 2d Sess., 14 (1988) (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes. The *Heffernan* decision is also notable because the special sales taxes were pledged to pay bonds that were, in turn, used to refinance the Heffernan Memorial Hospital District's outstanding indebtedness. Thus, the case implicitly recognized that the costs of refinancing debt used to fund project costs – there the costs of a hospital district – satisfies Section 902(2)(E)'s requirement that the taxes be "levied to finance one or more projects or systems." *See id.* at 148 ("The Authority will generate sufficient proceeds from the Bonds ... to pay creditors in accordance with the Plan. As a result, the District will be indebted to the Authority on account of its 'buying' all claims against the District."). However, the *Heffernan* decision does not suggest that the refinancing issue was raised or challenged by the parties.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged Taxes' Qualification as Special Revenues

In the case of the Bonds, the Documents and applicable Illinois statutory law provide a reasonable basis to conclude that the Pledged Taxes should be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

With respect to the first requirement, the Bond Resolution and the Indenture provide a reasonable basis to conclude that the Pledged Taxes have been specifically levied to finance one or more projects. Section 3(a) of the Bond Resolution provides that they are "*hereby levied*," "[f]or the purpose of providing funds in addition to the Pledged Revenues to pay the principal of and interest on the Bonds." (Emphasis added.) Section 3(a) further describes the Pledged Taxes as a "direct annual tax" levied at a rate sufficient to achieve specified amounts of revenue for each year the Bonds are outstanding. Therefore, it is reasonably clear that the Pledged Taxes were "specifically levied" to repay the Bonds. No other purpose is contemplated or permitted by the Bond Resolution. Moreover, the Bond Resolution, which imposes the levy of the Pledged Taxes, was adopted for the purpose of authorizing the issuance of the Bonds. Thus, as described by the *NBC Report*, the Pledged Taxes have been levied and will be collected, if necessary, "for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax." *NBC Report*, at 19.

Consideration must then be given to the purpose of the Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, we assume that the proceeds of the Bonds will be used only to pay Project Costs. The Project is a series of construction projects and capital improvements outlined in the Board's Capital Improvement Program, as in effect and amended from time to time. Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the capital improvement costs of their respective hospital districts. Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the capital improvement costs of the School District constitute project costs, particularly where such costs are described and itemized in the Board's Capital Improvement Program. The costs of the Project may include certain administrative expenses, including employee salaries appropriately allocated to the Project or professional fees and expenses, but we assume that all such costs are directly related to the Project and that the Board will not use the proceeds of the Bonds to pay its general operating expenses.

With respect to the second requirement under Section 902(2)(E), the Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged Taxes may not be used to finance the general expenses of the Board.

The Bonds are alternate bonds issued under Section 15 of the Act and are, therefore, the general obligation bonds of the Board "payable from a revenue source." 30 ILCS 350/15. Pursuant to the Bond Resolution and the Indenture, the Bonds are payable and secured by the Pledged State Aid Revenues and the Pledged Taxes. Section 15(e) of the Act requires that such revenue sources "be in fact pledged to the payment of the [Bonds]," and that the Board covenant … to provide for, collect and apply such … revenue source[s] … to the payment of the [Bonds]." 30 ILCS 350/15(e). Accordingly, Illinois law mandates that the Pledged Taxes be pledged to and used for the payment of the Bonds.[10] Section 15 of the Act provides no authority for the application of the Pledged Taxes to the Board's general operating expenses.

Pursuant to Section 6 of the Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Direction directing the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, into the Pledged Taxes Account maintained by the Trustee under the Indenture. Consistent with the requirements of Section 15(e) of the Act, Section 5.4(B) of the Indenture requires that all Pledged Taxes received by the Trustee shall be applied to the payment of the Bonds due during the year in which the Pledged Taxes are collected. In the event that any excess Pledged Taxes remain on December 2nd of any year, after payment of the second and final bond payment due during a year, the Indenture requires that such excess amount "shall be transferred to the Board and … appl[ied] … to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement." Finally, Section 4(e) of the Bond Resolution and Sections 5.4(A) and 7.6(B) of the Indenture, require the Board to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes reducing the Pledged Taxes for any year in which the amount levied is greater than the amount required to pay the Bonds, after taking into account the Pledged Revenues and additional revenues on deposit with the Trustee.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged Taxes for any purpose other than to pay the Bonds. To the extent extended and collected, the Pledged Tax revenues will be deposited directly with the Trustee and must be applied by the Trustee to the payment of the Bonds. To the extent there is any excess Pledged Taxes after paying the amounts due on the Bonds during a given year, the School District's taxpayers – the same tax base that would have provided the Pledged Tax revenues – will receive a credit in the form of an abatement of the Education Fund tax levy. Similarly, if the Pledged Taxes are not needed because Pledged Revenues are sufficient, the Board is required to abate

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[10] Although we express no opinion as to whether Section 15(e) of the Act creates a statutory lien on the Pledged Revenues or the Pledged Taxes for purposes Section 101(53) of the Bankruptcy Code, there is a some basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the Indenture. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County.").

the levy of the Pledged Taxes for that year. Thus, assuming the Documents are complied with, the Pledged Taxes cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude that the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), if the Board commenced a chapter 9 case, the County Collectors and the Trustee should continue to be able to, respectively, transfer and apply the Pledged Taxes to the payment of the Bonds in accordance with the terms of the Deposit Direction and the Indenture, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged Taxes in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged Taxes that may be collected during the chapter 9 case. As noted above, however, to the extent that, notwithstanding the Deposit Direction, the Board obtains possession of the Pledged Taxes or otherwise blocks their deposit with the Trustee, there is a risk that actions to compel the payment of the Bonds will be stayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. We express no opinion regarding the Board's power to revoke the Deposit Direction or the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief, or, because of Section 904 of the Bankruptcy Code, the power of the bankruptcy court to grant the Trustee or bondholders any relief other than lifting the bankruptcy stay to permit the Trustee to pursue its state law and contractual remedies with respect to the Pledged Taxes.

Continuation of Lien on Pledged Taxes

Again, as we conclude that the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), pursuant to Section 928(a) of the Bankruptcy Code the liens granted to the Trustee under the Indenture on the Pledged Taxes should remain valid and enforceable against any Pledged Taxes collected during the bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged Taxes collected prior to the commencement of such case.

Therefore, even if application of the Pledged Taxes to the payment of the Bonds is stayed, the Trustee, on behalf of the holders of the Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged Taxes, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged Taxes, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged Taxes before sharing pro rata in the Board's general treasury funds with unsecured creditors to the extent of any deficiency. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[11]

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[11] To the extent that Pledged Revenues are deposited by the Board with the Trustee in an amount sufficient to pay the Bonds for the year and abate the Pledged Taxes and, thereafter, but prior to the actual payment of the Bonds for the year, the Board commences a chapter 9 case, the Trustee should nonetheless be found to hold an enforceable lien against the Pledged Revenues in the Trustee's possession. We reach this conclusion because, under such facts,

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court should reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a State's authority to control its municipalities. These considerations may allow a bankruptcy court properly to, among other things, authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings

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the Pledged Revenues would be property of the Board acquired *before* the commencement of its bankruptcy case such that Section 552(a) of the Bankruptcy Code would not affect the continuing validity of the Trustee's liens on such revenues. In addition, the Pledged Revenues would be held by the Trustee in a segregated account, and thus likely to be considered subject to a perfected lien. Accordingly, in this situation, the Trustee would be entitled to assert the various rights of a secured creditor, as discussed herein, with respect to such Pledged Revenues. We do not conclude, however, that the Pledged Revenues are special revenues under Section 902(2) of the Bankruptcy Code and we express no opinion regarding the potential impact of the automatic stay upon the Trustee's ability to apply the Pledged Revenues to payment of the Bonds or regarding the ability of the Board to utilize such Pledged Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee.

for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion letter may be furnished to, but may not be relied upon by, the Board's professional advisers, municipal bond rating agencies engaged by the Board for the purpose of rating the Bonds and the professional advisers of any such rating agencies. We further consent to the inclusion of a copy of this opinion letter in the appendices to the preliminary official statement and the official statement with respect to the public offering of the Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

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APPENDIX J

REFUNDED BONDS

Series	Maturity	Interest Rate (%)	Redemption Date	Par Amount ($)	CUSIP
2008C	12/1/2019	5.00%	12/31/2018	5,970,000	167505TM8
2008C	12/1/2020	5.00%	12/31/2018	10,120,000	167505EU6
2008C	12/1/2021	5.00%	12/31/2018	10,660,000	167505EV4
2008C	12/1/2022	5.00%	12/31/2018	41,535,000	167505EW2
2008C	12/1/2023	5.25%	12/31/2018	24,335,000	167505EX0
2008C	12/1/2023	5.25%	12/31/2018	19,385,000	167505FH4[1]
2008C	12/1/2024	5.25%	12/31/2018	10,305,000	167505EY8
2008C	12/1/2024	5.25%	12/31/2018	35,840,000	167505FJ0[1]
2008C	12/1/2025	5.25%	12/31/2018	27,700,000	167505EZ5
2008C	12/1/2025	5.25%	12/31/2018	20,895,000	167505FT8[1]
2008C	12/1/2026	5.25%	12/31/2018	20,950,000	167505FA9
2008C	12/1/2026	5.25%	12/31/2018	30,315,000	167505FU5[1]
2008C	12/1/2027	5.00%	12/31/2018	80,365,000	167505FB7
2008C	12/1/2028	5.00%	12/31/2018	20,940,000	167505FC5
2008C	12/1/2029	5.00%	12/31/2018	22,040,000	167505FD3
2008C	12/1/2032	5.00%	12/31/2018	63,420,000	167505FE1
Total:				**444,775,000**	
2009D	12/1/2020	5.00%	12/31/2018	6,960,000	167505JL1
2009D	12/1/2021	5.00%	12/31/2018	5,300,000	167505JM9
Total:				**12,260,000**	

[1] Indicates CUSIPs with bond insurance added in the secondary market by bondholders; bond insurance not purchased by the Board at the time of issuance of the bonds.

APPENDIX K

ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City of Chicago (the "City" or "Chicago"), whose boundaries are coterminous with the boundaries of the School District governed by the Board. Sources of information are set forth in footnotes. With respect to non-Board sources, the Board considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Overview

The Chicago metropolitan area has a population of 9.5 million people, with over 4.7 million employees. [1,2] Chicago's large and diverse economy contributed to a gross regional product of more than $680 billion in 2017.[3]

Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.13 million tons of freight, mail, and goods annually.[4]

The Chicago Public School system is the third largest school district in the nation and the City Colleges of Chicago operate seven colleges and serve approximately 83,181 students.[5]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality, and manufacturing.[6]

Transportation

According to statistics compiled by Airports Council International in 2016, O'Hare ranked sixth worldwide and third in the United States in terms of total passengers while Midway ranked 26th in the United States. [7] According to the Chicago Department of Aviation, O'Hare and Midway had 47.5 and 12.8 million in total passenger volume in the first half of 2018, respectively. O'Hare supports substantial

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[1] U.S. Census Bureau (2016). American Community Survey 1-year estimates. Retrieved from Census Reporter Profile page for Chicago-Naperville-Elgin, IL-IN-WI Metro Area. https://censusreporter.org/profiles/31000US16980-chicago-joliet-naperville-il-in-wi-metro-area/

[2] U.S. Bureau of Labor Statistics, "Chicago Area Employment – November 2017," https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm

[3] U.S. Bureau of Economic Analysis, "Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf

[4] Chicago Department of Aviation, "Monthly Operations, Passengers, Cargo Summary by Class, July 2018," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

[5] City Colleges of Chicago, "Fiscal Year 2017 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx

[6] U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, October 3, 2018," https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf

[7] Airports Council International "2016 North American (ACI-NA) Top 50 Airports," http://www.aci-na.org/content/airport-traffic-reports

international service with international passengers constituting approximately 17% of total enplaned passengers in the first half of 2018.[8]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,864 buses operating over 129 routes and 1,536 route miles, making 19,237 trips per day and serving 10,768 bus stops; 1,492 rail cars operating over 8 routes and 224 miles of track, making 2,318 trips each day and serving 145 stations; and 1.6 million rides on an average weekday and over 497 million rides a year (bus and train combined).[9]

Population

Chicago is home to over 2.7 million people that live in more than one million households.[10] The City's population increased nearly 0.8% since the 2010 Census.[11]

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimates for 2016 and 2017 is set forth below.

Population[12]
1980—2017

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2016 Estimate	323,127,513	12,801,539	5,203,499	2,704,958
2017 Estimate	325,719,178	12,802,023	5,211,263	2,716,450

36.5% of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 30.3%.[13]

8 Chicago Department of Aviation Airport Budget Statistics, "Monthly Operations, Passengers, Cargo Summary by Class, July 2018," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

9 Chicago Transit Authority, "CTA Facts at a Glance, Fall 2017," http://www.transitchicago.com/about/facts.aspx

10 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/fact/table/chicagocityillinois,US/PST045216 (accessed October 24, 2018).

11 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 24, 2018)

12 U.S. Census Bureau, "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Cook County, Illinois," https://www.census.gov/quickfacts/table/RHI805210/17031; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 24, 2018)

13 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 24, 2018)

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago Metropolitan Statistical Area ("MSA") is set forth below for the years 2007 through 2017.

Per Capita Income[14]
2007—2017

Year	United States	State of Illinois	Cook County	Chicago MSA
2007	$39,844	$42,422	$46,662	$45,763
2008	40,904	43,306	47,176	46,488
2009	39,284	41,071	43,289	43,264
2010	40,545	42,088	43,662	43,801
2011	42,727	44,172	45,341	45,815
2012	44,582	46,067	47,897	48,302
2013	44,826	47,160	49,201	49,105
2014	47,025	49,530	52,872	52,006
2015	48,940	51,648	55,506	54,518
2016	49,831	52,473	56,669	55,621
2017	51,640	54,203	Not Available	Not Available

Chicago's 2016 median household income is $50,434, compared to $59,196 in Illinois and $55,322 in the United States, and Chicago ranks 7th among other major metropolitan areas on the cost of living index.[15, 16]

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14 U.S. Bureau of Economic Analysis, "Interactive Data," http://www.bea.gov/iTable/index.cfm (accessed October 25, 2018)

15 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/RHI805210/1714000; "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 25, 2018)

16 World Business Chicago, "Demographics" http://www.worldbusinesschicago.com/research-data/demographics/ (accessed October 25, 2018)

Employment

Total employment for the State of Illinois, Cook County, the Chicago MSA, and the City for the years 2008 through 2017 is set forth below.

Employment (in thousands)[17,18]
2008—2017

Year	State of Illinois	Cook County	Chicago MSA	Chicago
2008	5,947	2,501	4,525	1,231
2009	5,656	2,376	4,288	1,174
2010	5,611	2,346	4,242	1,206
2011	5,676	2,377	4,302	1,208
2012	5,750	2,406	4,373	1,228
2013	5,804	2,426	4,441	1,236
2014	5,879	2,468	4,508	1,257
2015	5,969	2,531	4,593	1,273
2016	6,013	2,562	4,658	1,286
2017	6,042	2,572	4,697	1,288

* December 2016 data.

[17] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/bls/employment.htm (accessed October 26, 2018)
[18] US Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://beta.bls.gov/dataViewer/view/timeseries/LAUCT171400000000005 (accessed October 26, 2018)

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for December 2017 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
August 2018*[19]

Sector	United States	State of Illinois	Chicago MSA
Trade, transportation, and utilities	18.61%	19.85%	19.99%
Education and health services	15.69%	15.16%	15.11%
Government	14.28%	13.77%	11.40%
Professional and business services	14.22%	15.49%	17.71%
Leisure and hospitality	11.45%	10.11%	10.63%
Manufacturing	8.58%	9.65%	8.87%
Financial activities	5.80%	6.53%	6.57%
Construction	5.04%	3.70%	4.03%
Other services	3.97%	4.10%	4.09%
Information	1.86%	1.52%	1.57%
Mining and logging	0.51%	0.13%	0.03%
Total	100.0%	100.0%	100.0%

*not seasonally adjusted

[19] U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm https://www.bls.gov/eag/eag.il.htm (accessed October 26, 2018)

The City's average annual unemployment rate decreased from 11.2% in 2010 to 5.4% in 2017, while statewide, Illinois' unemployment rate dropped from 10.4% in 2010 to 5.0% in 2017.[20] In 2017, the Chicago MSA's annual unemployment rate was 4.9%.[21]

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2008 through 2017.

Annual Unemployment Rates [22]
2008—2017

Year	United States	State of Illinois	Cook County	Chicago MSA	Chicago
2008	5.8	6.3	6.4	6.1	7.0
2009	9.3	10.2	10.5	10.2	11.1
2010	9.6	10.4	10.9	10.6	11.2
2011	8.9	9.7	10.4	9.9	10.9
2012	8.1	9.0	9.6	9.1	10.0
2013	7.4	9.1	9.7	9.1	10.1
2014	6.2	7.1	7.5	7.1	7.8
2015	5.3	6.0	6.2	5.9	6.6
2016	4.9	5.8	6.1	5.8	6.5
2017	4.4	5.0	5.2	4.9	5.4

20 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/news.release/archives/laus_01242017.pdf (accessed March 9, 2018)

21 Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CHIC917URN (accessed October 26, 2018)

22 Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/ILCOOK1URN (accessed October 26, 2018)

Employers

The principal non-governmental employers in the Chicago MSA for 2016 are set forth below.

Principal Chicago MSA Non-Governmental Employers[23]

2016

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	18,930	1.48%
University of Chicago	16,374	1.28
Northwestern Memorial Healthcare	15,747	1.23
J.P. Morgan Chase & Co.	15,229	1.19
United Continental Holdings Inc.	15,157	1.18
Walgreens Boots Alliance Inc.	12,685	0.99
Northwestern University	10,241	0.80
Presence Health	10,183	0.79
Abbott Laboratories	9,800	0.76
Jewel Food Stores, Inc.	9,660	0.75

[23] See the Board's Comprehensive Annual Financial Report set forth in APPENDIX B to this Official Statement. Chicago Public Schools Annual Financial Report for the year ended June 30, 2017, http://cps.edu/About_CPS/Financial_information/Documents/FY17_CAFR.pdf

Top Taxpayers

The top property taxpayers in Chicago in 2016 based on 2016 EAV are shown in the following table.

Top Ten Property Taxpayers 2016[24]
($ in thousands)

Rank	Property	2016 EAV	% of Total EAV
1	Willis Tower	$ 406,464	0.55%
2	AON Building	252,408	0.34
3	Blue Cross Blue Shield Tower	250,676	0.34
4	Water Tower Place	226,358	0.31
5	300 N. LaSalle	212,135	0.29
6	Franklin Center	205,994	0.28
7	Chase Plaza	204,322	0.28
8	Citadel Center	203,126	0.27
9	Prudential Plaza	196,745	0.27
10	Three First National Plaza	191,736	0.26
	Total	$2,349,964	3.19%

As shown in the table, the top ten taxpayers account for less than 3.5% of the City's total tax base.

[24] Chicago Public Schools Annual Financial Report for the year ended June 30, 2017, http://cps.edu/About_CPS/Financial_information/Documents/FY17_CAFR.pdf

APPENDIX L

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX L-1

FORM OF OPINIONS OF CO-BOND COUNSEL RELATED TO THE SERIES 2018C BONDS

December 13, 2018

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $450,115,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C (the "Bonds") of the Board of Education of the City of Chicago, a school district of the State of Illinois (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 18-0725-RS8 adopted by the Chicago Board of Education on July 25, 2018 (the "Bond Resolution") and a Trust Indenture dated as of December 1, 2018 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated December 13, 2018. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2019 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2019	$ 7,535,000
2020	6,750,000
2021	16,340,000
2022	41,930,000
2023	44,135,000
2024	46,475,000
2025	48,825,000
2026	51,385,000
2027	3,005,000
2027	77,360,000
2028	20,935,000
2029	22,035,000
2030	23,190,000
2031	24,390,000
2032	15,825,000

The Bonds maturing on or after December 1, 2029 are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a maturity, on December 1, 2028 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the Bond Resolution, to enter into the Indenture and to authorize the Bonds.

The Bond Resolution is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged State Aid Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the Bond Resolution and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought.

Very truly yours,

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APPENDIX L-2

FORM OF OPINIONS OF CO-BOND COUNSEL RELATED TO THE SERIES 2018D BONDS

December 13, 2018

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $313,280,000 principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D (the "Bonds") of the Board of Education of the City of Chicago, a school district of the State of Illinois (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 16-0824-RS5, adopted by the Chicago Board of Education on August 24, 2016 (the "2016 Authorizing Resolution"), Resolution 18-0725-RS6 adopted by the Chicago Board of Education on July 25, 2018 (the "Bond Resolution") and a Trust Indenture dated as of December 1, 2018 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated December 13, 2018. The Bonds mature on December 1, 2046 and bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2019 and semiannually thereafter on June 1 and December 1 in each year.

The $125,000,000 principal amount of the Bonds bearing the initial CUSIP Number 167505WC6 (the "Five Year Call Bonds") are subject to redemption prior to maturity at the option of the Board, as a whole, or in part by lot, on December 1, 2023 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The $188,280,000 principal amount of the Bonds bearing the initial CUSIP Number 167505WB8 (the "Ten Year Call Bonds") are subject to redemption prior to maturity at the option of the Board, as a whole, or in part by lot, on December 1, 2028 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Five Year Call Bonds and the Ten Year Call Bonds are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

Five Year Call Bonds		Ten Year Call Bonds	
Year	Principal Amount	Year	Principal Amount
2043	$11,595,000	2043	$17,465,000
2044	25,935,000	2044	39,065,000
2045	48,665,000	2045	73,305,000

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of raising moneys to construct, acquire and equip school buildings in and for the school district governed by the Board (the "School Board").

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the 2016 Authorizing Resolution and the Bond Resolution, to enter into the Indenture and to authorize the Bonds.

The 2016 Authorizing Resolution and the Bond Resolution have been duly adopted.

The 2016 Authorizing Resolution and the Bond Resolution are presently in full force and effect, are valid and binding upon the Board and are enforceable in accordance with their terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the 2016 Authorizing Resolution, the Bond Resolution and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought.

Very truly yours,

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APPENDIX M

FORM OF SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

APPENDIX N

ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2018D BONDS

The Series 2018D Bonds are payable from multiple sources of Pledged Revenues as described in the Official Statement. The Series 2018D Bonds are secured by a pledge of Pledged State Aid Revenues and Pledged PPRT Revenues. Each source of Pledged Revenues is allocated under the Series 2018D Indenture to the funding of specified debt service obligations on the Series 2018D Bonds. For further discussion of the Pledged Revenues securing the Bonds, including the Series 2018D Bonds, see "SECURITY FOR THE BONDS – Pledged Revenues" in the Official Statement.

The following table shows the allocation of Pledged Revenue sources for the Series 2018D Bonds under the Series 2018D Indenture. Interest on the Series 2018D Bonds due and payable through and including December 1, 2020 will be paid from funds on deposit under the Series 2018D Indenture.

<u>Series 2018D</u>

Bond Year Ending December 1	Pledged PPRT Revenues	Pledged State Aid Revenues
2021	$ 7,195,812	$ 8,468,188
2022	7,197,205	8,466,795
2023	7,196,318	8,467,682
2024	7,197,364	8,466,636
2025	8,168,545	7,495,455
2026	8,168,545	7,495,455
2027	8,168,545	7,495,455
2028	15,664,000	–
2029	15,664,000	–
2030	15,664,000	–
2031	15,664,000	–
2032	15,664,000	–
2033	15,664,000	–
2034	15,664,000	–
2035	15,664,000	–
2036	15,664,000	–
2037	11,565,420	4,098,580
2038	10,656,080	5,007,920
2039	10,654,930	5,009,070
2040	10,646,230	5,017,770
2041	10,648,330	5,015,670
2042	10,652,830	5,011,170
2043	4,631,102	40,092,898
2044	35,829,750	43,381,250
2045	12,385,545	120,545,455
2046	–	102,112,500

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BOARD OF EDUCATION OF THE CITY OF CHICAGO • Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2018C and Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D

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