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

*In the opinion of Katten Muchin Rosenman LLP and Charity & Associates, P.C., 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.*

$349,078,872.25
BOARD OF EDUCATION OF THE CITY OF CHICAGO

$225,283,872.25 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019A

$123,795,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019B

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 aggregate original principal amount of $225,283,872.25 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A (the "Series 2019A Bonds"); and the $123,795,000.00 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B (the "Series 2019B Bonds" and each a "Series" and collectively the "Bonds"). The Series 2019A Bonds consist of $61,503,872.25 aggregate original principal amount of capital appreciation bonds (the "Series 2019A Capital Appreciation Bonds") and $163,780,000 aggregate principal amount of current interest bonds (the "Series 2019A Current Interest Bonds"). The Series 2019A Current Interest Bonds and the Series 2019B Bonds are collectively referred to herein as the "Current Interest 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 Series 2019A Capital Appreciation Bonds will be issued as fully registered bonds in the Maturity Amount denominations of $100,000 and any integral multiple of $5,000 in excess thereof. The Current Interest 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 the applicable 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, Maturity Amounts, interest rates, yields, prices, and CUSIP numbers of each Series of the Bonds are set forth on the inside cover pages. The Series 2019A Capital Appreciation Bonds are not subject to redemption prior to maturity. The Current Interest Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

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, Thompson Coburn LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Mayer Brown LLP, Chicago, Illinois and Pugh, Jones & Johnson, P.C., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, McGuireWoods LLP, Chicago, Illinois.

Delivery of the Bonds is expected to be made through the facilities of DTC, on or about September 12, 2019.

J.P. Morgan **Mesirow Financial, Inc.**

Loop Capital Markets
Citigroup
Estrada Hinojosa
Siebert Cisneros Shank & Co. LLC
Wells Fargo Securities

Cabrera Capital Markets, LLC
Goldman Sachs & Co. LLC
Morgan Stanley
Rice Financial Products Company
Valdés & Moreno, Inc.

Dated: September 5, 2019

$225,283,872.25 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019A

Series 2019A Capital Appreciation Bonds

MATURITY DECEMBER 1	PRINCIPAL AMOUNT ($)	ACCRETION RATE (%)	YIELD (%)	PRICE (%)	VALUE AT MATURITY ($)	CUSIP†
2025	29,898,654.40	2.89	2.89	100	35,740,000	167505WH5
2026	29,650,416.05	2.94	2.94	100	36,605,000	167505WJ1
2027	1,954,801.80	3.04	3.04	100	2,505,000	167505WL6

Series 2019A Current Interest Bonds

MATURITY DECEMBER 1	PRINCIPAL AMOUNT ($)	RATE (%)	YIELD (%)	PRICE (%)	CUSIP†
2027	35,000,000	4.00	2.75	109.136	167505WK8
2028	39,870,000	5.00	2.63	119.286	167505WM4
2029	42,855,000	5.00	2.68	120.615	167505WN2
2030	46,055,000	5.00	2.74	120.021*	167505WP7

* Priced to par call on December 1, 2029.

$123,795,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019B

MATURITY DECEMBER 1	PRINCIPAL AMOUNT ($)	RATE (%)	YIELD (%)	PRICE (%)	CUSIP†
2021	500,000	5.00	2.08	106.298	167505WQ5
2022	6,900,000	5.00	2.19	108.685	167505WR3
2023	7,665,000	5.00	2.29	110.837	167505WS1
2024	8,120,000	5.00	2.40	112.680	167505WT9
2025	8,660,000	5.00	2.46	114.561	167505WU6
2026	9,225,000	5.00	2.50	116.416	167505WV4
2027	9,810,000	5.00	2.57	117.897	167505WW2
2028	10,410,000	5.00	2.63	119.286	167505WX0
2029	11,065,000	5.00	2.68	120.615	167505WY8
2030	11,745,000	5.00	2.74	120.021*	167505WZ5
2031	12,440,000	5.00	2.75	119.922*	167505XA9
2032	13,210,000	5.00	2.78	119.627*	167505XB7
2033	14,045,000	5.00	2.81	119.332*	167505XC5

* Priced to par call on December 1, 2029.

† 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.

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.

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 heading "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 heading "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

Miguel del Valle
President

Sendhil Revuluri
Vice President

Luisiana Melendez
Amy Rome
Lucino Sotelo
Elizabeth Todd-Breland
Dwayne Truss

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

Katten Muchin Rosenman LLP
Charity & Associates, P.C.
Co-Bond Counsel

Thompson Coburn LLP
Cotillas and Associates
Co-Issuer's Counsel to the Board

Mayer Brown LLP
Pugh, Jones & Johnson, P.C.
Co–Disclosure Counsel to the Board

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

* Mr. DeNard has informed the Chief Executive Officer of the Board of his intention to leave his position as Senior Vice President of Finance of the Board by the end of September 2019.

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APPENDICES

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$349,078,872.25
BOARD OF EDUCATION OF THE CITY OF CHICAGO

$225,283,872.25 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019A

$123,795,000 UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019B

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 $225,283,872.25 aggregate original principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A (the "Series 2019A Bonds") and its $123,795,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B (the "Series 2019B Bonds" and each a "Series" and collectively the "Bonds"). The Series 2019A Bonds consist of $61,503,872.25 aggregate original principal amount of capital appreciation bonds (the "Series 2019A Capital Appreciation Bonds") and $163,780,000 aggregate principal amount of current interest bonds (the "Series 2019A Current Interest Bonds"). The Series 2019A Current Interest Bonds and the Series 2019B Bonds are collectively referred to herein as the "Current Interest 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 2019A Bonds will be used to purchase from the owners thereof all of the Board's outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008A currently outstanding in the principal amount of $262,785,000 (the "Series 2008A Bonds"), and proceeds of the Series 2019B Bonds will be used to purchase from the owners thereof all of the Board's outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008B currently outstanding in the principal amount of $169,425,000 (the "Series 2008B Bonds" and together with the Series 2008A Bonds, the "Purchased Bonds"). The Purchased Bonds will be cancelled when purchased. See "PLAN OF FINANCE."

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 of each Series are Alternate Revenue Bonds (as defined herein), under the Local Government Debt Reform Act, as amended (30 ILCS 350 *et. seq*.) (the "Debt Reform Act"), and are secured by one or more dedicated revenue sources (the "Pledged Revenues"). Under the Bond Resolution (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 of a Series 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."

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

A portion of the proceeds of the Series 2019A Bonds will be used, together with other available funds, to purchase from the owners thereof all of the Series 2008A Bonds. A portion of the proceeds of the Series 2019B Bonds will be used, together with other available funds, to purchase from the owners thereof all of the Series 2008B Bonds. The Purchased Bonds will be cancelled when purchased. The transactions or series of transactions to effectuate the refunding of the Purchased Bonds are referenced to herein as the "Bond Purchase Plan." The Bond Purchase Plan contemplates the purchase of the Purchased Bonds at an aggregate price of 93% of the principal amount of the Purchased Bonds as shown below.

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 2019A**	**SERIES 2019B**	**TOTAL**
Principal Amount	$225,283,872.25	$123,795,000.00	$349,078,872.25
Net Premium/(Discount)	28,942,158.00	21,448,473.05	50,390,631.05
Funds on Hand	11,505,131.56	--	--
Total Sources of Funds	$265,731,161.81	$145,243,473.05	$410,974,634.86
USES:			
Bond Purchase Plan Deposits	$262,785,000.00	$139,170,300.00	$401,955,300.00
Capitalized Interest Deposit	--	4,453,181.25	4,453,181.25
Costs of Issuance*	2,946,161.81	1,619,991.80	4,566,153.61
Total Uses of Funds	$265,731,161.81	$145,243,473.05	$410,974,634.86

* Includes Underwriters' discount, legal, administrative and miscellaneous fees, and expenses.

2020 Capital Plan Financing and Future Financings

The Board has outlined a 2020 Capital Plan (as defined herein), which contemplates (in part) the use of additional bonds to provide financing. The Board expects to evaluate market conditions and may, from time to time, issue additional bonds to fund the 2020 Capital Plan or to refund outstanding bonds of the Board. See "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

The Board has regularly relied on short-term borrowing to fund liquidity. While no such short-term borrowing program yet has been authorized by the Board, the Board anticipates that a tax anticipation program providing for the issuance of up to $1.25 billion of tax anticipation notes with respect to the 2019 ad valorem property taxes for educational purposes will be utilized to fund liquidity during Fiscal Year 2020. 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 Series 2019A Capital Appreciation Bonds mature (without the option of prior redemption) on the dates and in the Maturity Amounts as shown on the inside cover pages hereof. The Series 2019A Capital Appreciation Bonds are issuable in the Maturity Amount denominations of $100,000 and any integral multiple of $5,000 in excess thereof. The Current Interest Bonds of each Series shall mature on the dates and in the principal amounts shown on the inside cover pages hereof. The Current Interest Bonds shall be issued in the denomination of $100,000 and any integral multiple of $5,000 in excess thereof, 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

Interest on the Series 2019A Capital Appreciation Bonds will be payable only at maturity. Interest on the Series 2019A Capital Appreciation Bonds will compound from the Issue Date to December 1, 2019 and semi-annually thereafter on each June 1 and December 1, at such rate per annum as will provide the yield to maturity as shown on the inside cover pages hereof. With respect to each $5,000 Maturity Amount of each Series 2019A Capital Appreciation Bond, the Original Principal Amount thereof for each maturity is as follows:

Maturity Date	Original Principal Amount per $5,000 Maturity Amount
December 1, 2025	$4,182.80
December 1, 2026	4,050.05
December 1, 2027	3,901.80

The Accreted Value per $5,000 Maturity Amount of each Series 2019A Capital Appreciation Bond on any June 1 or December 1 is the Original Principal Amount of such Series 2019A Capital Appreciation Bond with accrued interest thereon as set forth in Appendix N, and with respect to any date other than June 1 or December 1, the Accreted Value shall be determine conclusively by the Trustee or a certified public accountant selected by the Trustee, by interpolating such Accreted Value, using the straight line method, by reference to the Accreted Values on the June 1 or December 1 immediately prior to and immediately subsequent to such date, and the number of days (based on a year of 360 days consisting of twelve 30 day months, elapsed since the June 1 of December 1 immediately prior to such date.

The Current Interest Bonds of each Series shall bear interest at the respective rates shown on the inside cover pages hereof. Each Current Interest 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 Series 2019A Current Interest Bonds shall be payable on June 1 and December 1 of each year, commencing December 1, 2019. Interest on the Series 2019B Bonds shall be payable on June 1 and December 1 of each year, commencing June 1, 2020. Interest on each Current Interest Bond will be payable on each Interest Payment Date to the person in whose name such Current Interest 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 Current Interest Bonds is computed on the basis of a 360–day year consisting of 12 months of 30 days each.

Redemption Provisions

Optional Redemption.

Series 2019A Bonds. The Series 2019A Current Interest Bonds maturing on December 1, 2030 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), in such principal amounts as the Board shall determine, on any date on or after December 1, 2029, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

The Series 2019A Capital Appreciation Bonds are not subject to the option of redemption prior to maturity.

Series 2019B Bonds. The Series 2019B Bonds maturing on or after December 1, 2030 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, 2029, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

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 of the same Series, 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 tenor and 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, Maturity Amount 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 such Indenture and the pledge of the Trust Estate under such 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."

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, Authorizations and Bond Resolution

The Bonds are issued under the School Code and 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.

The Bonds are authorized and will be issued pursuant to Resolution No. 19-0724-RS1, adopted by the Board on July 24, 2019 (the "Bond Resolution"), which authorizes the issuance of bonds in the aggregate principal amount not to exceed $432,000,000 for the purposes of paying (i) the cost of the Bond Purchase Plan, (ii) capitalized interest on the Bonds, and (iii) costs of issuance of the Bonds.

Sources of Payment for the Bonds

Each Series of the Bonds is a series of statutory refunding bonds and is payable from and secured under the applicable Indenture by a pledge of and lien on (i) the applicable Pledged Revenues pledged pursuant to the 2008 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 the applicable Indenture securing a Series of the Bonds.

Pledged Revenues

Overview. The Pledged Revenues securing the Series 2019A Bonds consist of Intergovernmental Agreement Revenues (as defined herein) and Pledged PPRT Revenues (as defined herein). Each source of

Pledged Revenues securing the Series 2019A Bonds is allocated under the Series 2019A Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX M – "ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2019A BONDS." The Pledged Revenues securing the Series 2019B Bond consist of Pledged State Aid Revenues (as defined herein).

The Board has determined that the Pledged Revenues securing the Series 2019A Bonds will provide in each year an amount not less than 1.25 times annual debt service to be paid from Intergovernmental Agreement Revenues and Pledged PPRT Revenues. The Board also has determined that the Pledged Revenues securing the Series 2019B Bonds, as a "governmental revenue source" under the Debt Reform Act, will provide in each year an amount not less than 1.10 times annual debt service to be paid from the Pledged State Aid Revenues. In each case, the amount of Pledged Revenues as compared to the annual debt service to be paid from the applicable Pledged Revenues is referred to as the "Statutory Coverage."

Intergovernmental Agreement Revenues. The Board has issued and there are outstanding Alternate Revenue Bonds secured by Intergovernmental Agreement Revenues (the "Outstanding Intergovernmental Revenue Bonds"). The pledge of Intergovernmental Agreement 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. "Intergovernmental Agreement Revenues" include those amounts paid to the Board pursuant to an Intergovernmental Agreement (the "Intergovernmental Agreement") dated as of October 1, 1997, by and between the Board and the City (the "Intergovernmental Agreement Revenues"). The amounts to be provided by the City pursuant to the Intergovernmental Agreement will be derived from the proceeds of ad valorem property taxes levied in specified years by the City on all taxable property within the City. See "INTERGOVERNMENTAL AGREEMENT REVENUES – Intergovernmental Revenues Pledged to Secure Alternate Revenues Bonds" for a description of the amount of such revenues pledged to Outstanding Pledged Intergovernmental Agreement Revenues 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 "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 2019A 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.

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." See "STATE AID REVENUES." Prior to the issuance of the Bonds and the purchase and cancellation of the Purchased Bonds, the Board has issued and there are 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 Series 2019B 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.

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 IGA Bonds and Prior PPRT Bonds (with respect to the Series 2019A Bonds), or any outstanding Prior Authorization Bonds (with respect to the Series 2019B Bonds), as the case may be, 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 then-current year's tax extension.

Pledged Taxes Levied. Pursuant to the Bond Resolution, the Board has levied the Pledged Taxes for each year that each 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 applicable 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. To date, 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*." With respect to the portions of the Series 2019A Bonds secured by Pledged PPRT Revenues and with respect to the Series 2019B Bonds secured by Pledge State Aid Revenues, 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). With respect to the portions of the Series 2019A Bonds secured by Intergovernmental Agreement Revenues (which consist of ad valorem property taxes, i.e. "School Building and Improvement Taxes," that have been levied by the City), the Pledged Taxes will be abated by the Board each year on receipt of a Segregation Order (as herein defined) by each of the County Collectors directing the segregation and payment to the IGA/PPRT Escrow Agent (as herein defined) of the School Building and Improvement Taxes (as herein defined) in amounts sufficient to make the required deposit to the Pledged Revenues Account under the applicable Indenture for such year.

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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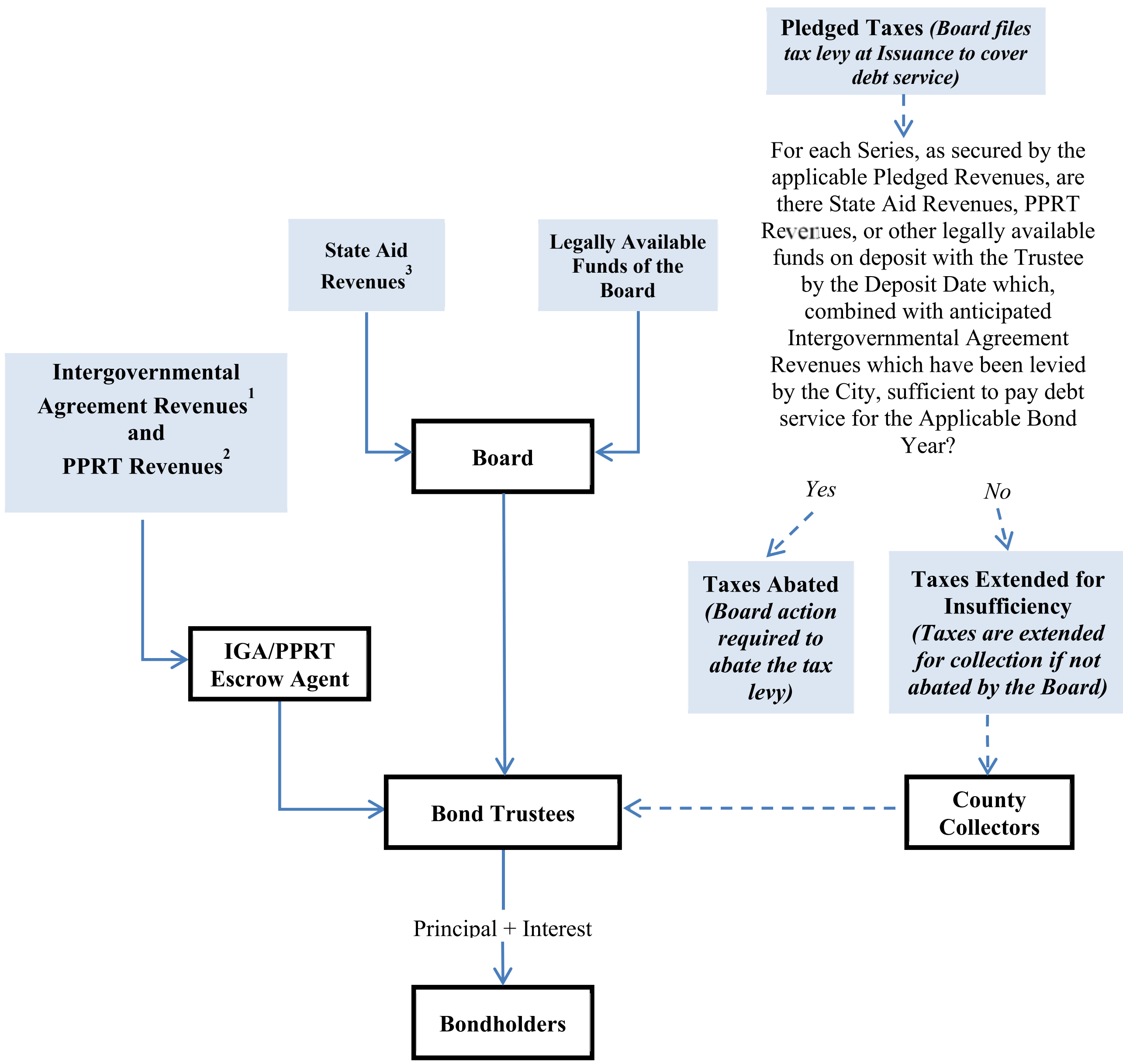
Flow of Pledged Revenues and Pledged Taxes Under the Indentures

The diagram below describes the collection, deposit and application of Pledged PPRT Revenues and Pledged Intergovernmental Agreement Revenues (both solely with respect to the Series 2019A Bonds), Pledged State Aid Revenues (solely with respect to the Series 2019B Bonds) and Pledged Taxes under the Indentures.



1. Intergovernmental Agreement Revenues Intercept: City Council of the City has levied direct annual taxes to provide Intergovernmental Agreement Revenues. City will file written direction with the County Collectors specifying the amount of Intergovernmental Agreement Revenues which are collected annually and directing the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues with the IGA/PPRT Escrow Agent. The IGA/PPRT Escrow Agent deposits debt service funds directly with the applicable bond trustee.
2. PPRT Revenues Intercept: 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 IGA/PPRT Escrow Agent. The IGA/PPRT Escrow Agent deposits debt service funds directly with the applicable bond trustee.
3. See "—Post Default Remedy for Pledged State Aid Revenues" herein.

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 Series 2019B 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 Series 2019B 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, unless and until the "Security Account Requirement" (as defined herein) has been met. 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.

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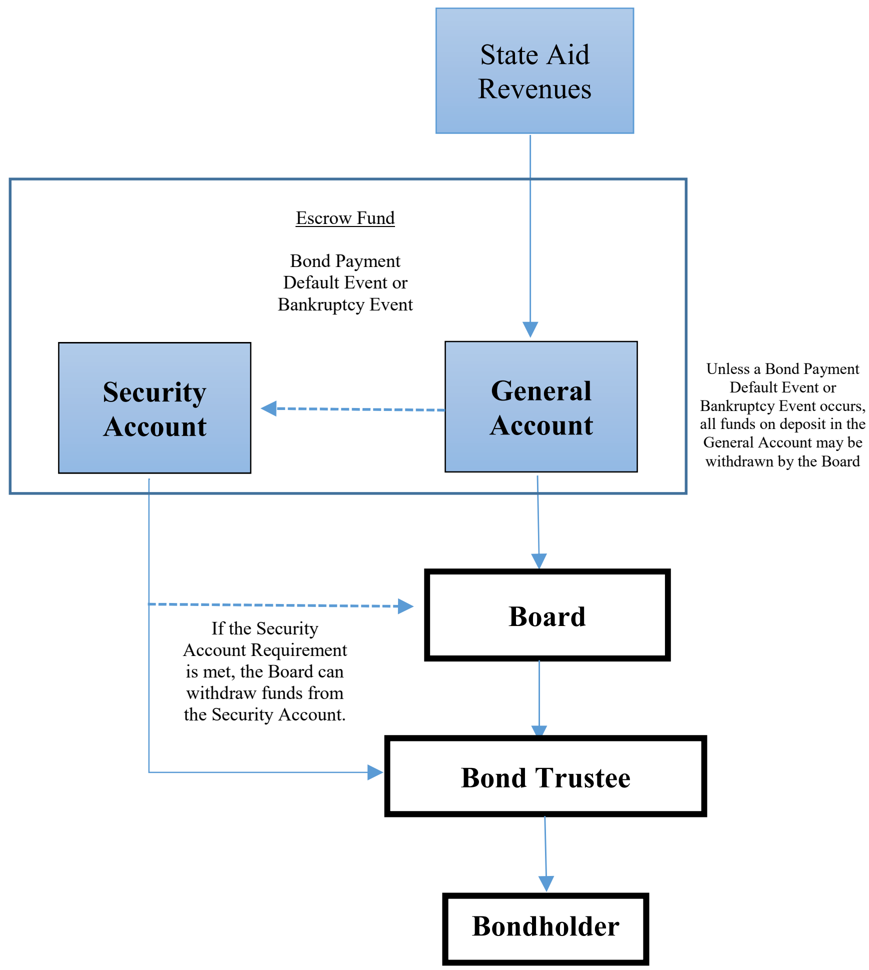
The diagram below describes the flow of State Aid Revenues pursuant to the State Aid Revenues Escrow Agreement:



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

The EBF Formula achieves the following:

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

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

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

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

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

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

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

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

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

4. <u>Increase in the Cap on the Board's Pension Property Tax Levy</u>. 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. <u>Required State Contribution to the Board's Pension Fund to the Level of Other School Districts in the State</u>. 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 2020 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.

For Fiscal Year 2018, this increased funding of the Board totaled 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.

P.A. 100-465 became effective for Fiscal Year 2018 and beyond. 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.

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 totaled 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 2016-17 (such amount being that school district's "Base Funding Minimum" for school year 2017-18). 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. For Fiscal Year 2020, of the 921 school districts assigned to a tier, 358 fall within the Tier 1 adequacy level threshold of 67.3% or less. At an adequacy level of 65.6%, the Board is 79th of the 358 districts within Tier 1. For Fiscal Year 2020, the Board will be a Tier 1 district, with its adequacy level at 65.6% as compared to the Tier 1 adequacy threshold of 67.3%. As such, the Board is only 1.8 percentage points away from the Tier 1 threshold for Fiscal Year 2020, and given the factors that affect adequacy level, the Board may become a Tier 2 district in the coming years.

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 2017-18 (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

<u>Adequacy Target Calculation</u>. 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.

<u>Local Capacity Calculation</u>. 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[1] 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

[1] Product of the applicable 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.

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.[2] 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.

State Aid Revenues for Fiscal Years 2018, 2019 and 2020 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.

[2] Existing State and local resources are the sum of Local Capacity, PPRT, and Base Funding Minimum.

State Aid Revenues for the Board for Fiscal Year 2019 are estimated to be have been $1,605.8 million and for Fiscal Year 2020 are budgeted to be $1,673.7 million.

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

(Dollars in Millions)

	(A) State Allocation to the Board	**(B) State–Approved Charter Schools Allocation**	**(C) Prior Year Adjustment**	**(D) Unrestricted State Aid Revenues**
2018	$1,552.9	$ (28.9)	$ 16.3	$1,540.3
2019	1,619.3	(29.8)	16.3	1,605.8

Source: ISBE

<u>Column</u>

A	Total amount appropriated to the Board from the State
B	Diversion of the Board's State Aid revenues to State-approved charter schools
C	The additional State Aid payable to the Board based on adjustment of prior year's Statutory Claims
D	The amount of State Aid Revenues available for general operating purposes, including to be pledged as the source of Pledged State Aid Revenues

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

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" were 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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State Aid Revenues Pledged to Secure Alternate Revenue Bonds

Following to the issuance of the Bonds and the purchase and cancellation of the Purchased 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 Purchased Bonds Secured by Pledged State Aid Revenues (2)(3)	Debt Service on Series 2019B Bonds (2)(3)	Total Annual Debt Service Secured by Pledged State Aid Revenues (2)(3)	State Aid Revenues Pledged
2020	$406,961,819	($16,872,500)	$3,094,875	$383,859,751	$439,261,499
2021	462,826,474	(16,831,250)	6,689,750	442,541,474	504,697,454
2022	480,340,274	(16,545,000)	13,064,750	473,379,774	531,272,233
2023	474,555,865	(16,425,000)	13,484,750	468,675,365	525,482,237
2024	475,385,501	(16,387,500)	13,556,500	469,723,501	526,498,391
2025	529,607,480	(16,327,500)	13,690,500	524,333,480	586,485,121
2026	529,877,474	(16,245,000)	13,822,500	525,032,474	586,996,311
2027	497,545,873	(16,140,000)	13,946,250	493,158,373	551,657,232
2028	436,878,532	(16,062,500)	14,055,750	432,865,032	482,372,488
2029	435,313,337	(15,960,000)	14,190,250	431,773,837	481,931,192
2030	420,143,909	(15,832,500)	14,317,000	417,112,909	465,296,804
2031	413,393,439	(15,730,000)	14,424,750	410,782,939	461,470,031
2032	372,195,407	(15,650,000)	14,572,750	370,040,907	412,936,373
2033	372,029,624	(15,540,000)	14,747,250	370,444,124	413,066,961
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	381,441,206	-	-	381,441,205	421,166,813
2038	383,843,539	-	-	383,843,539	423,809,381
2039	385,346,580	-	-	385,346,580	425,462,725
2040	387,432,632	-	-	387,432,632	427,757,383
2041	388,815,570	-	-	388,815,570	429,278,615
2042	389,201,020	-	-	389,201,020	429,702,610
2043	320,561,148	-	-	320,561,148	363,525,000
2044	322,945,750	-	-	322,945,750	366,074,000
2045	338,170,455	-	-	338,170,455	378,755,500
2046	319,820,100	-	-	319,820,100	358,570,673

Source: Chicago Public Schools.

(1) Calculated based on debt service on Outstanding Pledged State Aid Revenue Bonds following the issuance of the Bonds and the purchase and cancellation of the Purchased 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.

(3) Represents debt service for the succeeding 4/1-3/31 Bond Year following the applicable Deposit Date of February 15.

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 2020 reflects 180 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 approximately 17.1% over the past three fiscal years. The PPRT Percentage for Other Uses was approximately 13.3% in fiscal year 2017, 19.5% in fiscal year 2018 and 18.6% in Fiscal Year 2019. The growth in the fiscal year 2018 PPRT Percentage for Other Uses resulted 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 2020 for PPRT Revenue Other Uses, which include but are not limited to public community college base operating grants, the Board expects the PPRT Percentage for Other Uses for Fiscal Year 2020 to be approximately 16.5%. 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. 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 IGA/PPRT Escrow Agent (as defined herein).

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 \$161.1 million for Fiscal Year 2019, and PPRT Revenues are estimated to have been approximately \$187.2 million for Fiscal Year 2019.

The Board's PPRT Revenues are budgeted to be \$215.3 million in Fiscal Year 2020. For Fiscal Year 2020, the State estimates an approximately 15.4% projected increase in PPRT Statewide Collections compared to Fiscal Year 2019. The State also estimates that the Board will receive in Fiscal Year 2020 a PPRT Revenue allocation of approximately \$215.3 million. Factors impacting the increase in revenues relate to the reconciliation of actual receipts to disbursements to local governments tied to historical estimates, a Fiscal Year 2020 interfund transfer that is a result of estimated deposits exceeding the funds paid out for PPRT refunds in Fiscal Year 2019, and an increase in PPRT Revenues due to changes in State tax law that has the effect of increasing Illinois net income.

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 – 2019
(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	174,089
2019	155,641(1)

Source: Chicago Public Schools.
(1) Collections through August 6, 2019.

See “FINANCIAL INFORMATION – General Operating Fund Fiscal Years 2013-2018” for the PPRT Revenues in the General Operating Fund, net of the PPRT Revenues transferred under the IGA/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 2019A Bonds.

Calendar Year of Debt Service Payments of Pledged PPRT Revenue Bonds[1]	Debt Service on Outstanding Pledged PPRT Revenue Bonds[2]	(Less) Debt Service on Purchased Bonds Secured by Pledged PPRT Revenues	Plus Debt Service on Series 2019A Bonds[3]	Total Annual Debt Service Secured by Pledged PPRT Revenues	Pledged PPRT Revenues
2019	$58,256,935	$(1,576,710)	-	$56,680,225	$70,850,281
2020	34,913,472	(1,576,710)	-	33,336,762	41,670,953
2021	64,298,797	(1,576,710)	-	62,722,087	78,402,609
2022	41,008,652	(1,576,710)	-	39,431,942	49,289,928
2023	41,005,828	(1,576,710)	-	39,429,118	49,286,398
2024	40,995,974	(1,576,710)	-	39,419,264	49,274,080
2025	42,018,493	(1,576,710)	-	40,441,783	50,552,229
2026	41,758,234	(1,346,370)	-	40,411,864	50,514,830
2027	11,286,668	(1,103,910)	-	10,182,758	12,728,447
2028	103,053,118	(848,730)	-	102,204,388	127,755,484
2029	95,841,458	(580,170)	-	95,261,288	119,076,609
2030	106,633,723	(297,510)	-	106,336,213	132,920,266
2031	105,651,000	-	-	105,651,000	132,063,750
2032	37,144,750	-	-	37,144,750	46,430,938
2033	37,151,250	-	-	37,151,250	46,439,063
2034	37,150,750	-	-	37,150,750	46,438,438
2035	18,319,250	-	-	18,319,250	22,899,063
2036	18,193,750	-	-	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

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

(2) Excludes certain debt service on Series 1998B-1, 1999A, 2008A, 2017E, 2017G, 2017H, and 2018D Bonds to the extent that such debt service which is primarily payable from another source of Pledged Revenues, with Pledged PPRT Revenues as an additional 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.

(3) Debt service on the Series 2019A Bonds is expected to be payable from Pledged Intergovernmental Agreement Revenues. PPRT Revenues will provide a secondary pledge for purposes of required debt service coverage for the Series 2019A Bonds. See APPENDIX M - ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2019A BONDS.”

INTERGOVERNMENTAL AGREEMENT REVENUES

Overview

In 1997, the Board entered into an Intergovernmental Agreement with the City (attached as Appendix L hereto) that provides City assistance to the Board in the financing of its School Building and Improvement Project (as herein defined) by providing the Board with moneys to be used by the Board to pay debt service on obligations issued by the Board to (i) construct, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the Board, (ii) pay the cost of funding obligations or purchasing related investments of the Board, (iii) refund obligations issued by or on behalf of the Board, and (iv) pay certain interest to accrue on, necessary reserves, and costs of issuance of such obligations (the "School Building and Improvement Project"). The amounts to be provided by the City pursuant to the Intergovernmental Agreement are derived from the proceeds of ad valorem property taxes levied by the City on all taxable property within the City. The levy, extension and collection of ad valorem property taxes in Illinois are governed by the Illinois Property Tax Code. A general summary of the current procedures for real property assessment, tax levy and tax collection in the County that are applicable to the City is included in APPENDIX D – "THE REAL PROPERTY TAX SYSTEM."

School Building and Improvement Taxes

Pursuant to the ordinance approving the execution and delivery by the City of the Intergovernmental Agreement, the City Council of the City has levied direct annual taxes for the purpose of providing funds to the Board to assist in servicing the debt incurred by the Board through the issuance of bonds to provide funds to pay costs of the School Building and Improvement Project. Such taxes have been levied for the years and in the amounts as follows (the "School Building and Improvement Taxes").

FOR THE YEARS	A TAX SUFFICIENT TO PRODUCE THE SUM OF:
2008-2017	$ 91,000,000
2018	112,500,000
2019-2030	142,300,000

The Intergovernmental Agreement provides that the taxes levied to provide the Intergovernmental Agreement Revenues may be abated by the City, upon receipt of written notification from the Board, in any year to the extent such Intergovernmental Agreement Revenues are not necessary to pay debt service on bonds secured by Intergovernmental Agreement Revenues.

Covenants of the City

The City agrees in the Intergovernmental Agreement that it will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the Intergovernmental Agreement Revenues. The City shall have no right to terminate, cancel or rescind the Intergovernmental Agreement, no right to withhold from the Board payments due or to become due under the Intergovernmental Agreement, no right to recover from the Board amounts previously paid under the Intergovernmental Agreement unless paid in error or contrary to the provisions of the Intergovernmental Agreement or law, no right of reduction or set-off against the amounts due or to become due under the Intergovernmental Agreement, and no lien on any amounts in any fund established by the Board or any reason or on account of the existence or occurrence of any event, condition or contingency, whether foreseen or unforeseen or foreseeable or unforeseeable by the City or the Board or any other person. According to the Intergovernmental Agreement, the levy of taxes to provide the Intergovernmental Agreement Revenues and the collection and application of the

Intergovernmental Agreement Revenues, as described herein, does not require any further action by the City Council.

The obligations of the City to make payments of Intergovernmental Agreement Revenues to the Board are limited to and are payable solely and only from the amount of taxes actually collected by the County Collectors on behalf of the City and deposited with the IGA/PPRT Escrow Agent. The Intergovernmental Agreement provides that the City shall not in any manner be deemed to be an obligor on bonds of the Board secured by Intergovernmental Agreement Revenues or any credit enhancement thereof by virtue of its execution and delivery of the Intergovernmental Agreement.

No owner, holder or credit enhancer of bonds of the Board secured by Intergovernmental Agreement Revenues (including the Series 2019A Bonds) shall be deemed to be a third party beneficiary of the Intergovernmental Agreement, nor shall any such owner, holder or credit enhancer of any such bonds have any right to enforce the provisions of the Intergovernmental Agreement against the City.

Intergovernmental Agreement Revenues Pledged to Secure Alternate Revenue Bonds

The Board has issued and outstanding Alternate Revenue Bonds secured by Intergovernmental Agreement Revenues as described under the heading "SECURITY FOR THE BONDS—Pledged Revenues—Intergovernmental Agreement Revenues" and such bonds are payable from the ad valorem taxes in the amounts as shown under the heading "- School Building and Improvement Taxes." The Series 2008A Bonds are Outstanding Intergovernmental Agreement Revenue Bonds and the purchase and cancellation of such bonds will make available Intergovernmental Revenues to be pledged as Pledged Revenues to secure the Series 2019A Bonds.

IGA/PPRT ESCROW AGREEMENT

Overview

There are outstanding Alternate Revenue Bonds of the Board secured by Pledged PPRT Revenues and Intergovernmental Agreement Revenues as described under the heading "SECURITY FOR THE BONDS—Pledged Revenues." In connection with such financings, the Board has entered into a "Master Alternate Bonds Escrow Agreement" to provide for the deposit of Pledged PPRT Revenues and Intergovernmental Agreement Revenues directly with an escrow agent to be distributed to the trustees under the indentures securing such bonds to pay debt service. In connection with the issuance of the Series 2019A Bonds, the Board will enter into a Ninth Restated Master Alternate Bonds Escrow Agreement (the "IGA/PPRT Escrow Agreement") with Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent (the "IGA/PPRT Escrow Agent").

Deposit and Distribution of PPRT Revenues

Pursuant to the IGA/PPRT Escrow Agreement, the Board has directed the Department of Revenue to deposit all proceeds of the PPRT Revenues annually allocated and paid to the Board with the IGA/PPRT Escrow Agent. Under the IGA/PPRT Escrow Agreement, the IGA/PPRT Escrow Agent will distribute such deposits: first, to the Board, in an amount necessary to pay any Statutory Claims for the subject year; and second, to the respective trustees for the Pledged PPRT Revenue Bonds, in amounts set forth in such IGA/PPRT Escrow Agreement, sufficient to provide for the payment of debt service payable from Pledged PPRT Revenues pursuant to the requirements of the applicable indentures.

Deposit and Distribution of Intergovernmental Agreement Revenues

Pursuant to the IGA/PPRT Escrow Agreement and the Intergovernmental Agreement, the City has filed a written direction with the County Collectors, specifying the amount of Intergovernmental Agreement Revenues which are to be collected annually and directing the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues directly with the IGA/PPRT Escrow Agent. In the event that, for any reason, any Intergovernmental Agreement Revenues are paid by the County Collectors directly to the City and are not deposited with the IGA/PPRT Escrow Agent, such amounts shall be promptly deposited by the City with the IGA/PPRT Escrow Agent.

Pursuant to the Intergovernmental Agreement, in each year in which the School Building and Improvement Taxes are extended for collection, the City agrees to deliver, prior to the receipt of the first distribution of collections of property taxes in such year, to each of the County Collectors and to the Board, a Segregation Order (the "Segregation Order") specifying the percentage of each distribution to be received during such year which is attributable to the School Building and Improvement Taxes and directing that such percentage of each such distribution be segregated and paid to the IGA/PPRT Escrow Agent. The Segregation Order will also require the County Collectors promptly, upon receipt of such property taxes for distribution, to segregate and pay directly to the IGA/PPRT Escrow Agent an amount equal to the amount of each such distribution multiplied by the percentage specified in the Segregation Order for the then-current year.

Under the IGA/PPRT Escrow Agreement, the IGA/PPRT Escrow Agent will distribute Intergovernmental Agreement Revenues received to the respective Trustees for the Intergovernmental Agreement Revenue Bonds, in amounts set forth in such IGA/PPRT Escrow Agreement, sufficient to provide for the payment of debt service payable from Intergovernmental Agreement Revenues pursuant to the requirements of the applicable indentures.

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

In recent years, the Board has experienced structural operating deficits. These structural deficits peaked in size with respect to Fiscal Year 2016 at approximately $1.1 billion. These operating deficits have been mitigated, in certain years, by the use of non–recurring revenue, expenditure of operating reserves, debt restructuring to extend maturities, short-term borrowings, and reduction of operating expenses. Since Fiscal Year 2018, the Board's financial position and outlook has improved based primarily 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.

Ongoing Budgetary Pressures

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, IGA 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 2019, the Board's annual salaries, wages and benefits are estimated to have been approximately $3.98 billion and constituted approximately 68% of the Board's annual operating expenses. Since Fiscal Year 2011, the cost of salaries and wages has decreased by approximately 1% due to the decline in the student population and a corresponding decline in teachers and other staff. In Fiscal Year 2017, the Board entered into a four year agreement with the Chicago Teachers Union ("CTU") that increased the cost of salaries and benefits for approximately 67% of the Board's employees. That agreement with the CTU expired as of June 30, 2019, and the Board remains engaged in a collective bargaining process with CTU. See "CHICAGO PUBLIC SCHOOLS – Chicago Teachers Union and Other Employee Groups." 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 2019 are estimated to total approximately $623.5 million. See 'DEBT STRUCTURE". 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

The Board's General Operating Fund balance experienced a decline in recent years from the beginning of Fiscal Year 2015 (a balance of approximately $1.2 billion) to the end of Fiscal Year 2017 (a balance of approximately negative $275.2 million). As of the end of Fiscal Year 2019, the Board estimates that the General Operating Fund balance was approximately $365.4 million. While the Board's liquidity position has improved since Fiscal Year 2017, without significant operating reserve funds, the Board has addressed its negative cash flow position largely through short-term borrowing.

The Board projects a negative cash position for a substantial period (but less than half) of Fiscal Year 2020. See "CASH FLOW AND LIQUIDITY." The Board expects to continue to issue short-term debt to address its cash flow, liquidity and operating needs and for other purposes. See "PLAN OF FINANCE – Fiscal Year 2020 and Future Financings." 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, including the Series 2019B Bonds.

The availability of State Aid Revenues is dependent upon numerous factors, including the impact of certain 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 Series 2019B 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 Series 2019B 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 2019A 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 Intergovernmental Agreement Revenues consist of collections of the School Building and Improvement Taxes that are ad valorem property taxes imposed by the City and the availability of such property tax revenues is subject to numerous factors, including those described below.

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."

There are six major units of local government located in whole or in part within the boundaries of the School District (the "Overlapping Taxing Districts"). The Overlapping Taxing Districts share, to varying degrees, a common property tax base and have the power to impose and increase property taxes on the same property tax base as the Board. Reasons for such tax increases include, but are not limited to, increased costs of operation, increased debt service requirements on new or outstanding indebtedness, increased pension funding requirements, and other increased costs. See "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS—Overlapping Taxing Districts." The Board does not control the amount or timing of the taxes levied by these Overlapping Taxing Districts.

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.

Labor

Approximately 91.7% of the total employees of the Board are represented by six labor unions that engage in collective bargaining with the Board. The two labor unions that represent the largest number of Board employees are the Chicago Teachers Union ("CTU") (representing teachers) and SEIU Local 73 (representing custodians, security officers, special education classroom assistants and bus aids). CTU represents approximately 65% of the Board's employees, and SEIU Local 73 represents approximately 19% of the Board's employees. The Board's collective bargaining agreements with CTU and SEIU Local 73 each have expired. While negotiations with each of CTU and SEIU Local 73 continue, to the extent that the negotiation process does not produce agreements, upon a sufficient vote of the respective union membership and compliance with applicable notice requirements, a strike could occur as early as September 26, 2019 in the case of CTU and as early as October 14, 2019 in the case of SEIU Local 73. If a strike occurs during the school year, school days may be lost, which in turn, could have a negative impact on State Aid Revenues. See "CHICAGO PUBLIC SCHOOLS – Chicago Teachers Union and Other Employee Groups" and "STATE AID REVENUES – Recognized District and Legislative Standards for Receipt of State Aid."

Unfunded Pensions and Required Statutory Contributions

Pension payments have been and are expected to continue to be a significant budget pressure for the Board. As of June 30, 2018, the Funded Ratio of the Pension Fund was 47.9% and the Unfunded Actuarial Accrued Liability was approximately $12 billion. 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. The Board's required Statutory Contributions to the Pension Fund are projected to increase annually through 2059 (the actuarial projection period). 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 the opinion of special bankruptcy counsel to the Board regarding certain bankruptcy-related matters relating to the Bonds. See APPENDIX I – "FORM OF SPECIAL REVENUES OPINION 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 Revenues Securing the Bonds. No opinion, intent or belief is expressed with regard to the treatment of the Pledged 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 K – "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 Revenues, 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.

Compliance with required grant assurances under Title IX is a factor in receipt of certain Federal Revenues. The Board received a letter in September 2018 from the U.S. Department of Education ("USDOE") indicating that funding with respect to a five-year, approximately $15 million grant would be halted on the basis that the Assistant Secretary of USDOE could not certify that the Board was in compliance with applicable grant assurances under Title IX. The Board is challenging the determination of USDOE and filed a lawsuit in the U.S. District Court for the Northern District of Illinois seeking injunctive and declaratory relief. The Board believes that it has demonstrated how it complied and will comply with the required grant assurances under Title IX. The Board cannot predict the outcome of the dispute with respect to this particular grant of Federal Revenues or if there may be any further impacts to other Federal Revenues.

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. 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 continued 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 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.

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 $681 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 1.75 million tons of freight, mail, and goods annually. See APPENDIX J – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

Governing Body

The seven-member Board currently serves as the governing body of the School District. The members serve terms of up to four years and are appointed by the Mayor of the City. 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. 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.

Mayor Lori Lightfoot took office on May 20, 2019 and subsequently appointed new members to the Board following her election. Each current member of the Board was appointed by Mayor Lori Lightfoot and began serving on June 26, 2019.

The current members of the Board are as follows:

Miguel del Valle was elected President of the Board on June 26, 2019.

Mr. del Valle is a retired elected official who has served on an extensive list of several committees, boards, and commissions, including:

- Illinois Student Assistance Commission (ISAC)| Vice Chairman
- Advance Illinois | Founding Board member
- Illinois Federation for Community Schools| Board member
- Illinois Pathways Advisory Council | Council Member
- Illinois Complete Count Commission
- Judicial Candidate Screening Committee
- Illinois P-20 Council

In 2006, Mr. del Valle was appointed by Mayor Richard M. Daley as City Clerk of Chicago, and subsequently won a citywide election to the post in 2007, becoming the first Latino elected to the office of City Clerk.

In 1986, Mr. del Valle was elected the first Latino Senator in the Illinois General Assembly where he served for 20 years. He became an Assistant Majority Leader, and served as Chairman of the Senate Education Committee, Consumer Affairs Committee, and Senate Select Committee on Education Funding Reform. He served as Vice Chairman of the Higher Education Committee, and member of the Revenue, Appropriations, Labor, and Executive Committees. He also was the co-founder of the Illinois Legislative Latino Caucus and a member of the Illinois Legislative Black Caucus.

Before running for public office, del Valle worked with several community-based agencies, organizing and providing direct services and institution building. He was Unit Director for the Union League Foundation for Boys and Girls Clubs, and Executive Director of Association House, a human services agency in Chicago. He also did work for the Pilsen Little Village Community Mental Health Center and the Center for Neighborhood Technology.

Mr. del Valle is a graduate of Chicago Public Schools and holds a M.A. in Guidance and Counseling from Northeastern Illinois University. He is married to Lupe del Valle, and has four children and four grandchildren. Three of his children attended Jose de Diego Community Academy, and one graduated from Lane Tech. All four of his grandchildren have or are currently attending Chicago Public Schools.

Sendhil Revuluri was elected Vice President of the Board on June 26, 2019.

Mr. Revuluri was a founding teacher at the Bronx Academy of Letters, a public secondary school in the South Bronx, where he was recognized as a Math for America Master Teacher. He subsequently worked in the CPS Office of High School Teaching and Learning and at the University of Illinois at Chicago as Associate Director of the Suburban Cook County Mathematics Initiative, a project for collaborative improvement in teaching and learning benefiting over 40,000 K–12 students in 40 public school districts.

Mr. Revuluri has served on a Local School Council, and on the board of the Illinois Council of Teachers of Mathematics, which recognized him with the Lee Yunker Mathematics Leadership Award. He currently serves on the boards of the Bright Promises Foundation and Math Circles of Chicago. He is a 2016 Fellow of Leadership Greater Chicago.

Mr. Revuluri is Managing Director of Strategic Development at PEAK6 Capital Management, an entrepreneurial investment firm that leverages technology to efficiently manage risk in the options market. He launched its internal Hackathon, leads other innovation projects, and supports the development of business strategy, as well as leading efforts for effective professional learning. Mr. Revuluri was previously an Executive Director of Equity Trading at UBS Warburg LLC in Chicago and Stamford, Connecticut, where he created instruments to manage risk and enable investment opportunities, developed and led new businesses, and collaborated to improve enterprise-level risk systems. He is a CFA Charterholder.

Mr. Revuluri was born in Chicago and attended the Illinois Mathematics and Science Academy, from which he received the Alumni Titan Award. He studied physics and mathematics at the University of Chicago and secondary mathematics teaching at Pace University.

Mr. Revuluri lives in Pilsen with his wife, Venu Gupta, and their two children, who are currently attending Chicago Public Schools.

Luisiana Melendez is an Associate Clinical Professor at Erikson Institute and director of the Institute’s Bilingual/ESL Certificate Program. She received her BA in Psychology in her native Dominican Republic and a master’s in early childhood education and doctorate in child development from Loyola University Chicago/Erikson Institute. Before working in higher education, Dr. Meléndez worked for close to two decades as an early childhood and elementary teacher in the Dominican Republic and in the U.S.

Dr. Meléndez contributes to the Erikson Institute’s academic programs through course work and initiatives that prepare early childhood practitioners to meet the developmental and learning needs of the increasingly diverse children and families in U.S. educational settings. Dr. Meléndez’ academic work pays close attention to the particular instructional needs of young children growing up with more than one language as well as to the potential socio-emotional and cognitive advantages that growing up as bilingual or multilingual child or youth can afford. In addition to her work with current and future educators, Dr. Meléndez is particularly interested in how early care and education programs support emergent bilinguals between birth and age three.

Dr. Meléndez frequently presents in national as well as local conferences and has several publications on her areas of professional interest. In addition to her work in early childhood teacher education and professional development, Dr. Meléndez has been a member of the Early Childhood Committee of the Illinois State Board of Education since 2012. She has also served in several workgroups and advisory boards convened around issues of bilingual and multilingual development, as well as on the Board of Directors of El Valor. Dr. Meléndez has just concluded a term as co-chair of the Chicago Consortium for School Research Steering Committee.

Dr. Meléndez has resided in Chicago since 1996 and feels privileged by the opportunity to pursue professional interests that bring together her appreciation for cultural and linguistic diversity with her personal commitment to equity and social justice.

Amy Rome has dedicated her career to supporting all students and families to thrive, challenging systemic inequities that perpetuate gaps in opportunity within and across schools. For more than 20 years, she worked in and with Chicago Public Schools as a teacher, teacher leader, school leader, and principal supervisor.

Notably, Ms. Rome served as the principal of the National Teachers Academy, a Pre-K - 8th grade Chicago Public School on the near south side, where she worked closely with families and staff to create an inclusive environment amidst community housing transitions and community school closures, leading to significant gains in student achievement. Prior to transitioning from Chicago Public Schools in 2015, Ms. Rome supported eight Chicago Public Schools as a principal manager and worked with principals and their instructional leadership teams across a network of 32 schools. Ms. Rome also directed a graduate program at the University of Illinois at Chicago (UIC) focused on preparing teachers with a social justice curriculum to teach in underserved neighborhood schools.

Ms. Rome currently serves as the President of Leading Educators, a national non-profit organization that partners with school systems to accelerate educational equity for the students furthest from opportunity by strengthening teaching, conditions, and leadership. She was previously the organization's Chief Program Officer and Vice President of Design supporting the design, delivery, and evaluation of systemic, standards-aligned professional learning for teachers and leaders in DC Public Schools, Tulsa Public Schools, and New Orleans among other systems.

Ms. Rome holds a bachelor's degree in Chinese Language and Literature from The University of Iowa and a master's in Language Minority Education from National Louis University. She has completed doctoral coursework at UIC in curriculum and instruction and urban school leadership. Ms. Rome is currently an inaugural member of Equity Lab's Nexus Fellowship, a national cohort designed to help leaders activate enduring change around antiracism and equity.

Lucino Sotelo serves as Chief Marketing Officer for KemperSports Management. Lucino is an award-winning digital and marketing executive, consistently delivering transformational results. He has led teams at W.W. Grainger, BMO Harris, HSBC, Grant Thornton, Diamond Technology Partners and CSC Index.

Mr. Sotelo has committed himself to community and investing in organizations that help others achieve higher levels of success, with a passionate focus on educational equality in all communities:

- City Year Chicago | Executive Board Member & Committee Chair
- Association of Latino Professionals For America | Senior Leadership Council
- Leadership of Greater Chicago Fellow | Former Executive Board Member
- Chicago Planning Commission | Former Commissioner

- Peace and Education Coalition, Executive Service Corps Chicago, YMCA – Former Board Member

Mr. Sotelo has an MBA from Northwestern University's Kellogg School of Management and a Bachelor of Science degree from DePaul University in Accounting. He is a proud CPS alum of Wells Community Academy and proud parent of two current CPS students. Lucino was recently recognized as one of the country's 2018 Top Latino Leaders by the National Diversity Council, 2015 Top Ten Lideres by Hispanic Executive Magazine, Chicago United Business Leader of Color, Diversity MBA's Top 100 Executives, Who's Who In Hispanic Chicago and Instituto Del Progreso Latino Spirit Award.

Mr. Sotelo lives in Chicago with his wife Maria, enjoys coaching his son's baseball team and playing golf with his daughter.

Elizabeth Todd-Breland was appointed to the Board by Mayor Lori Lightfoot and began serving on June 26, 2019.

Professor Todd-Breland is an Assistant Professor of History at the University of Illinois at Chicago. Her research and teaching focus on U.S. urban history, African American history, and the history of education. Her work also explores interdisciplinary issues related to racial and economic inequality, urban public policy, neighborhood transformation, education policy, and civic engagement. Her book, *A Political Education: Black Politics and Education Reform in Chicago since the 1960s*, analyzes transformations in Black politics, shifts in modes of education organizing, and the racial politics of education reform from the 1960s to the present. Professor Todd-Breland's writing has appeared in scholarly journals and edited volumes. She has also contributed to popular outlets, including *NPR*, *ESPN*, the *Washington Post*, and local radio, television, print, and online media.

Professor Todd-Breland coordinates professional development workshops, curricula, and courses for teachers and gives public talks on African American history, urban education, and racial equity. Todd-Breland is a CPS parent, served as a community member on a Local School Council, and worked with Chicago high school students as a social studies instructor and college counselor.

Professor Todd-Breland's research has been supported by grants and fellowships from the National Academy of Education, Spencer Foundation, Andrew W. Mellon Foundation, American Council of Learned Societies, Social Science Research Council, Ford Foundation, and UIC Institute for Research on Race and Public Policy. She earned her PhD in History from the University of Chicago.

Dwayne Truss was appointed to the Board by Mayor Lori Lightfoot and began serving on June 26, 2019.

Mr. Truss is a life-long resident of the city of Chicago. Mr. Truss was born and raised in West Garfield Park and is a proud graduate of Chicago Public Schools. After graduating from Westinghouse Area Career Vocational High School in 1981, he joined the United States Marine Corps Reserve. After a short tenure with the USMCR, he transferred to the Army National Guard. Mr. Truss was honorably discharged in 1986.

Mr. Truss graduated with Bachelor of Science in Accounting from Northeastern Illinois University in 1985.

Mr. Truss met his wife Cata while a student at Northeastern and they were married in 1986. Together they raised five sons: four are college graduates.

Mr. Truss has served his community in the following capacities: Executive Director/Coach of Austin Youth League/Austin Mandela Little League from 1990 to 2007, local school council member at

Byford (now Brunson), Hitch and Ella Flagg Young schools, current member of the Columbus Park Advisory Council, former board member of Raise Your Hand for Illinois Public Education, former co-chair of the Austin Community Action Council, member of the Westside Parks Executive Advisory Council and the Westside Branch of the NAACP. Mr. Truss is also an occasional contributor to both the Austin Weekly News and AustinTalks.org community newspapers.

Mr. Truss's major accomplishments include being the catalyst for the construction and current academic focus of the new Westinghouse High School, the renovation of Austin High School, the renovation of the new ball fields at Columbus Park, the renovation of Rockne Stadium, the reconsolidation of Austin High School as the neighborhood high school and the recent Chicago Park District investment of $3 million in capital improvements for Austin Parks. He is currently employed by the State of Illinois.

Mr. Truss currently resides in the Austin community. He is a proud grandfather of eight grandchildren. In addition to his children, he and his wife helped raise two nieces, and two nephews.

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

Member	Term Expires
Miguel del Valle, President	June 30, 2023
Sendhil Revulure, Vice President	June 30, 2023
Luisiana Melendez	June 30, 2022
Amy Rome	June 30, 2023
Lucino Sotelo	June 30, 2022
Elizabeth Todd-Breland	June 30, 2023
Dwayne Truss	June 30, 2022

At the expiration of the term of each member, the Mayor of the City 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 of the City 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 2017-2019 School Actions (as defined below) see "—School Year 2017-2019 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[3]
General Counsel .... Joseph T. Moriarty

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 School District, especially with regard to CPS high schools. Through a comprehensive

[3] Mr. DeNard has informed the Chief Executive Officer of the Board of his intention to leave his position as Senior Vice President of Finance of the Board by the end of September 2019.

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 School 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 Board. 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 Board's Office of Management and Budget, including serving as the Board'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 Board's entire 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 Board'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 the Board 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. Mr. DeNard has informed the Chief Executive Officer of the Board of his intention to leave his position as Senior Vice President of Finance of the Board by the end of September 2019.

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 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.

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 2020 budget includes a capital budget (the "2020 Capital Plan") totaling $821 million that focuses on priority facilities needs in neighborhood schools, the Board's largest-ever pre-K capital investment, ADA accessibility, and continued expansion of technology upgrades, modern science labs and other academic priorities. The 2020 Capital Plan includes, among other projects: (i) $263 million for facility needs, including critical maintenance projects and interior improvements; (ii) $145 million for building modernization and technology improvements to ensure that all schools are able to support 21st century learning environments; (iii) $120 million for educational programming in connection with plans to provide free full-day pre-K to all 4-year-olds; (iv) $60 million for enhanced IT infrastructure to improve internet connectivity; (v) $45 million in site improvements to design and build new playgrounds, play lots and turf fields at over 20 schools; (vi) $10.5 million for accessibility improvements; and (vii) $2 million for new security equipment including cameras, intercom phones, alarms and screening equipment to support student security and safety. Funding of the 2020 Capital Plan is anticipated to derived from the proceeds of future bond issuances (secured by Capital Improvement Tax revenues and State Aid Revenues), potential capital funding from the State, potential federal grants and other potential third-party resources.

The Board released the 2018 Educational Facilities Master Plan (the "EFMP") as of October 1, 2018. 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. The 2020 Capital Plan aligns with the priorities outlined in the EFMP.

School Year 2017–2019 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 STEM 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, and (iii) consolidating of Cardenas and Castellanos elementary schools. There were no new 2018-2019 School Actions involving a closure or consolidation.

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 School 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. The graduation rate for CPS students continues to be at an all-time high with 78.2 percent earning a diploma in 2019. The biggest improvements came from African American and Hispanic males. The graduation rate has steadily risen over the past seven years, growing more than 37 percent since 2011, when just over half of CPS students earned a high school diploma.

Math and Reading Gains. In recent years CPS students achieved record scores on the Northwest Evaluation Association Measure of Academic Progress (NWEA-MAP). In 2018, a record 61.4 percent of students met or exceeded the national testing average in reading, up from 54% in 2015 and 56.6 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 2017-18 school year's rate of freshmen on-track to graduate is the highest measure on record at 89.4 percent, up for the seventh year in a row and more than 30 percent since 2011, signaling that more CPS students are likely to graduate than ever before.

*SAT Scores. M*ore Chicago Public School Students are taking the PSAT and SAT exams. The number of Chicago Public Schools with a participation rate on the School Quality Rating Policy at or above 95% taking the PSAT8/9, PSAT10, and or SAT increased by 51 from SY 2016-17 to SY 2017-18. From 2017 to 2018 the average PSAT 10 Composite Score increased from 896 to 903. The Average SAT Composite Score over the period remained roughly the same from 956 to 951. In addition, CPS received the Council of Great City Schools "Proof of Practice Award" for the SAT All-In Challenge. The award, which includes a $15,000 gift, recognized CPS for supporting over 8,000 students practicing on Khan Academy's Official SAT personalized platform for six or more hours.

Increased College Enrollment. CPS college enrollment is up almost 10 percentage points to 67.3 percent in school year 2017-18, from 58% in school year 2010-11.

Scholarship Dollars Earned. The class of 2018 earned more than $1.33 billion in scholarship offers, $90 million more than 2016 and five times more than 2012 when CPS students earned $266 million in scholarship dollars. The dramatic increase is consistent with the Board's strategic expansion of postsecondary initiatives and college-level programming such as IB, STEM, AP and dual credit and dual enrollment in schools across the city.

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 2019, out of more than 23,000 high schools nationally surveyed, seven CPS schools were ranked among the top 10 high schools in Illinois, and the Board's Northside College Prep, Walter Payton College Prep, Lane Technical College Prep High School, Whitney M. Young Magnet High School, and Jones 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. The School District was also named to the AP Honor Roll for seven consecutive years and remains the largest school district on the list. The AP Honor Roll recognizes districts that have increased access to underserved students while increasing performance overall.

School Quality Rating Policy. The School Quality Rating Policy ("SQRP") measures how well schools perform. Results for Fiscal Years 2018-19 shows that 80% of CPS schools receiving one of the three highest quality ratings compared to 68% in the 2014-15 school year, the first year of SQRP.

Improved Disciplinary Performance. Overall district-wide misconduct, suspension and police notification rates decreased and/or remained relatively flat from school year 2016-17 to school year 2017-18 due to the continued focus on social and emotional learning (SEL) and developing safe and supportive school climates. Out of school suspension rates declined 3.4 percent in school year 2017-18, marking the Board's fifth consecutive year of decreased suspensions. However, in-school suspension rates increased by 13 percent. The total number of serious and moderate misconducts in that period also decreased by 3.2 percent.

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:

<u>Administrative Initiatives</u>

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.

Creation of Chief Equity Officer. In September 2018, CPS created the position of a Chief Equity Officer in an effort to narrow the gaps in test scores and academic achievement between black and Latino students and their white and Asian peers. Priorities for the Chief Equity Officer include diversifying the Board's workforce, ensuring resources are distributed equitably across the School District, and supporting efforts to award more contracts to minority- and women-owned businesses.

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 2017-2018 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. In the second year, the 2018-2019 school year, approximately 93% of CPS students used the new application system, and more than 50% of students received their first choice during round one, with most students receiving one of their top three choices.

Safe Passage. CPS continues to operate and add schools to its Safe Passage program to help ensure that more than 76,000 CPS students from 160 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 1,350 safe passage workers, for the 2018-2019 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 2018, 447 schools, or over 70% of schools have earned the supportive school certification—an increase of more than 112 schools since the previous year. In addition, the Student Code of Conduct was revised to build on the Board's restorative approach to discipline, promote equitable practices, and ensure all students have access to safe and supportive learning environments.

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.

Annual Regional Analysis. In 2018, CPS released the first Annual Regional Analysis, a common set of facts that provided parents with detailed information on school achievement and programs in their neighborhood. Each year, CPS will hold regional meetings so communities may reflect on current data and discuss what they envision for their schools and empower school communities to act on the data.

Children First Fund. In 2019, CPS re-launched the Children First Fund: the Board's foundation. For years, Chicago's business, philanthropic, higher education, health and cultural institutions have invested in CPS schools and enriching experiences for its students. In the next five years, CPS will reciprocate the generosity for these partners by establishing the Children's First Fund to be a singular liaison for partners, streamlining processes, maximizing partner's impact and increasing student access to real-world learning experiences.

CPS: Success Starts Here. In 2019, the Board released a strategic five-year vision, "CPS: Success Starts Here". This marks an important benchmark for the Board that details the Board's commitment to academic progress, financial stability and integrity. In this strategic plan, the Board describes its achievements and lays out its vision, mission and commitment for the next 5 years.

<u>Early Childhood Education Initiatives</u>

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.

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. In 2018, CPS announced the desire to offer universal pre-K for all 4-year-olds, regardless of their family income, a goal to be reached by 2024. Approximately 17,800 families submitted online applications to CPS preschool programs across the city for the 2018-19 school year.

<u>High School Initiatives.</u>

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 school year 2017-18, 3,781 unique students enrolled in 6,805 courses. This is up from 205 students participating in school year 2011-12. In school year 2017-18, 75 different schools had dual credit coursework, up from 5 schools in school year 2011-12.

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. In addition, three new Early College STEM Schools ("ECSS") began programing in school year 2018-19 increasing the number from 5-8 ECSS, including the first Health Sciences focuses ECSS. Each new ECSS high school is working with a lead industry partner to support enrichment and work-based learning. Industry partners include Rush University Medical Center, Verizon, The City of Chicago Department of Innovation & Technology and Salesforce.

Computer Science Graduation Requirement. CPS has offered continued support of the new computer science graduation requirement, which is now a requirement for the class of 2020. 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 over 22,000 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. In addition, CPS has four elementary schools and one high school that are in incubation, and are on track for future IB authorization.

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 has 27 existing Dual Language programs with eight additional schools currently in the planning year (school year 2018-19) and will begin services in the fall of 2019, including one high school. 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 delivered academic support to approximately 6,000 English learners for school year 2018-19 in grades 2-8.

Department of Personalized Learning. CPS seeks to be a national leader and the largest adopter of Personalized Learning ("PL") with 150 district managed schools practicing PL and 75 of those schools implementing wall-to-wall by the end of school year 2021. In December 2018, the Board launched the third cohort of its flagship program for PL, which it calls Elevate, adding 14 additional schools. The Board received a $4 million investment from the Chan Zuckerberg Initiative to continue supporting schools that pilot or scale PL through 2019. CPS continues to seek additional support from local funders.

Chicago Teachers Union and Other Employee Groups

Overview. As of July 19, 2019, the Board employed approximately 35,300 persons.[4] Approximately 91.7% of the Board's employees are represented by six unions that engage in collective bargaining with the Board. As of July 19, 2019, approximately 65% of the Board's employees were represented by the CTU and approximately 26.7% were represented by other unions. The unions, number 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	22,918	July 1, 2015	June 30, 2019
SEIU Local 73	6,737	July 1, 2015	June 30, 2018
UNITE-HERE Local 1	2,188	July 1, 2017	June 30, 2020
SEIU Local 1	426	July 1, 2016	June 30, 2020
IUOE Local 143B	30	July 1, 2016	June 30, 2021
IB of T Local 700	22	July 1, 2017	June 30, 2022

CTU. The Board's collective bargaining agreement with CTU expired on June 30, 2019. The agreement covered the terms and conditions of employment for teachers, school clerks, teacher assistants and other paraprofessionals. The Board has been engaged in collective bargaining with CTU since January 2019 over the terms of a successor agreement. The parties have been in mediation and engaged in a statutory fact-finding process through August 26, 2019.

The fact-finder issued a private report on August 11, 2019, with wage and health care recommendations. The fact-finder recommended: (1) percentage salary increases of 3%, 3%, 3%, 3.5%, and 3.5%; and (2) that employees pay an additional 1% of salary on up to $130,000 of salary in employee healthcare premium contributions, which increases in contribution would occur over a three-year period in

[4] During the summer months, the Board generally reduces staffing levels in order to reallocate personnel resources based on needs for the coming school year. Subject to appropriations in the Board's Fiscal Year 2020 Budget, see "FINANCIAL INFORMATION – Board's Fiscal Year 2020 Budget," the Board expects that staffing levels for school year 2019-20 will be similar to those as of June 1, 2019, when it employed approximately 36,870 persons, comprising the following labor organization membership: CTU – 24,256; SEIU Local 73 – 7,047; UNITE-HERE Local 1 – 2,211; SEIU Local 1 – 429; IUOE Local 143B – 28; IB of T Local 700 – 21.

increments of 0.25%, 0.25%, and 0.50%. The Board announced that it will accept the fact-finder's recommendation on August 26, 2019. CTU rejected it that same day.

As the fact-finding process will likely not produce an agreement, the Board and CTU will continue to engage in collective bargaining. If the Board and CTU are unable to come to terms, CTU may conduct a strike on or after September 26, 2019, provided that CTU serves the Board 10-days advance notice of its intent to strike and 75% of the union members in its bargaining unit vote in favor of conducting a strike.

SEIU Local 73. The Board's agreement with SEIU Local 73 (covering custodians, security officers, special education classroom assistants, and bus aides) expired on June 30, 2018. The Board and SEIU Local 73 have been engaged in bargaining since April 2018. The parties have employed the use of a mediator and have recently invoked the fact-finding process, which will conclude on or about September 16, 2019.

If the fact-finding process does not produce an agreement and the Board and SEIU Local 73 are unable to come to terms, SEIU Local 73 may conduct a strike on or after October 14, 2019, provided that SEIU Local 73 serves the Board 10-days advance notice of its intent to strike and 75% of the union members in its bargaining unit vote in favor of conducting a strike.

Unite Here Local 1. On March 27, 2019, the Board approved and ratified the tentative collective bargaining agreement with Unite HERE Local 1, which was retroactive to July 1, 2017, and will expire on June 30, 2020. The agreement calls for wage increases of 3.5% for Fiscal Year 2018, 3.5% for Fiscal Year 2019, and 2.5% for Fiscal Year 2020. The labor costs associated with the agreement are paid exclusively from grant funds generated from the U.S. Department of Agriculture's nutrition grant.

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 were left to future negotiation. The current agreement expires June 30, 2021. Local 143B made a demand to open wage negotiations for Fiscal Year 2020 and Fiscal Year 2021 on July 8, 2019. The Board is evaluating that demand.

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, the Board, the City, 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 APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2018."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." For a discussion of changes to State funding of the Pension Fund see "STATE STRUCTURAL CHANGE IN FUNDING OF THE BOARD – Public Act 100-465."

The Pension Fund

As of June 30, 2018, the Pension Fund included 66,905 members (the majority of which are Board employees) consisting of 28,549 retirees and beneficiaries currently receiving benefits, 9,398 vested terminated members entitled to benefits but not yet receiving them, 17,065 total active vested current members and 11,893 nonvested current members.

The Pension Fund's active contributors make bi-weekly 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 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

<u>Overview</u>. 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.

<u>Required State Contribution to the Pension Fund</u>. 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 was approximately $221 million in Fiscal Year 2018 and $239 million in Fiscal Year 2019. The required State Statutory Contribution to the Pension Fund is approximately $257.3 million in Fiscal Year 2020. Such State funding is subject to a continuing appropriation and a statutory amendment would be required to discontinue such appropriation.

<u>Pension Property Tax Levy</u>. 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%. In

Tax Year 2017, the Board increased the Pension Property Tax Levy to the maximum rate of 0.567% and continued to levy this amount in Tax Year 2018. The Board anticipates that it will continue to levy this amount in future years.

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 2018" – 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, 2018, Board employees comprised approximately 55% 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, 2018, the Board had $272,526,000 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 2018" – 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. See "BONDHOLDERS' RISKS—Availability of Property Tax Revenues."

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 anticipation notes payable respectively from a pledge of specified ad valorem property tax. 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 purchase and cancellation of the Purchased Bonds, as of August 1, 2019 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 $7.4 billion aggregate principal amount of Alternate Revenue Bonds (excluding the Bonds and the purchase and cancellation of the Purchased Bonds) of which approximately $7.0 billion is fixed rate debt and approximately $432.2 million is variable rate debt. All such variable rate debt is expected to be refunded with the proceeds of the Bonds. See "PLAN OF FINANCE." The Board's outstanding long-term general obligation debt also includes approximately $27.7 million aggregate principal amount of a fixed rate lease with the Public Building Commission (the "PBC Lease"). The lease rentals due under the PBC Lease are supported by separate unlimited property tax levies of the Board.

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 2019A and Series 2019B Bonds Debt Service[2]	(Less) Purchased Bonds Debt Service	Total Annual Debt Service[2]
2019	$466,432	$29,877	$1,720	$(20,296)	$477,733
2020	605,131	28,505	10,934	(28,453)	616,117
2021	690,212	-	14,529	(28,367)	676,374
2022	684,537	-	20,904	(28,310)	677,131
2023	678,443	-	21,324	(28,018)	671,749
2024	679,020	-	21,396	(27,884)	672,531
2025	734,123	-	57,270	(66,220)	725,173
2026	734,209	-	58,267	(66,436)	726,039
2027	671,386	-	59,290	(66,638)	664,038
2028	702,627	-	60,365	(66,832)	696,160
2029	693,955	-	61,491	(67,072)	688,374
2030	677,444	-	62,675	(67,305)	672,814
2031	669,780	-	14,425	(15,343)	668,862
2032	417,153	-	14,573	(15,220)	416,505
2033	416,399	-	14,747	(15,118)	416,028
2034	431,132	-	-	(14,985)	416,147
2035	400,405	-	-	-	400,405
2036	401,347	-	-	-	401,347
2037	397,973	-	-	-	397,973
2038	398,334	-	-	-	398,334
2039	398,645	-	-	-	398,645
2040	399,460	-	-	-	399,460
2041	399,464	-	-	-	399,464
2042	399,854	-	-	-	399,854
2043	325,192	-	-	-	325,192
2044	358,776	-	-	-	358,776
2045	350,556	-	-	-	350,556
2046	319,821	-	-	-	319,821

Source: Chicago Public Schools.

(1) Reflects debt service on outstanding Alternate Revenue Bonds of the Board following the issuance of the Bonds and the purchase and cancellation of the Purchased 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 – 2020 Capital Plan Financings 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 will not have any variable rate debt upon the issuance of the Bonds and purchase and cancellation of the Purchased Bonds.

Debt Management Policy

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

Board's Borrowing Authority and Legal Debt Margin

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

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

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

	2015	2016	2017	2018	2019[3]
Equalized Assessed Value[1]	$64,913,774	$70,968,533	$74,020,998	$76,768,955	$86,335,828
Debt Limit (13.80% of EAV)	8,958,101	9,793,658	10,214,898	10,594,116	11,914,344
General Obligation Debt[2]	238,820	186,823	134,803	82,734	30,636
Less: Amount set aside for repayment of debt[2]	$ (34,684)	$ (34,885)	$ (32,761)	$ (35,452)	$ (22,559)
Total Net Applicable Debt[2]	$ 204,136	$ 151,938	$ 102,042	$ 47,282	$ 8,077
Legal Debt Margin	$ 8,753,965	$ 9,641,720	$ 10,112,856	$10,549,834	$11,906,267
Total Net Applicable Debt as a percentage of Debt Limit	2.28%	1.55%	1.00%	0.45%	0.07%

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 or the Bonds or purchase and cancellation of the Purchased 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 2019 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 August 1, 2019), including the Board's outstanding Alternate Revenue Bonds, the Dedicated Capital Improvement Tax Bonds, the PBC Leases, the Bonds, and the purchase and cancellation of the Purchased Bonds.

Board's Overlapping Debt Schedule
(Dollars in Thousands)

Direct Debt	
The Bonds	$ 349,079
Total Outstanding General Obligation Bonds	7,042,858
Dedicated Capital Improvement Tax Bonds	880,480
PBC Leases (principal component)	27,675
Total Direct Debt(1)	$8,300,092

Overlapping Debt(1)(2)	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Overlapping Debt**
City of Chicago	$8,093,222	100.00%	$8,093,222
Community College District(3)	320,228	100.00%	320,228
Chicago Park District(4)	800,935	100.00%	800,935
Cook County(5)	2,950,122	54.58%	1,610,155
Forest Preserve District	153,190	54.58%	83,610
MWRD	2,856,263	55.41%	1,582,729
Total Overlapping Debt			$12,490,879
Total Direct and Overlapping Debt			$20,790,971

Population (2018 estimate)	2,705,994(6)
Equalized Assessed Valuation (2018)	$86,335,882(7)
Estimated Fair Market Value (2016)	$293,121,793(8)

	Per Capita(9)	% EAV	% FMV
Direct Debt	$3,067.3	9.61%	2.83%
Total Direct and Overlapping Debt	$7,683.30	24.08%	7.09%

Source: Chicago Public Schools. As of September 5, 2019.

(1) Excludes outstanding tax anticipation notes.
(2) Debt of Overlapping Taxing Districts.
(3) All $320,373,000 of outstanding general obligation bonds were issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is tuition, fees and State Grant revenues.
(4) Includes $279,490,000 of outstanding general obligation bonds issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is 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

Beginning in Tax Year 2015 for collections in Fiscal Year 2016, the Board started to receive for the first time a Board-approved and statutorily-authorized annual levy of a capital improvement property tax (the "Capital Improvement Tax") to aid in funding its ongoing Capital Improvement Program. For the Fiscal Year 2020 Budget, the Capital Improvement Tax is estimated at $51.1 million. 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, its Dedicated Capital Improvement Tax Bonds, Series 2017 in the aggregate principal amount of $64,900,000, and its Dedicated Capital Improvement Tax Bonds, Series 2018 in the aggregate principal amount of $86,000,000 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. See "PLAN OF FINANCE – 2020 Capital Plan Financings 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 2019 and early Fiscal Year 2020 are payable from collection of the real property taxes levied for tax levy year 2018). 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 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 authorized the issuance of up to $1.25 billion of 2018 TANs in anticipation of the collection of the 2018 Tax Levy.

As of August 15, 2019, the Board has repaid all previously issued 2018 TANs. See "CASH FLOW AND LIQUIDITY."

The Board anticipates that it will continue to issue tax anticipation notes to fund operations and liquidity in Fiscal Year 2020 and subsequent Fiscal Years. In the last three Fiscal Years, the initial issuance of tax anticipation notes occurred in August, September, or October. 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.

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, 2018, 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 2019, revenues from ad valorem property taxes were approximately $2.9 billion and made up approximately 50% 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. Property tax revenue is the Board's largest revenue source. As a part of its Fiscal Year 2020 Budget, the Board increased its educational fund property tax levy to the maximum levy allowable under PTELL. The Fiscal Year 2020 Budget includes revenue from property taxes budgeted to be approximately $3.1 billion and will be approximately 50% of Fiscal Year 2020 budgeted operating revenues. As part of the Fiscal Year 2020 Budget, the Board estimates that the Pension Property Tax Levy, which was first implemented in Fiscal Year 2017, will generate approximately $477 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," "—Board's Fiscal Year 2019 Budget and Estimated Year-End 2019" and "—Board's Fiscal Year 2020 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. Beginning in Tax Year 2015 for collections in Fiscal Year 2016, the Board started to receive for the first time a Board-approved and statutorily authorized annual levy of a Capital Improvement Tax to aid in funding its ongoing Capital Improvement Program. For the Fiscal Year

2020 Budget, the Capital Improvement Tax is estimated at $51.1 million. For additional information on the Capital Improvement Tax and certain Dedicated Capital Improvement Tax Bonds secured by the Capital Improvement Tax, see "DEBT STRUCTURE – Dedicated Capital Improvement Tax Bonds."

Pension Property Tax Levy. Beginning in Tax Year 2016 for collections in Fiscal Year 2017, 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 $47.6 million in Collection Year 2020.

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 2007–2018

(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]	***	***
2018	***	***	***	***	***	2.9109	86,326,179[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 – 2019.

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]**	**Percentage of Extension**
2012	2013	$2,159,263	$1,057,494	$ 993,986	$2,051,480	95%	$2,076,552	96%
2013	2014	2,193,826	1,096,823	1,018,120	2,114,943	96%	2,138,869	97%
2014	2015	2,212,422	1,096,988	1,040,217	2,137,205	97%	2,165,397	98%
2015	2016	2,274,161	1,148,340	1,063,987	2,212,327	97%	2,246,211	99%
2016	2017	2,305,534	1,174,181	1,090,446	2,264,627	98%	2,290,786	99%
2017	2018	2,426,902	1,214,851	1,154,054	2,368,095	98%	2,390,780	99%
2018	2019	2,461,140[3]	1,274,672	n/a[4]	1,274,662[4]	52%[4]	1,274,672[4]	52%[4]

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) Not final. Total tax levy requested by the 2018-2019 School Tax Levy Resolution. Subject to PTELL adjustment by Cook County.
(4) In process of collection.

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 in tax years 2010–2018. 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
2010–2018 Tax Levy Year
(per $100 equalized assessed valuation)

Year of Levy (Taxes Extended for Collection in Following Calendar Year)	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tax Rates by Board Fund:									
Educational(1)	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205	$3.115	$3.161	$2.845
Workers' and Unemployment Compensation Tort Immunity	0.067	0.133	0.031	0.067	0.169	0.111	0.107	0.038	0.093
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	0.065	0.071	0.081	0.085	0.082	0.075	0.072	0.069	0.036
Capital Improvement Tax(1)	0.000	0.000	0.000	0.000	0.000	0.064	0.065	0.070	0.068
Teacher Pension(2)	0.000	0.000	0.000	0.000	0.000	0.000	0.367	0.551	0.511
Board Subtotal	$2.581	$2.875	$3.421	$3.671	$3.660	$3.455	$3.726	$3.890	$3.552
Other Major Government Units:									
City of Chicago	$1.132	$1.229	1.425	1.496	1.473	$1.806	$1.880	$1.894	$1.812
Community College District	0.151	0.165	0.190	0.199	0.193	0.177	0.169	0.164	0.147
Chicago Park District	0.319	0.346	0.395	0.420	0.415	0.382	0.362	0.352	0.330
Water Reclamation District	0.274	0.320	0.370	0.417	0.430	0.426	0.406	0.402	0.396
Cook County	0.423	0.462	0.531	0.560	0.568	0.552	0.533	0.496	0.489
Cook County Forest Preserve	0.051	0.058	0.063	0.069	0.069	0.069	0.063	0.062	0.060
Other Unit Subtotal	$2.350	$2.580	$2.974	$3.161	$3.148	$3.412	$3.413	$3.37	$3.234
TOTAL	$4.931	$5.455	$6.395	$6.832	$6.808	$6.867	$7.139	$7.20	$6.786

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.

State Aid Revenues

State Aid Revenues for Fiscal Year 2020 are budgeted to be $1,673.7 million. For Fiscal Year 2019, State Aid Revenues are expected to have been approximately $1,605.8 million, which represented approximately 24% of the budgeted General Operating Fund Revenues. State Aid Revenues are received from August through June in similar 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 "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 2020, Board revenues from State Grants are budgeted to be approximately $318.3 million. For Fiscal Year 2019, State Grants are expected to have been approximately $291.7 million, which represented 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 $151.0 million for Fiscal Year 2020. For Fiscal Year 2019, PPRT Revenues are expected to be approximately $152.4 million, which represented 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 "BONDHOLDERS' RISKS—Availability of PPRT Revenues."

Federal Revenues

Federal grants for Fiscal Year 2020 are budgeted to be $732.7 million and make up approximately 12% 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 Carl D. Perkins (job training), and Race to the Top funds. In Fiscal Year 2020, Title 1–A was budgeted at $262 million, the Individuals with Disabilities Education Act was budgeted at $205.2 million, the National School Lunch Program and Child and Adult Care Food Program was budgeted at $202.4 million, and Medicaid was budgeted at $35 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 2014–2018

The following table presents a summary of the General Operating Fund for Fiscal Years ending June 30, 2014 to June 30, 2018. 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	Restated 2014[2]	2015	2016	2017	2018
Revenue:					
Property Taxes	$2,152,753	$2,252,828	$2,313,469	$ 2,613,889	$ 2,794,613
Replacement Taxes (PPRT)	131,075	143,867	115,961	169,637	109,997
State Aid	1,629,892	1,579,324	1,398,855	1,287,702	1,859,582
Federal Aid	867,512	767,548	776,277	752,295	723,432
Interest and investment income	4,458	198	1,347	1,964	6,099
Other	156,115	165,819	271,858	265,099	332,323
Total Revenue	$4,941,805	$4,909,584	$4,877,767	$ 5,090,586	$ 5,826,046
Expenditures:					
Salaries:					
Teachers	$1,921,969	$1,953,938	$1,869,683	$ 1,815,309	$ 1,841,295
Career Services / Education Services Personnel	619,462	622,591	605,817	581,665	595,467
Commodities:					
Energy	87,547	74,516	70,227	69,067	60,813
Food	96,816	99,573	98,777	94,911	94,512
Other Commodities	108,742	106,299	102,235	87,516	97,280
Services:					
Professional Services	441,667	395,221	314,732	357,258	410,175
Charter schools	580,652	662,553	704,981	668,412	703,124
Transportation	104,430	103,891	104,450	95,974	106,021
Other	173,576	194,057	147,485	120,447	135,932
Building and sites	31,679	27,296	19,988	19,336	14,507
Fixed Charges:					
Teachers' pension	740,419	826,304	811,051	853,474	900,791
Career Services / Education Services Personnel pension	101,885	102,012	102,762	99,428	113,882
Hospitalization and dental insurance	343,308	357,124	348,083	306,871	319,344
Other Benefits	78,023	70,621	64,599	61,229	64,751
Other Fixed Charges	19,956	24,370	49,497	66,861	55,986
Total Expenditures	$5,450,131	$5,620,366	$5,414,846	$ 5,297,758	$ 5,513,880
Revenue (less than) Expenditure	$ (508,326)	$ (710,782)	$ (537,079)	$ (207,172)	$ 312,166
Transfers in (out)	161	(12,915)	50,162	58,574	286,828
Net Change in Fund Balance	(508,165)	(723,697)	(486,917)	(148,598)	598,994
Fund Balance, beginning of period	1,592,147	1,083,982	360,285	(126,632)	(275,230)
Fund Balance, end of period	$1,083,982	$ 360,285	$ (126,632)	$ (275,230)	$ 323,764
Composition of Fund Balance					
Non–Spendable	$ 429	$ 429	$ 429	429	429
Restricted	80,860	105,528	99,970	79,202	61,620
Assigned for appropriated fund balance	861,952	79,225	-	-	-
Assigned for encumbrances	140,741	73,101	-	-	18,044
Unassigned	–	102,002	(227,031)	(354,861)	243,671
Total Ending Fund Balance	$1,083,982	$ 360,285	$ (126,632)	$ (275,230)	$ 323,764

Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2018. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2018."

(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 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 2015–2018)

For Fiscal Years 2015 through 2018, 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.

Fiscal Year 2018. The Board reported General Operating Fund revenues of approximately $5.83 billion and expenses of approximately $5.51 billion, resulting in an operating surplus of approximately

$324 million, a net $531 million improvement over Fiscal Year 2017. The General Operating Fund balance increased by $598.9 million while the Capital Project Fund and Debt Service Fund increased by $102.5 million and $208.4 million respectively. Total General Operating Fund Revenues increased to $5.83 billion which were $735.4 million or 14.4% higher than the prior year amount of $5.09 billion. Total General Operating Fund expenses totaled approximately $5.14 billion, an increase of $216 million or 4.1% from the prior year.

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.

For Fiscal Year 2018, this increased funding totaled 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.

P.A. 100-465 became effective for Fiscal Year 2018 and beyond. 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.

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 2019 Budget and Estimated Year-End 2019

In August 2018, the Board adopted its Fiscal Year 2019 budget (the "Fiscal Year 2019 Budget"). The Fiscal Year 2019 Budget included approximately $5.98 billion in revenues and $5.98 billion in expenditures and the General Operating Fund balance at the beginning of Fiscal Year 2019 was approximately $261.2 million.

Currently, the Board estimates an approximately $40.6 million year-end operating surplus versus the operating deficit of $62.6 million included in the Fiscal Year 2019 Budget. Below are the various estimated year-end variances from the Fiscal Year 2019 Budget. These estimates are preliminary and unaudited. There are numerous variables which would impact the Fiscal Year 2019 year-end estimated financial performance and the variations could be substantial. In addition, the Board estimates $1 million of transfers in due to recent financing activities that will increase year-end fund balance.

- Positive variances to the Fiscal Year 2019 Budget are estimated as follows: approximately $26.2 million of additional Personal Property Replacement Taxes in excess of budget, $53.5 million of additional property taxes in excess of budget, $124 million less expenditures due to vacancy savings and non-personnel underspend, net $4.3 million of TIF surplus in excess of budget, and approximately $1 million of additional interest earnings.

- Negative variances to the Fiscal Year 2019 Budget are estimated as follows: approximately $50 million of less federal revenue due to decreased expenditures and $55.5 million of less state revenue than budgeted.

The variance between the Fiscal Year 2019 Amended Budget and the estimated year-end Fiscal Year 2019 is largely driven by a combination of spending levels below budget and the payment by the State of State Grant revenues through the end of the Board's 60-day revenue recognition period in August 2019. 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, 2019 showing the Fiscal Year 2019 Budget amounts, estimated year-end Fiscal Year 2019 totals, and the variance between such budgeted and year-end totals and the Fiscal Year 2019 Budget.

Fiscal Year 2019 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 2019 Budget	Estimated Year-End 2019	Variance Estimated vs. FY 2019 Budget
Revenue:			
Total Revenue	$5,921.6	$ 5,900.8	$ (20.8)
Expenditures:			
Total Expenditures	$(5,984.2)	$ (5,860.2)	$ 124.0
Revenue less Expenditure (Operating Surplus / (Deficit))	$ (62.6)	40.6	$ 103.2
Transfers in	0	1.0	1.0
Net Change in Fund Balance	(62.6)	41.6	104.2
Fund Balance, beginning of period	323.8	323.8	0.0
Fund Balance, end of period	$ 261.2	$ 365.4	$ 104.2

Board's Fiscal Year 2020 Budget

On August 8, 2019, the Board released its proposed Fiscal Year 2020 budget, which includes approximately $6.12 billion in revenues, $6.18 billion in expenditures and an estimated General Operating Fund balance at the beginning of Fiscal Year 2020 of approximately $365 million. The Board anticipates considering the proposed Fiscal Year 2020 budget for approval during its meeting on August 28, 2019.

The Fiscal Year 2020 Budget reflects $198 million increase in revenues over Fiscal Year 2019, which includes a $126 million increase in the property tax revenues for the General Operating Fund, a $48 million increase in the Pension Property Tax Levy, a $75 million increase in TIF Surplus, and certain offsetting increases and decreases in PPRT Revenues and Federal Revenues.

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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, pension payment and first quarter charter payments are 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.

For Fiscal Year 2019, the Board's liquidity position improved by $662 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 2019 was reduced by $250 million versus Fiscal Year 2018. The aggregate maximum principal amount of tax anticipation notes borrowed was $1,095 million and $844 million in Fiscal Year 2018 and Fiscal Year 2019, respectively. The Board's aggregate principal amount of Tax Anticipation Notes borrowed in Fiscal Year 2019 against the second installment of property taxes was $694,000,000 and these notes were repaid on August 15, 2019. The aggregate maximum principal amount of tax anticipation notes borrowed against the first installment property taxes totaled $844,000,000 and were repaid in early March. During Fiscal Year 2019, no Tax Anticipation Notes were outstanding for nonconsecutive days equal to approximately five months. The liquidity position of the Board's operating funds had declined during previous Fiscal Years (prior to Fiscal Year 2019) 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."

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.

<u>Property Taxes</u>. Property taxes will be approximately 50% of Fiscal Year 2020 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."

<u>State Revenues</u>. State revenues are largely made up of EBF State Aid revenues and State Grant revenues. On August 31, 2017, P.A. 100-465 became effective and replaced the State's previous method of allocating operating dollars to schools in Illinois. EBF State Aid revenues for Fiscal Year 2020 will be approximately 21% of budgeted operating revenues and received from August through June in similar 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 2019, the amount of State Grants appropriated but unpaid by June 30 was approximately $36 million, and there are approximately $1 million of State Grants to be vouchered. Prior to Fiscal Year 2019, the unpaid but appropriated State Grants

by June 30 was $70 million in Fiscal Year 2018, $330 million in Fiscal Year 2017 and $158 million in Fiscal Year 2016. See "FINANCIAL INFORMATION – State Grant Revenues."

Federal Revenues. Federal revenues are approximately 12% of total Fiscal Year 2020 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 43% 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 46% 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 debt service deposit in February 2019 relative to these alternate revenue bonds was approximately $283 million. Deposits for debt service for alternate revenue bonds backed by personal property replacement taxes in Fiscal Year 2019 totaled $35 million. In Fiscal Year 2020, the estimated February debt service deposit is approximately $397 million, an increase of approximately $114 million from Fiscal Year 2019.

Pension Contributions. In Fiscal Year 2020, the Board expects total pension contributions to be approximately $855 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 2020, approximately $477 million of this pension contribution will be funded through the Pension Property Tax Levy and $257 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, $735 million or 86% 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 $120 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 $16 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 1997-2017 has averaged approximately 4.3% 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 2017 to 2019 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.

For Fiscal Years 2019 and 2020, the Board levied in Tax Year 2018, for collection in calendar year 2019, the 2018 tax levy. Further, the Board authorized the issuance of Tax Anticipation Notes 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. All notes issued against the first installment of property taxes for Tax Year 2018 were repaid in early March. All notes issued against the second installment of property taxes for Tax Year 2018 were repaid on August 15, 2019.

In 2017, the Board issued its Grant Anticipation Revenue Notes, Series 2017A (the "2017A GANs") and Grant Anticipation Revenue Notes, Series 2017B (the "2017B GANs" collectively with the 2017A GANs, the "2017 GANs") in the aggregate principal amount of $387 million, payable from State Grants for Fiscal Year 2017. The Board repaid in full the 2017 GANs. The Board did not issue grant anticipation notes in Fiscal Year 2018 and Fiscal Year 2019, and the Board does not anticipate issuing grant anticipation notes in Fiscal Year 2020.

Forecasted Liquidity

The following table reflects the Board's forecasted liquidity profile by month from July 2019 to August 2020. The table shows the use of proceeds of the 2019 TANs to provide needed operating funds. Additional tax anticipation notes are expected to be issued during Fiscal Year 2020 and early Fiscal Year 2021. 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 2020 and Fiscal Year 2021, and (ii) the issuance of the 2019 TANs providing net funding to the Board of up to $1.25 billion. See "PLAN OF FINANCE – 2020 Capital Plan Financing 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. See "BONDHOLDERS' RISKS – Cash Flow and Liquidity and Future Borrowings." Accordingly, investors are cautioned not to place undue reliance upon the following forecasts. The forecasts also were not prepared in compliance with generally accepted accounting principles or the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants, including guidelines regarding projections or forecasts. The Board's independent registered public accounting firm has not examined, compiled or otherwise applied procedures to the forecasts and, accordingly, assumes no responsibility for them.

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Projected Cash Flow Table

Chicago Public Schools

Cash Flow Forecast

FY 2020 - Current Forecast

$ in millions

		FY 2020												Total	FY 2021	
		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	FY 2020	Jul-20	Aug-20
Beginning cash balance	A	$ 334.7	$ 218.2	$ 552.0	$ 386.5	$ 234.2	$ 206.6	$ 191.8	$ 511.6	$ 43.4	$ 342.0	$ 150.2	$ 251.8	$ 334.7	$ 230.7	$ 40.0
Operating receipts																
Property taxes		$ 159.2	$ 971.0	$ 5.7	$ 6.9	$ 6.9	$ 6.9	$ 9.4	$ 541.6	$ 806.9	$ 13.6	$ 23.2	$ 7.2	$ 2,558.3	$ 328.9	$ 839.6
TIF		-	14.3	-	-	-	-	-	-	72.0	-	-	-	86.3	-	14.3
Other local revenue		33.7	7.9	6.6	32.1	7.9	12.8	8.0	7.4	6.5	42.4	58.4	6.6	230.3	36.1	10.8
State block grants		15.2	3.8	0.1	0.1	0.8	68.1	87.8	0.8	2.7	63.1	45.7	38.9	327.1	3.6	2.5
Evidence Based Funding		-	150.7	150.7	150.7	150.7	150.7	150.7	167.0	150.7	150.7	150.7	150.7	1,673.7	-	150.7
Federal revenue		13.7	65.1	39.1	42.9	46.0	98.0	90.2	80.1	54.6	85.2	59.3	69.0	743.3	53.3	20.8
Total operating receipts		221.8	1,212.8	202.1	232.6	212.3	336.4	346.1	796.8	1,093.3	355.0	337.3	272.3	5,619.0	421.8	1,038.7
Operating expenditures																
Payroll		(151.9)	(77.4)	(154.9)	(234.5)	(264.5)	(223.5)	(266.2)	(214.3)	(236.1)	(232.2)	(268.1)	(234.5)	(2,558.0)	(150.8)	(74.6)
Health Insurance		(31.6)	(36.2)	(36.3)	(36.3)	(36.3)	(35.8)	(40.1)	(36.2)	(36.2)	(35.8)	(36.3)	(36.2)	(433.6)	(36.2)	(36.3)
Employer pension payment		-	-	-	-	-	(2.3)	(0.9)	(0.9)	(0.7)	(0.8)	(1.8)	(104.3)	(111.7)	-	-
Pension Pick-up		(8.4)	(1.9)	(4.5)	(14.5)	(23.0)	(13.7)	(13.2)	(15.0)	(15.0)	(15.0)	(22.4)	(15.0)	(161.6)	(6.5)	(2.0)
Charter School		(174.0)	(13.6)	(3.8)	(158.0)	(2.7)	(9.2)	(163.8)	(2.9)	(7.0)	(159.3)	(3.0)	(5.7)	(703.1)	(184.3)	(5.8)
AP disbursements		(105.6)	(164.6)	(160.7)	(132.4)	(121.9)	(71.0)	(95.1)	(73.2)	(89.7)	(87.9)	(107.3)	(147.5)	(1,357.0)	(156.0)	(203.0)
Total operating expenditures		(471.6)	(293.8)	(360.3)	(575.7)	(448.4)	(355.4)	(579.2)	(342.5)	(384.7)	(531.1)	(438.9)	(543.3)	(5,324.9)	(533.9)	(321.6)
Net operating cash flows		**(249.8)**	**919.0**	**(158.2)**	**(343.1)**	**(236.1)**	**(19.0)**	**(233.2)**	**454.2**	**708.7**	**(176.0)**	**(101.6)**	**(270.9)**	**294.1**	**(112.1)**	**717.0**
Financing cash flows																
FY19 TAN drawdown		243.9	-	-	-	-	-	-	-	-	-	-	-	243.9	-	-
FY19 TAN repayment		(120.7)	(573.3)	-	-	-	-	-	-	-	-	-	-	(694.0)	-	-
FY20 TAN drawdown		-	-	-	200.0	200.0	-	550.0	-	-	-	200.0	250.0	1,400.0	250.0	-
FY20 TAN repayment		-	-	-	-	-	-	-	(541.6)	(408.4)	-	-	-	(950.0)	(329.6)	(370.4)
Debt service and transfers		-	(6.0)	(1.1)	-	-	-	-	(384.0)	(2.0)	-	-	-	(393.0)	-	(8.2)
Financing cash flows		123.2	(579.3)	(1.1)	200.0	200.0	-	550.0	(925.6)	(410.4)	-	200.0	250.0	(393.1)	(79.6)	(378.6)
Capital cash flows																
Capital reimbursements		41.3	53.8	56.5	53.6	73.8	71.6	73.3	72.9	73.1	55.7	74.0	71.8	771.4	73.3	74.6
Capital expenditures		(31.3)	(59.7)	(62.8)	(62.9)	(65.4)	(67.2)	(70.3)	(69.8)	(72.7)	(71.5)	(70.7)	(72.0)	(776.3)	(72.3)	(70.7)
Net capital cash flows		10.0	(5.8)	(6.3)	(9.2)	8.4	4.3	2.9	3.1	0.4	(15.8)	3.2	(0.2)	(4.9)	1.0	3.9
Net cash flows	**B**	**$ (116.6)**	**$ 333.9**	**$ (165.5)**	**$ (152.3)**	**$ (27.7)**	**$ (14.7)**	**$ 319.7**	**$ (468.2)**	**$ 298.6**	**$ (191.8)**	**$ 101.6**	**$ (21.1)**	**$ (104.0)**	**$ (190.7)**	**$ 342.3**
Ending cash balance	**A+B=C**	**$ 218.2**	**$ 552.0**	**$ 386.5**	**$ 234.2**	**$ 206.6**	**$ 191.8**	**$ 511.6**	**$ 43.4**	**$ 342.0**	**$ 150.2**	**$ 251.8**	**$ 230.7**	**$ 230.7**	**$ 40.0**	**$ 382.3**
Minimum cash balance		*$ 205.2*	*$ 198.8*	*$ 362.5*	*$ 234.2*	*$ 99.7*	*$ 125.1*	*$ 72.6*	*$ 43.4*	*$ 35.4*	*$ 118.4*	*$ 85.3*	*$ 230.7*	*$ 230.7*	*$ 40.0*	*$ 59.0*
End of Month TANs Outstanding		(573.3)	-	-	(200.0)	(400.0)	(400.0)	(950.0)	(408.4)	-	-	(200.0)	(450.0)	(450.0)	(370.4)	-
Maximum TANs Outstanding		(694.0)	(573.3)	-	(200.0)	(400.0)	(400.0)	(950.0)	(950.0)	(408.4)	-	(200.0)	(450.0)	(450.0)	(700.0)	(370.4)

TAX MATTERS

Summary of Co-Bond Counsel Opinions

Katten Muchin Rosenman LLP and Charity & Associates, P.C., 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 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, Including Series 2019A Capital Appreciation Bonds

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 Charity & Associates, P.C., 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 K. 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 Charity & Associates, P.C., 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, Thompson Coburn LLP, P.L.C., Chicago, Illinois and Cotillas and Associates, Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Mayer Brown LLP, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, McGuireWoods 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 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 is attached hereto as APPENDIX I to this Official Statement, subject to the following: (i) the Special Revenues Opinion is being issued to and may be relied upon solely by the Board and may not be relied upon, published, circulated or otherwise referred to by any other party, including Bondholders, for any purpose without Katten's express prior written consent; (ii) the opinions expressed in the Special Revenues Opinion are subject to all assumptions and qualifications set forth therein; (iii) currently, there is no State law authorizing the Board to file for protection under Chapter 9 of the U.S. Bankruptcy Code, and it is not possible to predict the impact that such a State law, if enacted, might have in connection with any Chapter 9 proceeding filed by the Board; (iv) there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in Special Revenues Opinion; and (v) the opinions expressed in the Special Revenues Opinion are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions.

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 2018 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, 2018. 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, 2018, 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 "BB-" (positive outlook) by S&P Global Ratings ("S&P"), "BB" (stable outlook) by Fitch Ratings, Inc. ("Fitch") and "BBB" (positive outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"), respectively. 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 "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 and Mesirow Financial, Inc.. The Underwriters have agreed to purchase the Bonds as follows: (i) the Series 2019A Bonds at an aggregate purchase price of $252,569,087.15 (representing an aggregate principal amount of $225,283,872.25, plus $28,942,158.00 original issue premium and less $1,656,943.10 of Underwriters' discount), and (ii) the Series 2019B Bonds at an aggregate purchase price of $144,332,409.20 (representing an aggregate principal amount of $123,795,000.00, plus $21,448,473.05 original issue premium and less $911,063.85 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. The 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.

The Underwriters and their affiliates may have certain inter-company compensation arrangements that relate to transactions that may occur from time to time between the Underwriters and their affiliates, on the one hand, with the Board, on the other, as the case may be. Such inter-company compensation may be determined in part passed on the size of the relevant transaction.

Mesirow Financial, Inc. ("Mesirow"), one of the Underwriters of the Bonds, also serves as the repurchase agent with respect to the Refunded Bonds and, in such role, has arranged for the repurchase of the Refunded Bonds by the Board from the bondholder thereof. As repurchase agent, Mesirow will receive separate compensation payable by the Board.

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; Reportable 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);

Note: For the purposes of the events described in this part (l), the event is considered to occur when any of the following occur: 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 such jurisdiction has been assumed by leaving the existing governing body and 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;

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

(o) incurrence of a financial obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Board, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Board, any of which reflect financial difficulties.

Note: For the purposes of the events described in parts (o) and (p), the term "financial obligation" means: (1) a debt obligation; (2) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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 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 Year ended 2014, 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 (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 2014 and 2015 and of the failure to timely file a notice to that effect as required by the Board's continuing disclosure undertakings.

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

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AUTHORIZATION

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

BOARD OF EDUCATION OF THE CITY OF CHICAGO

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

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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 2019A Indenture and the Series 2019B Indenture, respectively, and does not purport to be complete or definitive and is qualified in its entirety by the Series 2019A Indenture and the Series 2019B 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 2019A Indenture and the Series 2019B Indenture are on file with the Trustee.

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APPENDIX A-1

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2019A INDENTURE

The following summary of certain provisions of the Series 2019A Indenture does not purport to be complete or definitive and is qualified in its entirety by the Series 2019A 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 Series 2019A Indenture is on file with the Trustee. A summary of the Indenture with respect to the Series 2019B Bonds is described in Appendix A-2.

Definitions of Certain Terms

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

"*Accreted Value*" means, with respect to a Capital Appreciation Bond and as of any date, an amount equal to the Original Principal Amount of such Capital Appreciation Bond plus the investment return accrued to such date at a semiannual compounding rate necessary to produce the yield to maturity borne by such Capital Appreciation Bond as described under "THE BONDS – Interest on the Bonds."

"*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 Pledged Revenues with respect to the Series 2019A Bonds and the Prior IGA Bonds with respect to the Pledged IGA Revenues; and the Prior PPRT Bonds with respect to the Pledged PPRT 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 Current Interest Bonds and the sum of Maturity Amounts of the Capital Appreciation Bonds that will become due and payable during such Bond Year, exclusive of any such interest on the Current Interest Bonds 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 with respect to the Maturity Amount of Capital Appreciation Bonds and the principal amount of Current Interest Bonds, $100,000 and any integral multiple of $5,000 in excess of $100,000.

"*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 Series 2019A 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 Act*" means the Bond Authorization Act, 30 Illinois Compiled Statutes 305.

"*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 under the Series 2019A Indenture.

"*Bond Resolution*" means, Resolution No. 19-0724-RS1 adopted by the Board on July 24, 2019 authorizing the issuance of the Series 2019A Bonds.

"*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 Appreciation Bonds*" means the $61,503,872.25 aggregate Original Principal Amount of the Series 2019A Bonds described under "THE BONDS – Interest on the Bonds."

"*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.

"*Costs of Issuance Account*" means the Cost of Issuance Account established under the Series 2019A Indenture.

"*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.

"*Current Interest Bonds*" means the $163,780,000 aggregate principal amount of the Series 2019A Bonds described under "THE BONDS – Interest on the Bonds."

"*Debt Service Fund*" meant the Debt Service Fund established under the Series 2019A 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 2019A Indenture.

"*Deposit Sub-Account*" means the sub-account of that name in the Pledged Revenues Account.

"*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 Series 2019A Indenture by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Series 2019A Bonds.

"*Electronic Means*" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"*Escrow Agent*" means Amalgamated Bank of Chicago, as escrow agent.

"*Escrow Agreement*" means the Ninth Restated Master Alternate Bonds Escrow Agreement, dated as of September 1, 2019, between the Board and the Escrow Agent, providing for the segregation and distribution of the Pledged PPRT Revenues and the Intergovernmental Agreement Revenues, delivered in connection with the issuance of the Series 2019A Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues and the Intergovernmental Agreement Revenues, as from time to time hereafter supplemented and amended as provided therein.

"*Event of Default*" means any event so designated and specified in the Series 2019A 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.

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

"*Interest Sub-Account*" means the Sub-Account of that name in the Bond Payment Account.

"*Intergovernmental Agreement*" means the Intergovernmental Agreement dated as of October 1, 1997, by and between the Board and the City of Chicago, as from time to time amended and supplemented.

"*Intergovernmental Agreement Revenues*" means the amounts paid to the Board pursuant to the Intergovernmental Agreement.

"*Intergovernmental Agreement Revenues Sub-Account*" means the sub-account of that name in the Payment Sub-Account of the Pledged Revenues Account established by the Series 2019A 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:

(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.

"*Maturity Amount*" means with respect to each Capital Appreciation Bond, the Accreted Value on the maturity date of such Capital Appreciation Bond, being the sum of the principal of and interest on such Capital Appreciation Bond due and payable on its maturity date.

"*Net Annual Debt Service Requirement*" means, for any Bond Year, the sum of the interest on and principal of the Current Interest Bonds and the sum of the Maturity Amounts of the Capital Appreciation Bonds that will become due and payable during such Bond Year, less the amounts of principal, interest and Maturity Amounts payable from Pledged IGA Revenues, as set forth in the Series 2019A Indenture.

"*Original Principal Amount*" means with respect to each $5,000 Maturity Amount of a Capital Appreciation Bond of a particular maturity date, the amount set forth in the Series 2019A Indenture.

"*Outstanding*" means, as of any date, all Series 2019A Bonds theretofore or thereupon being authenticated and delivered under the Series 2019A Indenture except:

(a) Any Series 2019A Bonds canceled by the Trustee at or prior to such date;

(b) Series 2019A Bonds (or portions of Series 2019A Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount, Maturity Amount or Redemption Price thereof, as the case may be, and, in the case of Current Interest Bonds, with interest to the date of maturity or date fixed for redemption, as the case may be, are held in trust under the Series 2019A Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Series 2019A Bonds (or portions of Series 2019A Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Series 2019A Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Series 2019A Bonds in lieu of or in substitution for which other Series 2019A Bonds shall have been authenticated and delivered pursuant to the Series 2019A Indenture; and

(d) Series 2019A Bonds deemed to have been paid as provided in the Series 2019A Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2019A Bond or Series 2019A 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 2019A Bonds and any successor or successors appointed by a Designated Official under the Series 2019A 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" 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 IGA Revenues" means the Intergovernmental Agreement Revenues pledged hereunder for the payment of the Series 2019A Bonds in amounts each year as shall provide for the annual debt service payment on the Series 2019A Bonds in each year and pledged, in conjunction with the lien on the Pledged IGA Revenues imposed by and arising under the Act and under the Series 2019A Indenture as security for the Series 2019A Bonds.

"Pledged PPRT Revenues" means 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 provision of not less than .25 times the amount of annual debt service payments on the Series 2019A Bonds in each such year and pledged, in conjunction with the lien on the Pledged PPRT Revenues imposed by and arising under the Act and under the Series 2019A Indenture as security for the Series 2019A Bonds.

"*Pledged Revenues*" means collectively, the Pledged PPRT Revenues and the Pledged IGA Revenues pledged under the Series 2019A Indenture for the payment of the Series 2019A Bonds.

"*Pledged Revenues Account*" means the account of that name in the Debt Service Fund.

"*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 2019A Indenture as security for the Series 2019A Bonds.

"*PPRT Revenues Sub-Account*" means the sub-account of that name in the Payment Sub-Account of the Pledged Revenues Account.

"*Principal Sub-Account*" means the Sub-Account of that name in the Bond Payment Account

"*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 Series 2019A 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 IGA Bonds*" means the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1998B-1, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1999A, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2008A, the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F and the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H.

"*Prior PPRT Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A, the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E, the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F, the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H and the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D. "*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2019A Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Series 2019A Bonds Outstanding as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, (i) with respect to any Interest Payment Date for the Current Interest Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date, (ii) with respect to any Capital Appreciation Bond, the 15th day (whether or not a Business Day) of the calendar month next preceding the maturity date of such Capital Appreciation Bond and (iii) any date selected by the Trustee for making a payment on the Series 2019A Bonds during an Event of Default.

"*Redemption Price*" means, with respect to any Series 2019A Bond, the principal amount of the Series 2019A 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 Series 2019A Indenture and designated as registrar for the Series 2019A 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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series 1998B-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, of the Board.

"*Series 1999A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1999A, of the Board.

"*Series 2004A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A of the Board.

"*Series 2008A Bonds*" means the $262,785,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008A, of the Board.

"*Series 2008A Indenture*" means the Trust Indenture dated as of May 1, 2008 between the Board and the Series 2008A Trustee providing for the issuance and security of the Series 2008A Bonds.

"*Series 2008A Trustee*" means Amalgamated Bank of Chicago, as trustee under the Series 2008A Indenture.

"*Series 2018D Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2018D of the Board.

"*Series 2017E Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E of the Board.

"*Series 2017F Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F of the Board.

"*Series 2017G Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017G, of the Board.

"*Series 2017H Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board.

"*Series 2019A Indenture*" means the Trust Indenture, dated as of September 1, 2019 by and between the Board and the Trustee securing the Series 2019A Bonds.

"*Series 2019A Bonds*" means the $225,283,872.25 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A, of the Board authorized pursuant to the Bond Resolution and the Series 2019A Indenture.

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

"*State*" means the State of Illinois.

"*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 2019A Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2019A Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2019A 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 Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2019A Indenture.

"*2008 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 08-0227-RS13 authorizing the issuance of Alternate Bonds, in an amount not to exceed $1,900,000,000.

"*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 the Series 2019A Bonds issued under the Series 2019A Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in the Series 2019A Indenture and in the Series 2019A Bonds contained, the Board pledges and grants in the Series 2019A 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 the Series 2019A Indenture:

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

(i) The pledge of the Intergovernmental Agreement Revenues to the payment of the Series 2019A Bonds is on a parity with the pledge of such revenues to the payment of the Prior IGA Bonds and any Additional Bonds that may be issued in the future;

(ii) The pledge of the PPRT Revenues to the payment of the Series 2019A Bonds is on a parity with the pledge of such revenues to the payment of the Prior PPRT Bonds and any Additional Bonds that may be issued in the future.

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2019A 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 2019A Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2019A Indenture and received by the Board, shall immediately be subject to the lien and pledge of the Series 2019A Indenture without any physical delivery or further act, and the lien and pledge under the Series 2019A 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 2019A Indenture, each and all of the Series 2019A Bonds shall have the same right, lien and privilege under the Series 2019A 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 Series 2019A Indenture.

The Series 2019A Bonds are General Obligations

The Series 2019A 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 Revenues as set forth in the Series 2019A Indenture, the Pledged Taxes. The Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A Indenture, and shall not, except as expressly authorized in the Series 2019A Indenture, create or cause to be created any lien or charge on such Pledged Revenues, such Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Series 2019A Indenture from time to time payable from (i) all or any portion of the Pledged Revenues or (ii) any other source of payment which may be pledged under the Act, and any such Additional Bonds shall share ratably and equally in the Pledged IGA Revenues with the Series 2019A Bonds and the Prior IGA Bonds and in such Pledged PPRT Revenues with the Series 2019A Bonds and the Prior PPRT 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 2019A Indenture to issue bonds or other evidences of indebtedness payable from Pledged Revenues subordinate to and available to the Series 2019A Bonds. Such subordinate obligations will be paid from Pledged IGA Revenues and Pledged PPRT 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 Series 2019A Bonds

Subject to the operation of the global book-entry-only system described in "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Series 2019A Bonds under the Series 2019A Indenture. Each Series 2019A 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 Series 2019A Bond, the Board shall issue in the name of the transferee a new Series 2019A Bond or Series 2019A Bonds in Authorized Denominations of the same aggregate Maturity Amount or principal amount, as the case may be. The Board and each Fiduciary may deem and treat the person in whose name any Series 2019A Bond shall be registered upon the registration books of the Board as the absolute owner of such Series 2019A Bond, whether such Series 2019A Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the Maturity Amount, principal and Redemption Price, of and interest on, such Series 2019A 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 Series 2019A 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 2019A Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2019A Bonds in accordance with the provisions of the Series 2019A Indenture. All Series 2019A Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2019A 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 Series 2019A Bond after such Series 2019A Bond has been called for redemption or, in the case of any proposed redemption of Series 2019A 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 Series 2019A Indenture with the Trustee to be held and applied in accordance with the provisions of the Series 2019A Indenture: (a) Pledged Revenues Account, consisting of (i) the Deposit Sub-Account and (ii) the Payment Sub-Account, consisting of (A) the Intergovernmental Agreement Revenues Sub-Account and (B) the PPRT Revenues 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 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 2019A Bonds on such Interest Payment Date.

As provided in the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues 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 a portion of the Intergovernmental Agreement Revenues with the Trustee for application in accordance with the provisions of this Indenture.

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 this Indenture.

The Pledged Revenues received by the Trustee pursuant to the Series 2019A Indenture shall be applied as follows:

(i) All 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 Maturity Amounts of the Capital Appreciation Bonds and the interest on and principal of the Current Interest Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year.

(ii) All Intergovernmental Agreement Revenues received by the Trustee from the Escrow Agent in each Bond Year shall be deposited promptly upon receipt in the Intergovernmental Agreement Revenues Sub-Account.

(iii) Promptly after there shall have been deposited to the credit of the Deposit Sub-Account in any Year an amount sufficient to satisfy the requirement set forth in the preceding subparagraph (i) the Trustee shall (A) notify the Board of that fact and the Board shall take such actions as are necessary, to abate the Pledged Taxes levied for the payment the then-current Bond Year to the extent of the amount of the Maturity Amounts, interest on and principal of the Series 2019A Bonds scheduled to be paid from PPRT Revenues during the Bond Year beginning on December 2 of such Year; and (B) not earlier than December 3 of the then-current Year nor later than the last Business Day of the then-current Year, transfer all amounts on deposit in the Deposit Sub-Account into the Pledged PPRT Revenues Sub-Account.

(iv) 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 amount insufficient to satisfy the Net Annual Debt Service Requirement for the then current Bond Year, 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 as described under " – Particular Covenants and Representations of the Board – *Covenants Regarding Pledged Taxes*" 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 satisfy the Net Annual Debt Service Requirement for the then current Bond Year; and (B) on such Deposit Date, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account.

(v) All amounts on deposit in the PPRT Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account as described below under "— *Bond Payment Account*," shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2019A Indenture, which withdrawal shall be made prior to any deposit to the PPRT Revenues Sub-Account pursuant to each of the preceding subparagraphs.

(vi) All amounts on deposit in the Intergovernmental Agreement Revenues Sub-Account on December 2 of each Year shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2019A Indenture and the Trustee shall provide notice to the Board that such amounts paid constitute Intergovernmental Agreement Revenues.

If, on any Business Day, the amount on deposit in the 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 shall be withdrawn from said Sub-Account by the Trustee and paid to the Board free and clear of the lien of the Series 2019A Indenture.

Pledged Taxes Account

As described in the Series 2019A 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 2019A 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 Series 2019A 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

The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-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 Deposit Sub-Account *third* from moneys on deposit in the Intergovernmental Agreement Revenues Sub-Account and *last* from the moneys on deposit in the PPRT Revenues Sub-Account: (i) first, to the Interest Sub-Account on or before each applicable Interest Payment Date for any of the Outstanding Series 2019A Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment and (ii) second, to the Principal Sub-Account on or before June 1 an amount equal to the sum of one-half of the Maturity Amounts of the Capital Appreciation Bonds that are Outstanding Series 2019A Bonds, if any, which are payable on the next December 1 and of the principal amount of Current Interest Bonds that are Outstanding Series 2019A Bonds, if any, which mature on the next December 1 and (iii) to the Principal Sub-Account after June 1 and on or prior to December1, an amount sufficient so that the aggregate amount held in the Principal Sub-Account will equal the sum of the Maturity Amounts of the Capital Appreciation Bonds that are Outstanding Series 2019A Bonds, if any, which are payable on that December 1 and the principal amount of the Current Interest Bonds that are Outstanding Series 2019A Bonds, if any, which mature on that December 1.

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 sum of the Maturity Amounts of Capital Appreciation Bonds that are Outstanding Series 2019A Bonds which are payable on that December 1 and of the principal amount of Current Interest Bonds that are Outstanding Series 2019A 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 PPRT Revenues

On or before the Deposit Date of each Year, (i) whenever funds are on deposit in a Pledged PPRT Revenues Account in an amount sufficient to meet the Net 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 PPRT Revenues Account are not sufficient to meet the Net 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 PPRT Revenues Sub-Account to provide funds sufficient to satisfy the Net Annual Debt Service Requirement for the Applicable Bond Year.

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 Series 2019A 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 the Series 2019A 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 2019A 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 Series 2019A 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 Series 2019A 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. Pursuant to the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues in each Year, directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. So long as any of the Series 2019A Bonds remain Outstanding, the Board will not agree to amend or supplement the Intergovernmental Agreement so as to authorize the modification or amendment of such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law 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 Intergovernmental Agreement Revenues to be paid to the Board during any Year.

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 2019A 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 hereby covenants, so long as there are any Outstanding Series 2019A Bonds, to provide for, collect and apply the Pledged Revenues to: (i) the payment of the Series 2019A Bonds, the Prior IGA Bonds, the Prior PPRT Bonds, and an additional .25 times debt service on such bonds. 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 2019A Indenture (the "Deposit Direction"). As long as any of the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2019A Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the PPRT Revenues Account is insufficient to meet the Net Annual Debt Service Requirement for the Series 2019A 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 Series 2019A 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 Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2019A 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 Series 2019A 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 Series 2019A Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2019A Bond is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the Series 2019A 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 Series 2019A 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 2019A Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2019A 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 Series 2019A 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 Series 2019A Indenture or in the Series 2019A 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 2019A 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 SERIES 2019A BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE SERIES 2019A INDENTURE.

If an Event of Default shall happen under the Series 2019A 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 2019A 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 2019A Bonds or the Series 2019A 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 Series 2019A Indenture or enforcing any of the rights or interests of the Owners of the Series 2019A Bonds under such Series 2019A Bonds or the Series 2019A Indenture.

All rights of action under the Series 2019A Indenture may be enforced by the Trustee without the possession of any of the Series 2019A 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 2019A 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 2019A 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 2019A 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 Series 2019A 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 2019A 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 Series 2019A 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 2019A Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2019A Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Series 2019A 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 2019A 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 2019A 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 Series 2019A 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 2019A Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2019A 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 2019A Indenture or Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A Indenture or the execution of any trust under the Series 2019A Indenture or for any remedy under the Series 2019A 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 2019A 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 Series 2019A 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 2019A Bonds shall have any right in any manner whatsoever by its or their action to affect, disturb or prejudice the pledge created by the Series 2019A 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 Series 2019A 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 2019A 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 2019A 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 Series 2019A 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 Series 2019A Indenture conferred upon or reserved to the Trustee or the Owners of Series 2019A 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 Series 2019A 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 Series 2019A Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2019A Bonds, waive any past default under the Series 2019A Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Series 2019A 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 Series 2019A Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2019A Bonds 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 Series 2019A 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 2019A Bonds then Outstanding (excluding any Series 2019A 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 Series 2019A Bonds then Outstanding, excluding any such Series 2019A 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 Series 2019A Bonds then Outstanding, excluding any Series 2019A 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 authorized in the Series 2019A Indenture.

If no appointment of a Trustee shall be made within 45 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 Series 2019A 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 Series 2019A 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 2019A Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2019A 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 Series 2019A Indenture;

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

(e) To make any necessary amendments to or to supplement the Series 2019A Indenture in connection with the issuance of Additional Bonds as authorized in the Series 2019A Indenture;

(f) To cure any ambiguity, omission or defect in the Series 2019A 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 2019A 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 2019A Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2019A 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 Series 2019A 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 Series 2019A Indenture or of any indenture supplemental thereto; *provided*, *however*, that nothing in the Series 2019A 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 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 Series 2019A Indenture, without the consent of the Owners of all the Series 2019A Bonds at the time Outstanding, (c) a reduction in the aforesaid aggregate principal amount of Series 2019A 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 2019A 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 Series 2019A 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 2019A Bonds. 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 2019A 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 2019A Indenture, is authorized or permitted by the Series 2019A 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 2019A Bonds giving such consent and upon any subsequent Owner of such Series 2019A Bonds and of any Series 2019A 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 Series 2019A 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 Series 2019A 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 2019A 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 2019A 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 Series 2019A 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 Series 2019A 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 2019A Indenture and the rights and obligations of the Board and of the Owners of the Series 2019A 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 2019A 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 2019A 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 Series 2019A 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 2019A 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 Series 2019A Indenture which are not required for the payment of Series 2019A 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 2019A 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 2019A Indenture, such Series 2019A Bonds shall cease to be entitled to any lien, benefit or security under the Series 2019A Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Series 2019A Bonds and to the Trustee shall thereupon be discharged and satisfied.

Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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 2019A Bonds, and (e) if any of said Series 2019A Bonds are not to be paid or redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2019A Bonds a notice that such deposit has been made with the Trustee and that said Series 2019A Bonds are deemed to have been paid in accordance with the Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2019A 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

2019A 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 2019A 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 2019A Bonds to which such Series 2019A Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

APPENDIX A-2

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2019B INDENTURE

The Series 2019B Bonds offered through the attached Official Statement are secured under the Series 2019B Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by the Series 2019B 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 2019B Indenture are on file with the Trustee. A summary of the Indenture with respect to the Series 2019A Bonds is 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 any Prior Authorization Bonds and the 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 2019B Bonds and for any Bond Year, the sum of the interest on and principal of the Series 2019B 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 2019B 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 Series 2019B 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 2019B Indenture.

"*Bond Resolution*" means Resolution No. 19-0724-RS1, adopted by the Board on July 24, 2019, authorizing the issuance of the Bonds.

"*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 2019B 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 2019B 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.

"*Event of Default*" means any event so designated and specified in the Series 2019B 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, 2020.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2019B 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 2019B Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the Series 2019B Indenture except:

(a) Any Series 2019B Bonds canceled by the Trustee at or prior to such date;

(b) Series 2019B Bonds (or portions of Series 2019B 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 2019B Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Series 2019B Bonds (or portions of Series 2019B Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Series 2019B Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Series 2019B Bonds in lieu of or in substitution for which other Series 2019B Bonds shall have been authenticated and delivered pursuant to the Series 2019B Indenture; and

(d) Series 2019B Bonds deemed to have been paid as provided in the Series 2019B Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2019B 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 2019B Bonds and any successor or successors appointed by a Designated Official under the Series 2019B 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 Revenues Account*" means the account of that name in the Debt Service Fund established under the Series 2019B Indenture.

"*Pledged State Aid Revenues*" means 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 Authorization Bonds, the 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 this Indenture as security for the Bonds.

"*Pledged State Aid Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2019B Indenture

"*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 2019B Indenture as security for the Series 2019B Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Series 2019B 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 2019B 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 2019B Indenture.

"*Prior Authorization Bonds*" means (i) the outstanding Taxable Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2009E; (ii) the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009G; (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 2018C

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2019B Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, (i) with respect to any Interest Payment Date for the Series 2019B Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date and (ii) any date selected by the Trustee for making a payment on the Series 2019B Bonds during an Event of Default.

"*Redemption Price*" means, with respect to any Series 2019B Bond, the amount payable upon the date fixed for redemption.

"Refunded Bonds" means the $169,425,000 aggregate outstanding principal amount of the Series 2008B Bonds.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2019B Indenture and designated as registrar for the Series 2019B 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 2019B Bonds.

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

"Series 2008B Indenture" means the Trust Indenture dated as of May 1, 2008 between the Board and the Series 2008B Trustee providing for the issuance and security of the Series 2008B Bonds.

"Series 2008B Trustee" means U.S. Bank National Association, as successor trustee under the Series 2008B Indenture.

"*Series 2019B Bonds*" or "*Bonds*" means the $123,795,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B, of the Board authorized pursuant to the Bond Resolution and the Series 2019B Indenture.

"*Series 2019B Indenture*" means the Indenture securing and under which the Series 2019B Bonds are issued, dated as of September 1, 2019 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 2019B Indenture.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2019B Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2019B Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2019B 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 State Aid Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2019B Indenture.

"*2008 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 08-0227-RS13 authorizing the issuance of alternate bonds pursuant to the Act in an amount not to exceed $1,900,000,000.

"*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 2019B 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 2019B Bonds contained, the Board pledges and grants in the Series 2019B 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 State Aid Revenues as set forth in the 2008 Authorization and the Pledged Taxes, *provided* that the pledge of the Pledged State Aid Revenues is on a parity with the pledge of such revenues to the Prior Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2008 Authorization from time to time 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 Series 2019B 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 2019B Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2019B 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 2019B Indenture, each and all of the Series 2019B 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 2019B Bonds are General Obligations

The Series 2019B 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 State Aid Revenues and the Pledged Taxes, as described in the Series 2019B Indenture. The Series 2019B 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 2019B 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 2019B 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 Series 2019B 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 Series 2019B Indenture, and shall not, except as expressly authorized in the Series 2019B Indenture, create or cause to be created any lien or charge on such Pledged State Aid Revenues, Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Series 2019B 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 (ii) any such Additional Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Series 2019B 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 2019B Indenture to issue bonds or other evidences of indebtedness payable from Pledged State Aid Revenues subordinate to Series 2019B 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 Revenues Sub-Account during such Year.

Provisions Regarding Transfer and Exchange of Series 2019B Bonds

Subject to the operation of the global book-entry-only system described in "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Series 2019B Bonds under the Series 2019B 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 2019B Bond or Series 2019B 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 2019B Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2019B Bonds in accordance with the provisions of the Series 2019B Indenture. All Series 2019B Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2019B 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 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 2019B Indenture:

(i) Pledged Revenues Account consisting of (1) the Interest Deposit Sub-Account, (2) the Capitalized Interest Sub-Accounts and (3) the Pledged State Aid 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 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 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 2019B Bonds on such Interest Payment Date as described in the Series 2019B Indenture.

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 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 December 2 of each Year, following the transfers required to be made to the Bond Payment Account, pursuant to the Series 2019B Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2019B 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 shall be withdrawn by the Trustee from the Pledged State Aid Revenues Sub-Account and paid to the Board free and clear of the lien of the Series 2019B Indenture.

Pledged Taxes Account. As described in the Series 2019B 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 2019B 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 2019B 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* 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 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 2019B 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. 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, of $4,453,181.25. 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 Series 2019B 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 2019B 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 2019B 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, 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 Series 2019B 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 2019B 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 2019B 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 Series 2019B Indenture, for so long as there are any Outstanding Series 2019B Bonds, to provide for, collect and apply the Pledged State Aid Revenues to the payment of the Series 2019B Bonds, the Prior Authorization Bonds and any Additional Bonds and the provision of not less than an additional .10 times debt service on the Series 2019B Bonds, the Prior Authorization Bonds and any 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 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 2019B Indenture (the "*Deposit Direction*"). As long as any of the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2019B 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 2019B 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-2, 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 2019B Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-2.

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 Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2019B 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 2019B 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 2019B Indenture or in the Series 2019B 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 2019B 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-2; 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 2019B BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE SERIES 2019B INDENTURE.

If an Event of Default shall happen under the Series 2019B 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 2019B 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 2019B Bonds or the Series 2019B 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 2019B Bonds under such Series 2019B Bonds or the Series 2019B Indenture.

All rights of action under the Series 2019B Indenture may be enforced by the Trustee without the possession of any of the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B Indenture, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues and Pledged Taxes to the extent any of them secure the Series 2019B 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 2019B Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2019B Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2019B 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 2019B Indenture or the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 Series 2019B Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2019B 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 2019B Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2019B Bonds, waive any past default under the Series 2019B Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Series 2019B Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Trustee Provisions

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 2019B Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2019B 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 2019B 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 2019B 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 2019B Bonds then Outstanding, excluding any such Series 2019B 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 2019B Bonds then Outstanding, excluding any Series 2019B 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 2019B 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 Series 2019B 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 2019B Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2019B 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 State Aid 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 Series 2019B Indenture;

(f) To cure any ambiguity, omission or defect in the Series 2019B 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 2019B 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 2019B Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2019B 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 2019B 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 2019B Bond, without the consent of the Owner of such Series 2019B 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 this Indenture, without the consent of the Owners of all the Series 2019B Bonds at the time Outstanding, (c) a reduction in the aforesaid aggregate principal amount of Series 2019B 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 2019B Bonds at the time Outstanding that 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 the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B Indenture, then the pledge of the Trust Estate under such Series 2019B 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 2019B 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 2019B 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 2019B Bonds, and (e) if any of said Series 2019B Bonds are not to be redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2019B Bonds a notice that such deposit has been made with the Trustee and that said Series 2019B Bonds are deemed to have been paid in accordance with the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2019B 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 2019B 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 2019B 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 2019B Bonds to which such Series 2019B Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2018

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2018

Prepared by the Department of Finance

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 23, 2019

Dear Friends and Colleagues,

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

Thanks to the tireless advocacy of our families, educators and partners, and decades of effort by our lawmakers, Chicago Public Schools is now on stronger financial ground, which means we can invest more in the programs and resources that we know drive student achievement.

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

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

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

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

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

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

Respectfully Submitted,

Frank M Clark

Janice K. Jackson

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
2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Chicago Board of Education

BOARD OFFICIALS AS OF JANUARY 23, 2019

Chicago Board of Education
Frank M. Clark, President
Jaime Guzman, Vice President

Members
Mark F. Furlong
Alejandra Garza
Austan D. Goolsbee
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, 2017

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, 2017.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Charles E. Peterson, Jr.

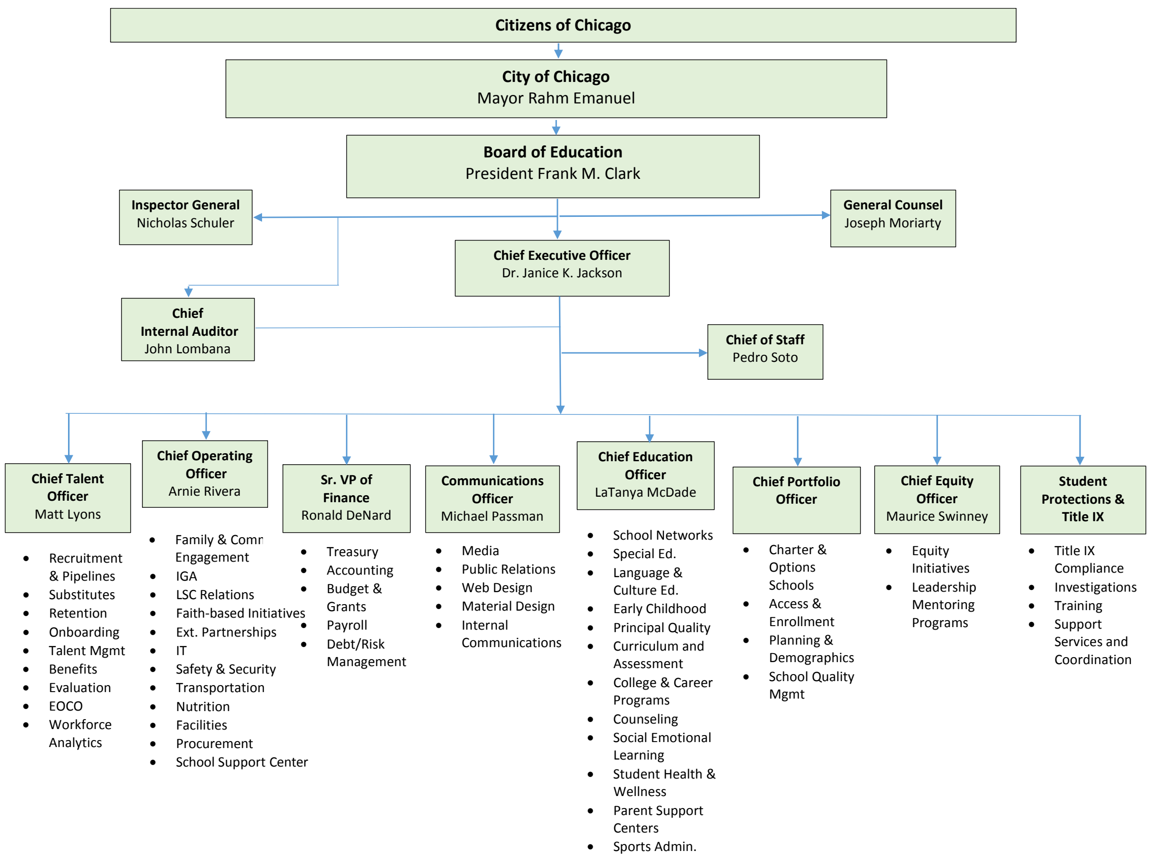
Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso

John D. Musso, CAE
Executive Director

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 Chief Executive Officer of ComEd. ComEd is a unit of Chicago-based Exelon Corporation. ComEd delivers electricity to approximately 3.8 million residential and business customers across northern Illinois, or 70 percent of the state's population. Mr. Clark retired from ComEd in February, 2012. Mr. Clark serves on the board of trustees of DePaul University and Museum of Science and Industry and on the board of directors of the Big Shoulders Fund. Mr. Clark is past Chairman of the Executive Committee of The Chicago Community Trust, a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, trustee of The Lincoln Academy of Illinois, a member of the RAND Corporation JIE Advisory Board, and President of the Business Leadership Council. Mr. Clark is a member of the Chicago Bar Association, 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. Mr. Clark 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 Governors State University and an honorary Doctor of Law degree from DePaul University. Mr. Clark has received numerous awards including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In 2008, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology. Mr. Clark also was 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.

Alejandra Garza

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, and 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.

Austan D. Goolsbee

Austan D. Goolsbee was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on December 14, 2018. Austan Goolsbee has been a Chicago educator and scholar since 1995. He is the Robert P. Gwinn professor of economics at the University of Chicago's Booth School of Business. Goolsbee previously served as chairman of President Barack Obama's Council of Economic Advisers and a member of the Cabinet as well as the chief economist for the President's Economic Recovery Advisory Board. He serves on the board of the Lumina Foundation, the Chicago Public Education Fund and the University of Chicago Laboratory Schools. Goolsbee is a former Fulbright Scholar and Alfred P. Sloan Fellow and he currently serves as a member of the Economic Advisory Panel to the Federal Reserve Bank of New York.

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 President of the COMMON Ground Foundation and a Member of the Board of Directors for the Obama Foundation. 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, 2022
Jaime Guzman, Vice President	June 30, 2022
Mark F. Furlong	June 30, 2019
Alejandra Garza	June 30, 2019
Austan Goolsbee	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2022
Gail D. Ward	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.

Department of Finance · 42 West Madison, 2nd Floor · Chicago, Illinois 60602-4413
Telephone: 773-553-2710 · Fax: 773-553-2711

January 23, 2019

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, 2018, 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, 2018, 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 2018 with a positive fund balance of $323.8 million in the operating fund. This is the first time since fiscal year 2015 that the District has reported positive fund balance, and this improvement in financial sustainability is due in part to increased state funding for educational purposes, as well as earmarks for pension obligations. In addition, CPS has continued to streamline operational costs and shifting much needed resources to the classroom. Additional local revenues were also made available to Chicago Public Schools through Tax Increment Financing ("TIF") funds which went to support various school programs.

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 2018, CPS had 644 schools, including district-run traditional and "options" schools, as well as 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 121 charter schools, serving just nearly 60,000 students.

Student enrollment as of September 2017 was 371,382 a decrease of 9,967 from the September 2016 level (381,349). Approximately 76.6% of our students come from low-income families and 18.7% are English Language Learners. CPS employs 36,403 workers, including 24,794 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 athttps://www.chicago.gov/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html.

Local revenues included $2,898 million in property taxes and $168.3 million in personal property replacement taxes ("PPRT"), in fiscal year 2018. Property taxes support the General Fund, Tort Immunity Program, Capital Project and Debt Service Funds, while the PPRT support the General Operating and Debt Service Funds. In fiscal year 2017, the District first extended a property tax levy for capital improvement projects and collected $48.4 million in tax revenue. The levy was increased in 2018 and $8.1 million was recognized in the Capital Fund.

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 2018. 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 16 to the financial statement footnotes.

CURRENT CONDITION

The General Operating Fund expenditures budget for fiscal year 2018 was $5,699 million, $288 million higher than the fiscal year 2017 budget of $5,411 million. This increase in budget was largely driven by the nearly $450 million in new state and local revenues received by the District. The increases were due in part to pension funding bill (P.A. 100-465), as well as additional revenues from the Chicago Teachers' pension levy. Budgetary offsets of these increases included $50 million in reduced expected Federal revenues and a decrease of $65 million in budgeted TIF surplus funds.

Total governmental funds revenues for fiscal year 2018 were $6,512 million, which is $684 million more than the $5,828 million fiscal year 2017 revenue. Total expenditures for fiscal year 2018 were $6,474 million, which were approximately $440 million higher than the prior year of $6,034 million. CPS ended fiscal year 2018 with a combined fund balance of $2,004 million in all governmental funds, an increase of $909 million from fiscal year 2017’s ending fund balance of $1,095 million.

On August 31, 2017, Public Act 100-465 became effective that provides a significant revision to the State’s funding of the Board. The primary components of P.A. 100-465 include the new State Aid Evidence-Based Funding Formula ("EBF"), a change in state grants to the board, and a new funding model for charter schools. The new legislation 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 continued funding of approximately $221 million in additional State Aid that the District relied upon in prior years.

P.A. 100-465 changed the State’s grant funding of the Board in two major ways, first, 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.P.I. & T.B.E), into the EBF Formula. Secondly, 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.

The new law also 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 Student Based Budgeting ("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.

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 our pension burden increased, CPS drew down its reserves in prior years in order to balance the budget. To bridge the ebb and flow of revenue receipts and payments, CPS now relies on short-term borrowing. We receive our 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 payments are due in February (just before the March installment is received) and the CTPF pension payment, which is due by June 30th, is prior to when collections from the August installment are 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. In addition, in fiscal year 2018, CPS recorded $287 million in operating transfers into its General Operating Fund, primarily from excess funds returned to the Board due to debt restructuring and bond refinancing transactions. CPS ended the year with a total interest expense of $545 million compared to $448 million in fiscal year 2017. This represents an increase of $97 million in borrowing expense.

Though CPS is armed with more tools and better financial flexibility to address some of our fiscal issues over time, despite these improvements, historic, one-time measures taken to address previous budget gaps are coming to an end in Fiscal Year 2020 and CPS will continue to carry a structural budget gap which needs to be addressed in the years to come.

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, 2017, the Pension Fund reported $10,933 million in actuarial assets and $21,822 million in actuarial liabilities, for a funded ratio of 50.1%. In accordance with GASB 68, CPS has recorded a net pension liability of $12,382 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 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.

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 fiscal year 2018, primarily as a result of the State's new funding formula framework, CPS received rating outlook improvements from all bond rating agencies and a ratings letter upgrade from one agency. Refer to the Management's Discussion and Analysis for further information about ratings changes subsequent to the end of fiscal year.

LONG-TERM FINANCIAL PLANNING

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

The law became effective in August 2017 and generated $444 million of additional revenue in fiscal year 2018, which is comprised of $221 million in State funding of CPS' annual Teachers' Pension Fund contribution, $70 million in additional State Aid Revenues under the new Evidence Based Funding Formula, increased Teacher's Pension Fund contribution from property tax levy revenues of approximately $130 million, $19 million in State Grants and $4 million of other additional State revenues.

These additional resources provide additional financial stability to CPS in the years to come. As a result of these improvements, CPS has achieved a positive fund balance in fiscal year 2018 for the first time in three years and as a result of the improved fund balance, CPS has also reduced cash borrowing by $455 million in fiscal year 2018 versus fiscal year 2017. All of the rating agencies have acknowledged this improvement, as CPS has received three rating upgrades and five outlook improvements since the new legislation was put in place.

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

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, and adding comprehensive dual language programming so that more students can be certified as bilingual before taking their post-secondary steps.

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

The Computer Science department has engaged in partnerships with Google, Apple, Chicago Mercantile Exchange Foundation and Chance the Rapper's Social Works foundation to provide support for Computer Science implementation across the district. In partnership with Apple, a Center for Excellence in Computer Science was created at Lane Tech high school, to promote expansion of intermediate and advanced Computer Science curricula at CPS.

Also, in school year 2018, the Department of Social Science and Civic Engagement implemented a number of educational initiatives in order to expand access for all students to high quality social science curriculum, financial literacy, and civic learning and student leadership opportunities. During the past year, a district-wide professional development for social science was developed and over 1,300 educators, counselors, principals, and district leaders were trained to implement the City Council mandated the Reparations Won curriculum; new curricular modules and correlating training were developed and launched for Financial Education; and a number of curricular projects were expanded including several social science education organizations including a robust district-wide effort to implement and train teachers in Facing History and Ourselves curriculum for grades 8, 9, 10, and 11. In the area of Civic Engagement: the civics course curriculum was revised with a team of teacher-leaders and partners; we developed new local and national partnerships to enrich the course including Chicago City Clerk's Office and the Aspen Institute; over 75 new civics teachers have been trained, and in-depth civic-engagement-related instructional initiatives were provided to 69 additional civics course teachers; we took steps in expanding civic-learning beyond the civics course through the creation of an instructional video series on effective classroom discussion and deliberation of controversial issues. The series highlights CPS teachers and students, and is featured on the Teaching Channel and will be archived.

The Advanced Placement, ("AP"), program continues to lead the nation in access and achievement gains. In 2018, CPS' AP program was recognized--for the second time in eight years--as College Board's AP District of the Year. No other large district in the nation has received this honor twice and CPS is the largest district in the nation to ever receive the award. In addition, CPS has earned AP Honor Roll for the sixth year in a row and seven of the last years. Both honors are achieved by demonstrating consistent enrollment and achievement growth through all subgroups, which has been the upward trend since 2011. The growth has being supported by partnerships such as the one with Equal Opportunity Schools ("EOS"). EOS supports schools identify underrepresented students for future enrollment in both AP and IB programs on six CPS high school campuses, two of which offer AP and International Baccalaureate ("IB"). With over 12,000 CPS students passing more than 18,500 exams in SY18, our students are increasing college and career access while earning college credit.

Chicago is already home to the largest network of IB schools in the nation, with a total of 55 authorized schools (22 high schools and 33 elementary) with 4 schools in the candidacy phase of the application process and eighteen more schools are currently under consideration for candidacy. CPS continues to provide 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 more access to IB courses, we are allowing our students to earn college credit and increasing their chances for post-secondary success and beyond.

This year, our District identified opportunities for STEM School expansion across the district. Preparation began for 3 new STEM Magnet Elementary schools through the Magnet Schools Assistance Program (MSAP) grant. W. Brown, Claremont, and Jungman STEM schools are now serving approximately 1000 students. Additionally, 3 new Early College STEM programs were announced at Crane, Infinity, and Solorio high schools. CPS also opened its first official STEAM school at Sor Juana elementary serving students in grades K-2 in school year 18-19. To support robust learning in the STEM disciplines, the district also identified new science instructional materials aligned to the Next Generation Science Standards for teachers to implement beginning in fall of 2018.

In mathematics, the district continues to invest in teacher development with a new focus on Elementary athematics Specialists. These teachers are participating in university coursework funded by the C E roup Foundation to develop their mathematics content knowledge, pedagogical content knowledge, and ability to implement the curriculum successfully.

Access to arts education continued its progress towards equity, with ⅔ of schools rated as Strong or Excelling in the arts based on the Creative Schools Certification. Investment in the arts continues to be strong. For the first time, CPS assumed the cost of Arts Essentials grants, making $1,000 grants to the 97% of schools that filled out the Creative Schools Survey. Through our partnership with Ingenuity, a further $1.1 million in grants were made to 108 schools. Finally, thanks to a $2 million dollar gift from SocialWorks, 20 schools received $100,000 each to invest in arts education between school years 2018-2020. New learning standards in the arts were adopted by ISBE in 2016 and took effect in 2018. These new standards shift the focus of learning away from artistic product and to artistic process; the ultimate goal for each student is artistic literacy. In response to this significant change, the Department of Arts Education crafted a professional learning strategy designed to prepare our educators to meet this new challenge. The resulting professional learning cycle is being fully funded through a 4-year, $2.1 million grant from the US Department of Education and launched in SY18/19.

Through the district's a commitment to Social Emotional Learning, we are keeping more of our students in school and engaged. Social and Emotional Learning continues to be a central focus of our district's long-term vision and goals and Chicago Public Schools has achieved significant advancements toward fulfilling our vision for systemic, district-wide SEL. The language of SEL is engrained in discussions at the highest levels of district leadership, and it is reflected in district-wide communications, policies, and professional development. The Office of Social and Emotional Learning (OSEL) is a key collaborator in district initiatives, and as a result of this work, we have seen positive trends in school climate, student behavior, and student engagement.

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 (such as goal-setting, cooperation, and conflict resolution), as the number of suspensions and expulsions have dropped dramatically. In addition, we see the impact of our investment in developing supportive school climate practices and structures, in that there are currently over 300 schools that CPS has certified as emerging, established, or exemplary in the CPS Supportive Schools Certification. To support these continued efforts to keep students safe and engaged, we also trained over 100 professionals (over 200 schools benefited from) in school-based behavioral health interventions. Interventions support social skill development, aggression prevention, trauma exposure, and depression prevention. OSEL also continues the Healing Trauma Together program (launched spring 2017) in 10 high schools in communities impacted by violence. The program, funded by the U.S. Department of Education, supports the development of trauma-sensitive schools, and through an additional Healthy Communities grant, schools have piloted a universal screening system to identify students with trauma symptoms.

In the summer of SY18, CPS revised the Student Code of Conduct to build on the district's restorative approach to discipline, promote equitable practices, and ensure all students have access to safe and supportive learning environments. Significant changes included: 1) a more inclusive Anti-Bullying Policy, which protects children from being harassed for any reason, including race, religion, or immigration status; 2) guidance on Out-of-School suspension practices to ensure that the use of suspensions is appropriate, equitable, and employed as a last resort; 3) a more sensitive approach to address student behavior, especially when the students involved may have been exposed to trauma; 4) additional language to explicitly prohibit zero tolerance policies; and 5) clear guidelines for involving the new CPS Office of Student Protections and Title IX in investigating incidents of bullying, inappropriate sexual conduct, and other infractions.

We also continue our commitment to proactive and restorative supports of students, and CPS has launched the OSEL Restorative Practitioner Affiliate Training Series to promote fidelity to restorative processes among school-based leads. We have also launched the Restorative Re-entry Toolkit and training series to support students returning to school after a serious incident or extended absence - especially as a result of involvement in the uvenile ustice system. We have also opened fourteen Parent niversities 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.

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 2018 were $339 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

In addition, the Capital Improvement Tax (CIT) levy is an annual property tax levy dedicated exclusively to school construction projects and the debt service related to those projects. Since its inception, the Capital Improvement Tax levy has generated $45, $48 and $50 million in fiscal years 2016, 2017 and 2018 respectively. In fiscal year 2018, CIT levy receipts were recorded to both the Capital Projects Fund and the Debt Service Fund. These monies were used towards school construction projects and to repay the 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 (backed by these CIT property tax revenues) can be used only for capital projects, the bonds have no impact on CPS' operating budget (i.e. the District's payroll and other day-to-day expenses). This allows CPS to issue long-term debt for building projects without impacting classroom funding. Two ratings agencies, Kroll and Fitch, currently rate the CIT bond offerings as BBB and A, respectively. These investment grade ratings, therefore allow CPS to achieve a lower borrowing cost.

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, 2017. 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 17th consecutive year. We have included this award in the recognition of the importance of fiscal policies on our ability to educate our students and undertake the new initiatives outlined above.

Acknowledgments: This report could not have been prepared without the commitment and dedication of the entire staff of the Department of Finance, the Chief Education Office and the Office of the Board. We wish to express our gratitude and appreciation to them for their dedicated efforts and professionalism.

Respectfully submitted,

Ronald DeNard	Melinda M. Gildart, CPA, MBA
Senior Vice President of Finance	*Controller*

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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 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, 2018, 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.

To the Board of Education of the City of Chicago
Chicago Public Schools

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, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, Chicago Public Schools adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017. 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, 2018 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, 2018 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, 2018, 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, 2018.

To the Board of Education of the City of Chicago
Chicago Public Schools

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Chicago Public Schools as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated January 24, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities and each major fund. 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 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 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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. 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) is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

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

We have previously audited Chicago Public Schools' 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated January 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019 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 23, 2019

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018. 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 $25.7 billion, an increase of $1.6 billion from fiscal year 2017, while assets and deferred outflows equaled $11.6 billion, with an increase of $593 million. The overall increase in total liabilities and deferred inflows is primarily driven by increases in CPS' pension and other post-employment benefit liabilities of $1.6 billion. The overall increase in total assets and deferred outflows is mostly derived from a decrease in state aid receivables of $293.7 million, higher cash on hand and held by trustees of $203.5 million from prior year, as well as higher pension deferred outflows of $638.9 million from 2017. CPS ended fiscal year 2018 with a deficit in net position of $14.057 billion, an increase in the deficit of $1.05 billion or 8.0% from the prior year. The Statement of Activities presents an increase in total expenses from fiscal year 2017 in governmental activities of $432 million, a net increase of $167 million in grants and contributions and an increase in non-program state aid of $240 million.

CPS ended fiscal year 2018 with a combined fund balance for its governmental funds of $2.004 billion, an increase of $909.8 million or 83.1%, from fiscal year 2017. The fund balance increased by $598.9 million in the General Operating Fund, increased by $102.5 million in the Capital Project Fund, and increased by $208.4 million in the Debt Service Fund. Total revenues in the General Fund for fiscal year 2018 were $5.826 billion, which were $735.4 million or 14.4% higher than the prior year amount of $5.091 billion. Total expenses in the General Operating Fund for fiscal year 2018 were $5.514 billion, which increased by $216 million or 4.1% from the fiscal year 2017 amount of $5.298 billion. The General Operating Fund ended fiscal year 2018 with a positive fund balance of $323.8 million. The positive fund balance in the General Operating Fund for 2018, reverses two consecutive years of reporting negative fund balance (in fiscal year 2016 and 2017).

In fiscal year 2018, the Board issued several series of long-term fixed rate bonds. First, $500 million in Unlimited Tax General Obligation (GO) Bonds, Series 2017AB, which carried a premium of $33.4 million, were issued July 2017. In addition, $1.025 billion of Unlimited Tax General Obligation (GO) Bonds, Series 2017CDEFGH, which carried an original issue premium of $30.3 million were issued in November 2017. Finally, $64.9 million in Dedicated Revenue Capital Improvement Tax ("CIT") Bonds, Series 2017, with an original issue premium of $5.6 million, were also issued in November 2017. The various series of bonds were primarily issued for a combination of refunding and capital improvement program financing. There were two rating changes related to the long term debt of the Board occurring after June 30, 2018. The Moody's Investor Service general obligation (GO) rating of the Board was upgraded from B3 to B2 and the outlook was revised to stable on July 12, 2018. In addition, the Standard & Poor's general obligation (GO) rating of the Board was upgraded from B to B+ with a stable outlook on October 31, 2017.

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			
	2018	2017	Difference	% Change
Current Assets	$ 3,060	$ 3,137	$ (77)	-2.5%
Capital Assets, net	5,960	5,994	(34)	-0.6%
Non-current Assets	579	502	77	15.3%
Total Assets	$ 9,599	$ 9,633	$ (34)	-0.4%
Total deferred outflows of resources	$ 2,015	$ 1,388	$ 627	45.2%
Current Liabilities	$ 1,781	$ 2,513	$ (732)	-29.1%
Long-term liabilities:	23,640	21,342	2,298	10.8%
Total Liabilities	$ 25,421	$ 23,855	$ 1,566	6.6%
Total deferred inflows of resources	$ 250	$ 176	$ 74	42.0%
Net Position:				
Net investment in capital assets	$ (743)	$ (644)	$ (99)	-15.4%
Restricted for:				
Capital projects	167	126	41	32.5%
Debt service	745	630	115	18.3%
Grants and donations	52	52	-	0.0%
Workers' comp/tort immunity	-	27	(27)	-100.0%
Teacher's pension contributions	9	-	9	100.0%
Unrestricted	(14,287)	(13,202)	(1,085)	-8.2%
Total net position (deficit)	$ (14,057)	$ (13,011)	$ (1,046)	-8.0%

****During fiscal year 2018, CPS implemented GASB Pronouncement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this GASB resulted in the long-term obligation for OPEB to be recognized as a liability and a decrease in beginning net position. As a result, CPS made a restatement to beginning net position of $295 million not reflected above. See Note 13 for more information.***

Current assets decreased by $77.5 million, though current cash balances increased by $137.4 million and Federal and other receivables increased by $49.9 million, primarily due to the decrease of State aid receivable balances of $293.7 from fiscal year 2017. Receivables for property taxes were higher by $35.2 million (as the Board received increased revenue from the levy for the Chicago Teachers' Pension Fund ("CTPF")) and other assets increased from $2.7 million in 2017 to just under $11 million in 2018. Net receivables from State aid were down dramatically 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 the EBF. 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 by $33.9 million due to the sale of several properties, including adjustments for four school actions approved by the Board within fiscal year 2018, and the recording of asset impairments in relation to these and other under-utilized CPS assets. Refer to Note 6 to the basic financial statements for more detailed information on capital assets.

Non-current assets increased by $77.1 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 $627.5 million, which was directly attributable to the increase in deferred pension outflows of $638.9 million and a decrease of $11.4 million in deferred charges stemming from debt refundings. Refer to Note 12 to the basic financial statements for more information on CPS' pension liabilities.

Current liabilities decreased by $732.7 million as a result of the paydown of debt stemming from the 2017 Grant Anticipation Notes (GANs) of $386.9 million and the reduced ending balance as of June 30, 2018 for the Tax Anticipation Notes (TANs) of $350.1 million. Combined increases in various payables totaling $94.7 million were recorded in 2018 including $3.1 million due to the Chicago Teacher's Pension Fund, $37.4 million from accounts payable, $31.3 million in interest payable and the remaining amount comprised of unearned revenue, other accrued liabilities, the current portion of long-term debt, accrued payroll and benefits and amounts held for student activities as of June 30, 2018. Refer to Note 8 to the basic financial statements for more detailed information on short-term debt.

Long-term liabilities increased by $2.3 billion, or 10.77%, as a result of the increase in long-term debt of $769.9 million, from the issuance of new debt, as well as the increase in the pension liability for CTPF of $1.4 million and other postemployment benefits liability of $236.9 million. Other benefits and claims and capitalized lease obligations to the Public Building Commission decreased by $26.1 million and $46.0 million respectively. Refer to Note 9 to the basic financial statements for more detailed information on long-term debt.

Deferred inflows of resources, composed of deferred pension and OPEB inflows related to GASB Statement No. 68 and GASB Statement No. 75, ended with a net increase of $73.9 million.

Net position (deficit) decreased by $1.085 billion to $14.057 billion (deficit). Of this amount, CPS recorded a net investment in capital assets of negative $743.4 million, combined restricted net position of $973.3 million, including $167.2 million for capital assets, $744.5 million for debt service, $52.3 million for grants and donations and $9.3 million for future teacher's pension contributionS. Restricted net position represents legal constraints from debt covenants and enabling legislation. The $14.287 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, 2018.

The following table presents the changes in net position to fiscal year 2018 from fiscal year 2017:

Changes in Net Position
(In Millions)

Revenues:	Governmental Activities			
Program revenues:	2018	2017	Difference	% Change
Charges for services	$ 4	$ 2	$ 2	100.0%
Operating grants and contributions	1,323	1,156	167	14.4%
Capital grants and contributions	61	58	3	5.2%
Total program revenues	$ 1,388	$ 1,216	$ 172	14.1%
General revenues:				
Property taxes	$ 2,889	$ 2,696	$ 193	7.2%
Replacement taxes (PPRT)	168	228	(60)	-26.3%
Non-program state aid	1,452	1,212	240	19.8%
Interest and investment earnings	19	5	14	280.0%
Other	193	156	37	23.7%
Gain on sale of capital assets	9	7	2	28.6%
Total general revenues	$ 4,730	$ 4,304	$ 426	9.9%
Total revenues	$ 6,118	$ 5,520	$ 598	10.8%
Expenses:				
Instruction	$ 4,449	$ 4,024	$ 425	10.6%
Support Services:				
Pupil Support Services	482	472	10	2.1%
Administrative Support Services	171	301	(130)	-43.2%
Facilities Support Services	456	465	(9)	-1.9%
Instructional Support Services	496	460	36	7.8%
Food Services	220	214	6	2.8%
Community Services	40	40	-	0.0%
Interest expense	545	448	97	21.7%
Other	10	13	(3)	-23.1%
Total expenses	$ 6,869	$ 6,437	$ 432	6.7%
Change in net position	$ (751)	$ (917)	$ 166	18.1%
Beginning net position (deficit)	(13,011)	(11,971)	(1,040)	-8.7%
Implementation of GASB 82	-	(123)	123	100.0%
Implementation of GASB 75	(295)	(123)	(172)	-139.8%
Beginning net position (deficit), as restated	(13,306)	(12,094)	(1,212)	-10.0%
Ending net position (deficit)	$ (14,057)	$ (13,011)	$ (1,046)	-8.0%

FINANCIAL SECTION

FINANCIAL SECTION

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, 2017, the Pension Fund reported $10,933 million in actuarial assets and $21,822 million in actuarial liabilities, for a funded ratio of 50.1%. In accordance with GASB 68, CPS has recorded a net pension liability of $12,382 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. The CTPF property tax levy, in conjunction with the state funding of normal cost, provides two dedicated sources of revenues to fund pensions. In fiscal year 2018, CPS funded 83% of the pension contribution from these two dedicated revenue sources, significantly reducing the burden of the pension contribution on the operating fund.

Capital Assets

At June 30, 2018, CPS had $5.960 billion invested in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease of $33.9 million or 0.6% over the prior fiscal year. Refer to Note 6 of the basic financial statements for more detailed information on capital assets.

(In Millions)

	2018	2017	Difference	% Change
Land	$ 328	$ 327	$ 1	0.3%
Construction in progress	290	148	142	95.9%
Buildings and improvements	9,504	9,392	112	1.2%
Equipment and administrative software	222	221	1	0.5%
Internally developed software	8	6	2	33.3%
Total capital assets	$ 10,352	$ 10,094	$ 258	2.6%
Less: accummulated depreciation	(4,392)	(4,100)	(292)	-7.1%
Total capital assets, net	$ 5,960	$ 5,994	$ (34)	-0.6%

Debt and Capitalized Lease Obligations

In fiscal year 2018, the Board issued several series of long-term fixed rate bonds. First, $500 million in Unlimited Tax General Obligation (GO) Bonds, Series 2017AB with an original issue premium of $33.4 million were issued in July 2017. In addition, $1.025 billion of Unlimited Tax General Obligation (GO) Bonds, Series 2017CDEFGH with an original issue premium of $30.3 million were issued in November 2017. Finally, $64.9 million in Dedicated Revenue Capital Improvement Tax ("CIT") Bonds, Series 2017 with an original issue premium of $5.6 million were issued in November 2017. The various series of bonds were issued for a combination of refunding, capital improvement program financing, payment of capitalized interest, consolidated debt service reserve funding, and payment of costs of issuance.

The debt service on the GO Bonds will be paid from a combination of General State Aid (GSA), Personal Property Replacement Taxes (PPRT) and Intergovernmental Agreement Revenues (IGA). 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, 2018, CPS had $8.8 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus $8.2 billion last year, an increase of 7.3%. 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, 2018, as compared with June 30, 2017. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

Governmental Funds
Total Revenues, Other Financing Sources and Expenditures
(In Millions)

	2018 Amount	2017 Amount	2018 Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Revenues:					
Property taxes	$ 2,898	$ 2,715	33.2%	$ 183	6.7%
Replacement taxes	168	228	1.9%	(60)	-26.3%
State aid	2,197	1,709	25.1%	488	28.6%
Federal aid	768	784	8.8%	(16)	-2.0%
Interest and investment earnings	19	5	0.2%	14	280.0%
Other	462	387	5.3%	75	19.4%
Subtotal	$ 6,512	$ 5,828	74.5%	$ 684	11.7%
Other financing sources	2,227	886	25.5%	1,341	151.4%
Total	$ 8,739	$ 6,714	100.0%	$ 2,025	30.2%
Expenditures:					
Current:					
Instruction	$ 3,108	$ 2,859	39.7%	$ 249	8.7%
Pupil support services	453	441	5.8%	12	2.7%
General support services	890	985	11.4%	(95)	-9.6%
Food services	207	200	2.6%	7	3.5%
Community services	40	40	0.5%	-	0.0%
Teachers' pension and retirement benef	763	709	9.7%	54	7.6%
Other	10	13	0.1%	(3)	-23.1%
Capital outlay	352	217	4.5%	135	62.2%
Debt service	651	570	8.3%	81	14.2%
Subtotal	$ 6,474	$ 6,034	82.7%	$ 440	7.3%
Other financing uses	1,355	36	17.3%	1,319	3663.9%
Total	$ 7,829	$ 6,070	100.0%	$ 1,759	29.0%
Net change in fund balances	**$ 910**	**$ 644**			

General Operating Fund

The general operating fund supports the day-to-day operation of educational and related activities.

Revenues and Other Financing Sources
(In Millions)

	2018 Amount	2017 Amount	2018 Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Property taxes	$ 2,795	$ 2,614	45.7%	$ 181	6.9%
Replacement taxes (PPRT)	110	170	1.8%	(60)	-35.3%
State aid	1,860	1,288	30.4%	572	44.4%
Federal aid	723	752	11.8%	(29)	-3.9%
Interest and Investment earnings	6	2	0.1%	4	200.0%
Other	332	265	5.4%	67	25.3%
Subtotal	$ 5,826	$ 5,091	95.3%	$ 735	14.4%
Other financing sources	287	59	4.7%	228	386.4%
Total	$ 6,113	$ 5,150	100.0%	$ 963	18.7%

Property tax revenues increased by $180.7 million in fiscal year 2018 as a result of collections from the 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, 2018 were recognized as revenues under the modified accrual basis of accounting.

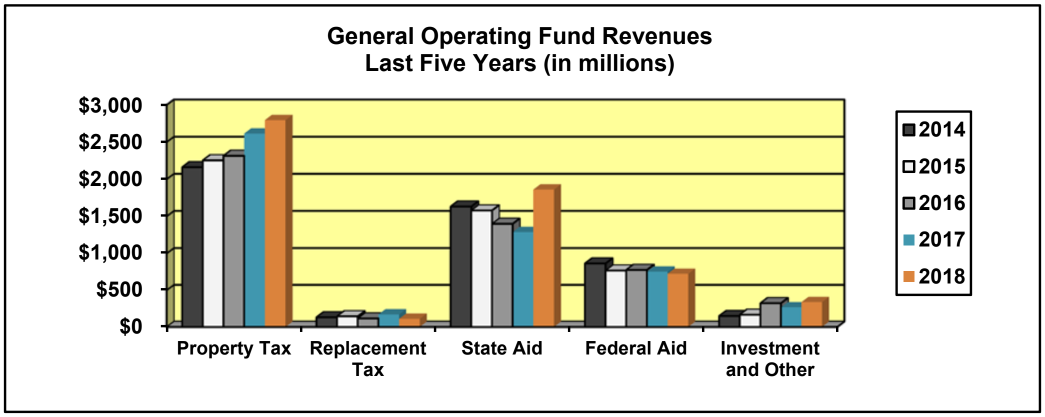
Personal property replacement tax (PPRT) revenues are primarily composed of additional State income taxes on corporations and partnerships. These revenues decreased by $59.6 million in fiscal year 2018 due to a prior year adjustment in fiscal year 2017, which provided a one-time increase to the statewide PPRT Fund.

State aid revenues increased by $571.9 million, as a result of increased timeliness of State payments and the implementation of the new State funding formula. In addition, CPS' overall state aid allocation was considerably higher in fiscal year 2018 than in fiscal year 2017 (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). Overall, a higher proportion of payments were received by CPS within the revenue recognition period, and these monies were recognized as revenue for governmental funds financial reporting purposes.

Federal aid decreased by $28.9 million in fiscal year 2018 due to the decrease of 6% of Title I allocation and smaller allocations decreases in other miscellaneous grants in fiscal year 2018.

Interest and investment earnings totaled $6 million for fiscal year 2018, which is a 200% 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 2018 with higher investment earnings from the prior year mainly due to moderate increases in short-term interest rates and higher available cash on hand.

Other revenues are derived from local sources such as intergovernmental revenues, Tax Increment Financing ("TIF") surplus funds and other miscellaneous revenues. TIF surplus funds received, along with the "Transit" TIF funds allocated to CPS from the City of Chicago, accounted for $124.9 million of the $332.3 million in other revenues recorded in fiscal year 2018. City Of Chicago pension contributions (to MEABF) made on behalf of administrative CPS personnel, were recorded as on-behalf revenue of $76.6 million.



Expenditures
(In Millions)

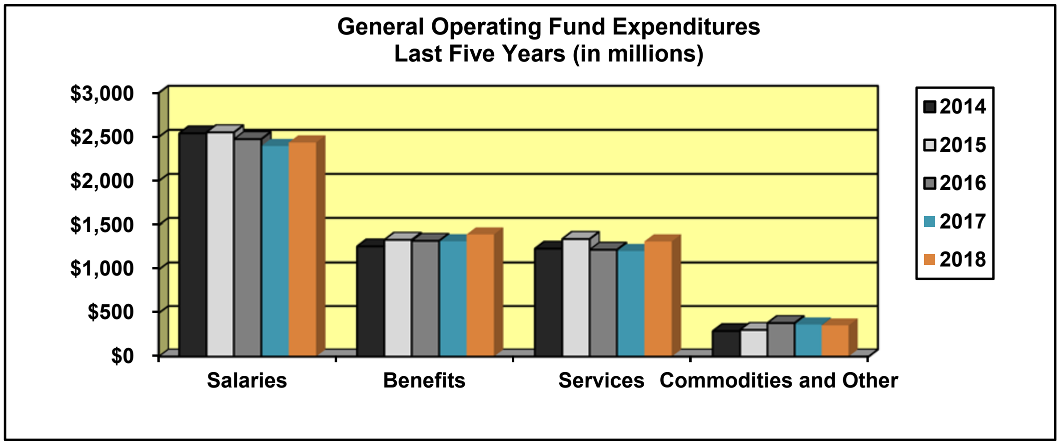
		2018 Amount		2017 Amount	2018 Percent of Total		Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Salaries	$	2,437	$	2,397	44.2%	$	40	1.7%
Benefits		1,399		1,321	25.4%		78	5.9%
Services		1,320		1,211	23.9%		109	9.0%
Commodities		253		251	4.6%		2	0.8%
Other		105		118	1.9%		(13)	-11.0%
Total	$	5,514	$	5,298	100.0%	$	216	4.1%

Salaries increased by $39.8 million or 1.7% due to an increase in instructional personnel in support of additional programs and initiatives, as well as additional staff in the Office of Diverse Learners and Support Services in fiscal year 2018.

Benefits expenses increased by $77.8 million in fiscal year 2018. This change correlates to the increase in overall salaries, as benefits were provide for additional staff. CPS also realized a $53.9 million increase in pension expense driven by higher required contributions to the Chicago Teachers' Pension Fund.

Services expenses increased by $109.1 million or 9%, driven mostly by $52.9 million in professional and technical services, $34.7 million in increased payments to charter schools, $10 million in transportation costs and $8.2 million in telecommunications costs (non-Federal E-Rate). Year over year growth in service expenses was partially driven by the further expansion of outsourced facilities management into new zones, and an increase in charter tuition payments as a result of changes to the Board's per capita tuition charge - P.A. 100-465.

Commodities expenses were nearly flat from fiscal year 2017 with an increase of just $2 million or 0.8%. Energy costs were lower by $8.3 million and instructional materials (textbooks) and supplies purchases increased by $7.0 and $2.6 million respectively. Food services expenditures were lower by just $400 thousand.



FINANCIAL SECTION

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)

	2018 Amount	2017 Amount	2018 Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Property Taxes	$ 8	$ 48	1.8%	$ (40)	-83.3%
State aid	14	30	3.1%	(16)	-53.3%
Federal aid	20	7	4.5%	13	185.7%
Interest and investment earnings	7	2	1.6%	5	250.0%
Other	28	21	6.3%	7	33.3%
Subtotal	$ 77	$ 108	17.3%	$ (31)	-28.7%
Other financing sources	$ 368	$ 818	82.7%	$ (450)	-55.0%
Total	$ 445	$ 926	100.0%	$ (481)	-51.9%

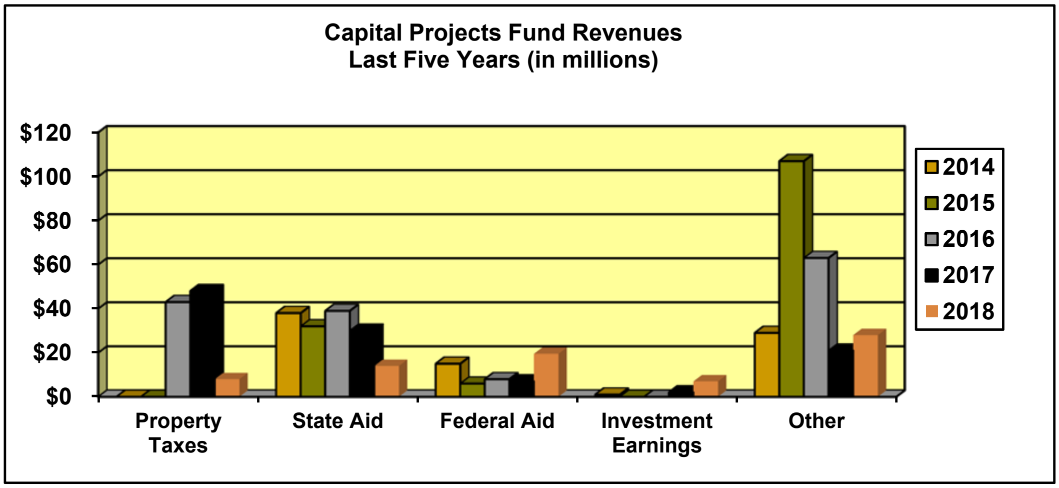
Property tax revenues were collected in the Capital Projects Fund in fiscal year 2018, as a result of the Chicago City Council authorized Capital Improvement Tax in 2016. Net collections received were $8.1 million, down from the 2017 total of $48.4 million due to the majority of the revenue being used for debt services in the current year.

State aid revenues decreased by $16.1 million from fiscal year 2017 due to lower cash receipts for restricted state grants for capital construction.

Federal aid revenues in fiscal year 2018 increased by $12.8 million due to higher E-Rate reimbursements from the Federal Communications Commission.

Other revenues were $7.4 million or 33.3% higher in fiscal year 2018 from 2017, due to an increase in capital project related cash reimbursements from Intergovernmental Agreement (IGA) revenues from the City of Chicago, and projects supported by TIF funds.

Other financing sources decreased $450 million or 55.0% due to the new debt issued for capital projects in fiscal year 2017 versus the current year.

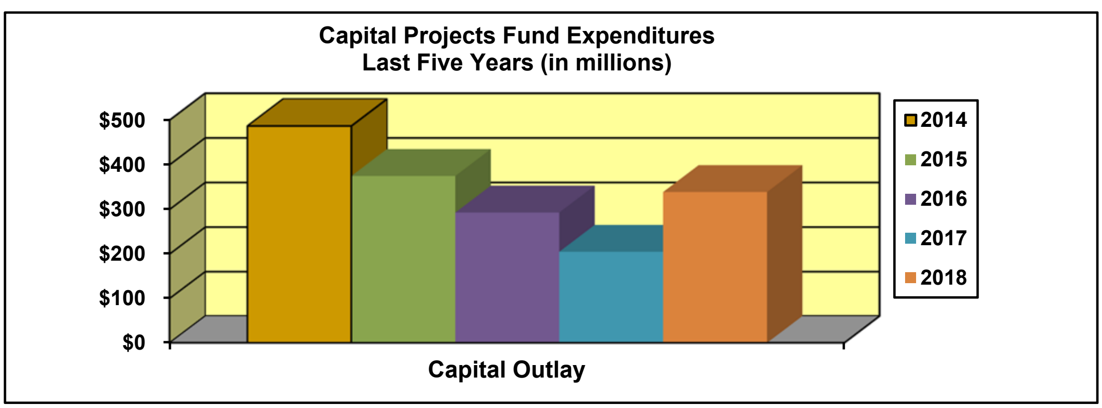


Expenditures
(In Millions)

	2018 Amount	2017 Amount	Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Capital Outlay.................................	$ 339	$ 205	$ 134	65%

Capital outlay

The actual spending on capital outlay increased $134.4 million in 2018 from the expenditure of bond proceeds and other capital financing sources for approved capital projects. In 2017, bonds were issued to support the increased CPS capital plan of $811.6 million and $348.2 million was issued in 2018. The number of projects initiated in 2018 increased and contributed to the higher spending. Encumbrances in the capital funds as of June 30, 2018 totaled $266.8 million.

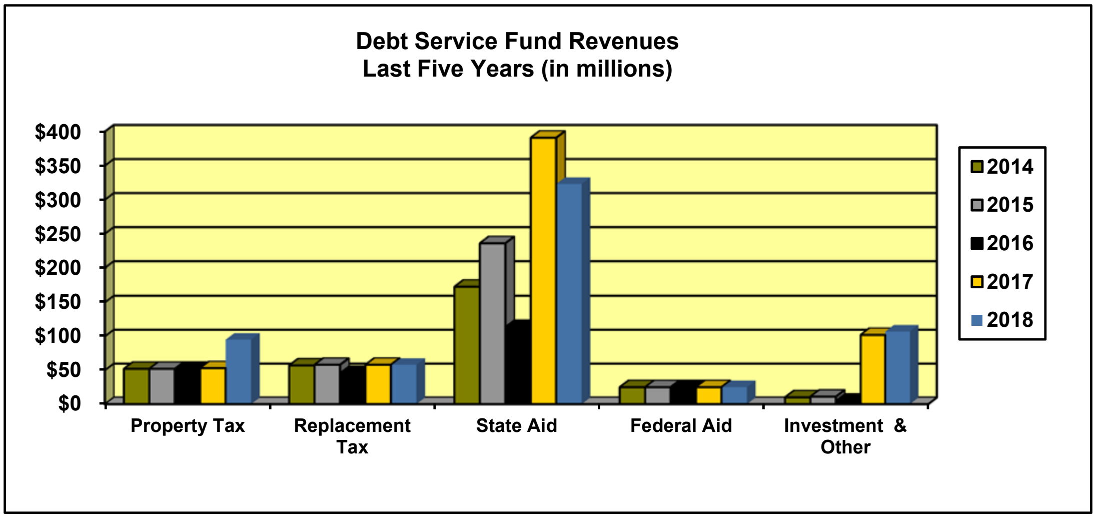


Debt Service Fund

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)

	2018 Amount	2017 Amount	2018 Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease) from 2017
Property taxes	$ 95	$ 53	3.9%	$ 42	79.2%
Replacement taxes (PPRT)	58	58	2.4%	-	0.0%
State aid	323	391	13.1%	(68)	-17.4%
Federal aid	25	25	1.0%	-	0.0%
Interest and investment earnings	6	1	0.2%	5	500.0%
Other	101	101	4.1%	-	0.0%
Subtotal	$ 608	$ 629	24.6%	$ (21)	-3.3%
Other financing sources	1,859	68	75.4%	1,791	2633.8%
Total	$ 2,467	$ 697	100.0%	$ 1,770	253.9%



Property tax revenues increased by $42.5 million from the receipt of property tax collections from the CIT Levy being used for debt service payments in fiscal year 2018. The non-CIT property tax revenues remained flat from fiscal year 2017, 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 presented no changed from fiscal year 2017, as these funds were dedicated to the payment of debt service.

State aid revenues related to debt service for fiscal year 2018 are comprised of two revenue sources, Evidence-Based Funding (EBF) and State School Construction funds administered through the Capital Development Board (CDB). A total of $323.4 million in revenues from these and other sources was allocated to support outstanding debt, a decrease of $67.7 million from fiscal year 2017.

Federal aid totaling $24.9 million in fiscal year 2018 remained unchanged from fiscal year 2017. These revenues are attributed to receipts on behalf of Federal subsidies from the issuance of Build America Bonds ("BABs").

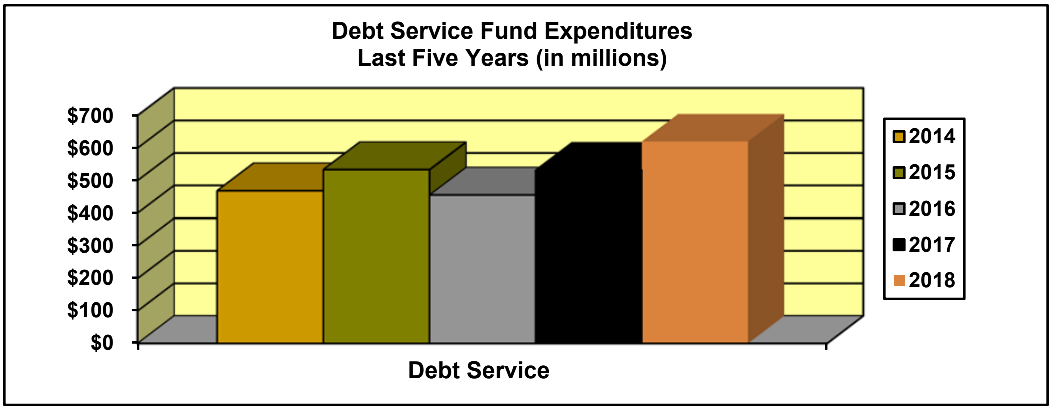
Interest and investment earnings totaled $5.6 million in 2018, an increase of $4.5 million over last year. Changes in the market value of securities in compliance with applicable GASB standards are recorded here also.

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 unchanged from fiscal year 2017.

Other financing sources reflect an increase of $1.791 billion in fiscal year 2018 due to net proceeds received from debt issuances (new money and refundings) of $1.859 billion in the current year versus just $67.9 million in the prior year.

Expenditures
(In Millions)

	2018 Amount		2017 Amount		Increase (Decrease) from 2017		Percent Increase (Decrease) from 2017
Debt Service..................................	$	620	$	531	$	89	17%



Debt service costs

The overall debt service cost for fiscal year 2018 increased by $89 million, primarily due to the principal repayments on new issues. The amount paid for other fees was similar when compared to fiscal year 2017.

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 2016, the Board adopted a balanced budget for fiscal year 2017 that reflected total resources appropriations of $5.460 billion, including $81 million of restricted fund balances. In February 2017, the Board adopted a final amended budget for fiscal year 2017 that reflected total resources and appropriations of $5.411 billion, including $81 million of restricted fund balances.

In August 2017, the Board adopted a balanced budget for fiscal year 2018 that reflected total resources, including $57 million of restricted fund balances, and appropriations of $5.750 billion. In October 2017, the Board adopted a final amended budget for fiscal year 2018 that reflected total resources, including $57 million of restricted fund balances, and appropriations of $5.699 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 General Operating Fund ended fiscal year 2018 with a surplus of $599 million, which compared favorably with the budgeted deficit of $57 million.

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, 2018.

Revenues, Other Financing Sources & Expenditures
General Operating Fund
Budget to Actual Comparison
(In millions)

Revenues, Other Financing Sources & Expenditures
General Operating Fund
Budget to Actual Comparison
(In millions)

	FY2018 Original Budget	Supplemental Appropriations & Tranfers In/(Out)	Final Appropriations	Fiscal FY2018 Actual	Over (under) Budget
Revenues:					
Property taxes	$ 2,809	$ -	$ 2,809	$ 2,795	$ (14)
Replacement taxes	90	-	90	110	20
State aid	1,699	-	1,699	1,860	161
Federal aid	773	-	773	723	(50)
Interest and investment earnings	1	-	1	6	5
Other	270	-	270	332	62
Subtotal	$ 5,642	$ -	$ 5,642	$ 5,826	$ 184
Other financing sources (uses)	-	-	-	287	287
Total	$ 5,642	$ -	$ 5,642	$ 6,113	$ 471
Expenditures:					
Current:					
Salaries	$ 2,410	$ 26	$ 2,436	$ 2,437	$ 1
Benefits	1,400	(11)	1,389	1,399	10
Services	1,323	141	1,464	1,320	(144)
Commodities	243	41	284	253	(31)
Other	323	(197)	126	105	(21)
Total	$ 5,699	$ 0	$ 5,699	$ 5,514	$ (185)
Change in fund balances	$ (57)			$ 599	

Revenues

Actual General Operating Fund revenues were $471 million over budget primarily from $287 million in excess debt services funds returned to the Board as a result of debt restructurings. In addition, the variance is due to the following:

Property tax revenues generated a negative variance of $14 million in fiscal year 2018. This is right in line with the District's levy and extensions at the start of the fiscal year, and the negative variance is largely due to a slightly lower than expected collection percentage.

Personal property replacement taxes (PPRT) revenues received by CPS were $20 million higher than budgeted in fiscal year 2018. This was driven largely by the one-off impact of changes to the federal tax law passed in November 2017, and an improving business climate around the state of Illinois.

State aid received by CPS in fiscal year 2018 was $161 million greater than anticipated. Compared to previous years, the state accelerated the payment of categorical grants such that a smaller percentage of the FY2018 state appropriation was left unpaid to CPS by the end of FY2018. This is a one-off change, assuming that the state Comptroller's office maintains the current increased pace of disbursements of funds to local governments like CPS.

Federal aid revenues were $50 million below budget due to a lower than expected spend. Lunchroom revenue was roughly $11 million below budget because fewer meals were served, thus reducing CPS' reimbursement (but with an associated cost reduction). Title I and Title II were roughly $39 million below budget due to historic underspend at the school and district level.

Other local revenues are comprised of miscellaneous or one-time receipts such as appropriated fund-balance, TIF surplus funds (including Transit TIF 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 $62 million higher than budget for fiscal year 2018. Transit TIF revenues were $10 million higher than budgeted, because of quicker than expected growth in property value in the area of the Red Line Transit TIF. Additionally, TIF revenues from the surplus declared by the Mayor were slightly higher than expected, and there were higher than projected revenues from funds raised by schools, as well as other miscellaneous revenue sources.

Expenditures

Actual General Operating Fund expenditures were $185 million under budget. The variance is primarily due to the following:

Salaries expenses for the fiscal year 2018 totaled $2.44 billion and $1 million over budget. While teacher salaries were under budget, this was offset by higher spending on teacher and ESP extended day pay for afterschool and supplemental programming, as well as higher than expected substitute spending.

Benefits costs are composed of health care (medical, dental, other), unemployment compensation, workers compensation, and pension costs. Benefit costs for fiscal year 2018 were $1.39 billion and $10 million over budget due primarily to higher than expected spending on teacher and ESP pension costs (due to higher on-behalf contribution expense). 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 $1.46 billion for fiscal year 2018. CPS ended the year $144 million below budget in this category. Contributing factors include lower than expected enrollment in charters impacting charter school tuition expenses.

Commodities expenditures are derived from utilities, food for school breakfast/lunch, textbooks, and general supplies. Fiscal year 2018 spending on commodities was lower than budget by $31 million. Lower than expected utilities costs was the largest source of variance, while lower than expected participation in school lunch and breakfast, and decreased spending on software, supplies and postage were the other contributing factors.

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 $21 million under 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

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

STATEMENT OF NET POSITION
June 30, 2018
(Thousands of Dollars)

		GOVERNMENTAL ACTIVITIES
Assets:		
Current assets:		
Cash and investments	$	164,784
Cash and investments in escrow		1,039,219
Cash and investments held in school internal accounts		47,824
Property taxes receivable, net of allowance		1,430,486
Other receivables:		
Replacement taxes		28,668
State aid, net of allowance		137,723
Federal aid, net of allowance		144,176
Other, net of allowance		66,819
Total current assets:	$	3,059,699
Non-current assets:		
Cash and investments in escrow	$	567,730
Prepaid Item		10,997
Land and construction in progress		618,080
Buildings, building improvements and equipment, net of accumulated depreciation		5,342,416
Total non-current assets:	$	6,539,223
Total assets	$	9,598,922
Deferred outflows of resources:		
Deferred charge on refunding	$	129,381
Deferred pension outflows		1,885,866
Total deferred outflow of resources:	$	2,015,247

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

		GOVERNMENTAL ACTIVITIES
Liabilities:		
Current liabilities:		
Accounts payable	$	395,704
Accrued payroll and benefits		201,091
Amount held for student activities		47,824
Due to teacher's pension fund		253,028
Tax anticipation note		599,911
Other accrued liabilities		16,981
Unearned revenue		12,051
Interest payable		60,312
Current portion of long-term debt and capitalized lease obligations		193,629
Total current liabilities:	$	1,780,531
Long-term liabilities, net of current portion:		
Debt, net of premiums and discounts	$	8,550,332
Capitalized lease obligations		28,375
Other accrued liabilities		9,827
Net pension liability		12,382,417
Other post employment benefits		2,270,891
Other benefits and claims		398,278
Total long-term liabilities:	$	23,640,120
Total liabilities	$	25,420,651
Deferred inflows of resources:		
Deferred other post employment benefit inflows	$	124,978
Deferred pension inflows		125,419
Total deferred inflow of resources:	$	250,397
Net position (deficit):		
Net investment in capital assets	$	(743,406)
Restricted for:		
Debt service		744,517
Capital projects		167,172
Grants and donations		52,333
Teacher's pension contributions		9,287
Unrestricted		(14,286,782)
Total net position (deficit)	$	(14,056,879)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(Thousands of dollars)

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Governmental activities:					
Instruction	$ 4,449,069	$ 698	$ 734,174	$ 42,728	$ (3,671,469)
Support services:					
Pupil support services	481,371	-	79,308	4,616	(397,447)
Administrative support services	171,493	-	104,950	1,644	(64,899)
Facilities support services	455,563	-	79,905	4,650	(371,008)
Instructional support services	496,199	-	81,881	4,765	(409,553)
Food services	219,809	3,356	235,877	2,108	21,532
Community services	39,863	-	6,608	385	(32,870)
Interest expense	544,857	-	-	-	(544,857)
Other	10,015	-	-	-	(10,015)
Total governmental activities	$ 6,868,239	$ 4,054	$ 1,322,703	$ 60,896	$ (5,480,586)

General revenues:	
Taxes:	
Property taxes	$ 2,889,401
Replacement taxes	168,254
Non-program state aid	1,451,897
Interest and investment earnings	19,022
Other	192,715
Gain on sale of capital assets	8,674
Total general revenues	$ 4,729,963
Change in net position	(750,623)
Net position - beginning (deficit) as restated	(13,306,256)
Net position - ending (deficit)	$(14,056,879)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2018
(Thousands of dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 164,400	-	$ 384	$ 164,784
Cash and investments in escrow	576	923,132	683,241	1,606,949
Cash and investments held in school internal accounts	47,824	-	-	47,824
Receivables:				
Property taxes, net of allowance	1,359,637	7,527	63,322	1,430,486
Replacement taxes	28,668	-	-	28,668
State aid, net of allowance	136,617	1,106	-	137,723
Federal aid, net of allowance	141,062	-	3,114	144,176
Other, net of allowance	20,313	5,332	41,174	66,819
Due from other funds	3,396	-	-	3,396
Total assets	$ 1,902,493	$ 937,097	$ 791,235	$3,630,825
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	$ 363,712	$ 30,422	$ 1,570	$ 395,704
Accrued payroll and benefits	128,012	-	-	128,012
Amount held for student activities	47,824	-	-	47,824
Due to other funds	-	3,242	154	3,396
Due to teacher's pension fund	253,028	-	-	253,028
Tax anticipation notes	599,911	-	-	599,911
Unearned revenue	5,490	6,561	-	12,051
Interest payable	15,659	-	-	15,659
Total liabilities	$ 1,413,636	$ 40,225	$ 1,724	$1,455,585
Deferred inflows of resources:				
Unavailable property tax revenue	$ 30,892	$ 884	$ 880	$ 32,656
Other unavailable revenue	134,201	877	3,114	138,192
Total deferred inflows	$ 165,093	$ 1,761	$ 3,994	$ 170,848
Fund balances:				
Nonspendable	$ 429	-	-	$ 429
Restricted for grants and donations	52,333	-	-	52,333
Restricted for teacher's pension contributions	9,287	-	-	9,287
Restricted for capital improvement program	-	895,111	-	895,111
Restricted for debt service	-	-	785,176	785,176
Assigned for debt service	-	-	341	341
Assigned for commitments and contracts	18,044	-	-	18,044
Unassigned	243,671	-	-	243,671
Total fund balances	$ 323,764	$ 895,111	$ 785,517	$2,004,392
Total liabilities, deferred inflows of resources and fund balances	$ 1,902,493	$ 937,097	$ 791,235	$3,630,825

The accompanying notes to the basic financial statements are an integral part of this statement.

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018
(Thousands of dollars)

Total fund balances - governmental funds		$ 2,004,392
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		10,997
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		2,015,247
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 are 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		10,352,253
Accumulated depreciation		(4,391,757)
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	$ (26,808)	
Debt, net of premiums and discounts	(8,697,941)	
Capitalized lease obligations	(74,395)	
Net pension liability	(12,382,417)	
Total other post employment benefits liability	(2,270,891)	
Other benefits and claims	(471,357)	
		(23,923,809)
Interest payable		(44,653)
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		32,656
Other		138,192
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		(250,397)
Net position (deficit)		$(14,056,879)

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, 2018

With Comparative Amounts for the Fiscal Year Ended June 30, 2017

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2018	Total Fiscal Year Ended June 30, 2017
Revenues:					
Property taxes	$ 2,794,613	$ 8,106	$ 95,151	$ 2,897,870	$ 2,714,956
Replacement taxes	109,997	-	58,257	168,254	227,921
State aid	1,859,582	14,019	323,355	2,196,956	1,708,865
Federal aid	723,432	19,498	24,998	767,928	783,943
Interest and investment earnings	6,099	7,305	5,618	19,022	5,442
Other	332,323	28,457	100,912	461,692	387,045
Total revenues	$ 5,826,046	$ 77,385	$ 608,291	$ 6,511,722	$ 5,828,172
Expenditures:					
Current:					
Instruction	$ 3,108,443	$ -	$ -	$ 3,108,443	$ 2,859,105
Pupil support services	453,389	-	-	453,389	441,324
Administrative support services	161,524	-	-	161,524	281,383
Facilities support services	380,100	-	-	380,100	376,376
Instructional support services	346,690	-	-	346,690	327,184
Food services	207,042	-	-	207,042	199,944
Community services	40,047	-	-	40,047	39,607
Teachers' pension and retirement benefits	762,816	-	-	762,816	708,941
Other	10,016	-	-	10,016	12,691
Capital outlay	12,839	339,189	-	352,028	217,303
Debt service	30,974	-	620,431	651,405	569,694
Total expenditures	$ 5,513,880	$ 339,189	$ 620,431	$ 6,473,500	$ 6,033,552
Revenues in excess of (less than) expenditures	312,166	(261,804)	(12,140)	38,222	(205,380)
Other financing sources (uses):					
Gross amounts from debt issuances	$ -	$ 348,211	$ 1,803,939	$ 2,152,150	$ 879,580
Premiums	-	9,848	55,505	65,353	-
Discounts	-	(2,675)	(30,757)	(33,432)	(36,097)
Insurance proceeds	-	-	-	-	224
Sales of general capital assets	-	9,442	-	9,442	6,272
Payment to refunded bond escrow agent	-	-	(1,321,865)	(1,321,865)	-
Transfers in / (out)	286,828	(497)	(286,331)	-	-
Total other financing sources (uses)	$ 286,828	$ 364,329	$ 220,491	$ 871,648	$ 849,979
Net change in fund balances	$ 598,994	$ 102,525	$ 208,351	$ 909,870	$ 644,599
Fund balances (deficit), beginning of period	(275,230)	792,586	577,166	1,094,522	449,923
Fund balances, end of period	$ 323,764	$ 895,111	$ 785,517	$ 2,004,392	$ 1,094,522

The accompanying notes to the basic financial statements are an integral part of this statement.

FINANCIAL SECTION

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, 2018
(Thousands of dollars)

Total net change in fund balances - governmental funds		$ 909,870
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 the depreciation exceeds capital outlays in the period.		
Capital outlay/equipment	$ 265,274	
Depreciation expense	(298,372)	
		(33,098)
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		(768)
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 (Net of discount of $33,432 and premiums of $65,353)		(2,184,071)
Payments to refunded escrow agent are reported in the governmental funds as a source of financing use, whereas they are recorded as reductions of long term liabilities in the Statement of Net Position		1,321,865
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		144,717
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		(30,541)
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		13,246
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		(8,469)
Federal grants		(5,886)
State grants and other revenues		(155,434)
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 total other postemployment liability are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paidwhen the amounts become due. The following represents the change during the year for these obligations.		
Pollution remediation obligation		(4,393)
Vacant property demolition obligation		2,447
Tort liabilities and other claims		2,830
Other litigation and claims		4,444
Sick pay		17,292
Vacation pay		756
Workers' compensation and unemployment insurance		10,618
General and automobile liability		(8,924)
Net pension liability		(680,862)
Total other postemployment benefits liability		(66,262)
Change in net position		$ (750,623)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of the City of Chicago, 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 of Education 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 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 2018, CPS adopted the following GASB Statements:

- 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 impacted the measurement of the OPEB liability and resulted in a restatement of $295.6 million for the difference between the June 30, 2017 before GASB 75 implementation and after implementation. See Note 13 for additional information on OPEB.
- 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 which a government is a beneficiary. This Statement had no effect on CPS.
- 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement had no effect on CPS.

- 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 had no effect on CPS.

Other accounting standards that CPS is currently reviewing for applicability and potential impact on future financial statements include:

- 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 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 the District's fiscal year ending June 30, 2020. 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 the District's fiscal year ending June 30, 2021. Management has not determined what impact, if any, this Statement will have on its financial statements.

- GASB 88, *Certain Disclosures Related to Debt.* In March 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the District's fiscal year

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ending June 30, 2019. Management has not determined what impact, if any, this statement will have on its financial statements.

- GASB 89, *Accounting for Interest Cost Incurred.* In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for the District’s fiscal year ending June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

- GASB 90, *Majority Equity Interest- an amendment of GASB Statement No. 14 and No. 61.* In August 2018, GASB issued Statement No. 90 *Majority Equity Interest*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement is effective for the District’s fiscal year ending June 30, 2020. 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*. 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 is applicable to future reporting periods and is reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods and is 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to derivatives, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 General Obligation Bonds, Public Building Commission (PBC) Building Revenue Bonds, Dedicated Revenue Capital Improvement Tax 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 Intergovernmental Agreement 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.

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the Public Building Commission of 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2017 property taxes were levied for fiscal year 2018 in August 2017 and were billed in fiscal year 2018. In 2018, 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" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Capital Assets

Capital assets; which include land, construction in progress, buildings, building improvements and equipment 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 is a unit cost of $25,000 or more. CPS also 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Beginning in fiscal year 2005, CPS implemented procedures related to impaired 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. See Note 6 for additional information on impairments.

Depreciation of buildings and building improvements of CPS is calculated using the straight-line method. Equipment is depreciated 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 in 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 and amortized over the term of the related debt.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

OPEB– In the government-wide financial statements, for purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense and additions to/deductions from the Public School Teachers' Pension and Retirement 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.

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, 2018.

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 2018, 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 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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.

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 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 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. For fiscal year 2018, no amounts of net position are restricted for worker's compensation/tort immunity.

Restricted for teacher's pension contributions — 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 four 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, 2017, 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.

FINANCIAL SECTION

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) 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.

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 and/or expenditures to be incurred in fiscal year 2018. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

The Debt Service Fund expenditures exceed its appropriations. The variance in this fund in Fiscal Year 2018 is a result of the recording of certain debt service payments in regards to bond refunding transactions which were not originally budgeted for, but were economically beneficial to the District.,

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 FY18, CPS adopted a resolution for its tax levy in August 2017. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in a 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 2018 and 2017 are shown below.

	Maximum 2018 Legal Limit	Tax Rates Extended Per $100 of EAV 2018	Tax Rates Extended Per $100 of EAV 2017
General Operating Fund:			
Educational	(A)	$ 3.161	$ 3.115
Teachers' Pension	(B)	0.551	0.367
Workers' and Unemployment Compensation/Tort Immunity	(C)	0.039	0.107
Debt Service Fund:			
Public Building Commission Leases Program	(D)	0.128	0.072
Capital Fund:			
Capital Improvement	(E)	0.011	0.065
		$ 3.890	$ 3.726

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.

C. These tax rates are not limited by law, but are subject to the PTELL as described above.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

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 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 Transt TIF levy to provide a portion of the matching funds required to leverage more than $1 billion in federal funding for CTA 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. CPS' portion of the Transit TIF is not available until the actual time of collection. A separate agency number was established to track the collections in February 2018. The total amount generated by the Transit TIF in fiscal year 2018 was $20.9 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:		
Evidence based funding unrestricted revenue	$ 1,540,295	$ 1,540,295
Educational services block grant	122,607	(88,398)
State pension contribution revenue	232,992	-
Other restricted state revenue	301,062	362,182
Total state aid	$ 2,196,956	$ 1,814,079
Program Revenues:		
Operating grants and contributions		(362,182)
Non-program general state aid		$ 1,451,897

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, 2018, the book amount of the CPS' deposit accounts was $43.8 million. The bank balances totaled $54.3 million as of June 30, 2018. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2018. 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, Amounts 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 and 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 that mature within 330 days, 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, 2018, CPS had the following cash, investments and maturities $(000's):

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1 to 5 Years	Maturities 6 to 10 Years
Repurchase Agreements	A3/BBB+	$ 11,655	$ -	$ 11,655	$ -
U.S. Government Agency Securities	Aaa/AA+/AAA	137,016	14,809	122,207	-
U.S. Government Treasury Notes	AA+/Aaa	539,217	314,207	97,470	127,540
U.S. Government State & Local Government Series Securities (SLGS)	AA+/Aaa	72,173	52,369	19,804	-
Commercial Paper	A-1/P-1/AAAm Aaa-mf	238,234	238,234	-	-
Money Market Mutual Funds	AAAm/Aaa-mf	777,441	777,441	-	-
Total Investments		$ 1,775,736	$ 1,397,060	$ 251,136	$ 127,540
Cash and CDs		43,821	-	-	-
Total Cash and Investments		$ 1,819,557	$ 1,397,060	$ 251,136	$ 127,540

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 — CPS' Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk — As of June 30, 2018, 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.

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, 2018 using a matrix pricing model:

		Fair Value Measurements Using		
	June 30, 2018	Level 1	Level 2	Level 3
Investments by fair market level:				
Debt securities				
Repurchase Agreements	$ 11,655	$ -	$ 11,655	$ -
U.S. Government Agency Securities	122,207	-	122,207	-
U.S. Treasury Note	225,010	-	225,010	-
U.S. Treasury SLGS	19,804	-	19,804	-
Total Investments measured at fair value	$ 378,676	$ -	$ 378,676	$ -

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 $1.397 billion.

The following table provides a summary of CPS' total cash and investments by fund type as of June 30, 2018 $(000's):

Fund	Totals
General Operating Fund	$ 212,800
Capital Projects Fund	923,132
Debt Service Fund	683,625
Total Cash and Investments	$ 1,819,557

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NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2018 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	$ 1,460,504	$ 7,814	$ 66,762	$ 1,535,080	$ 1,535,080
Replacement taxes	28,668	-	-	28,668	28,668
State aid	136,617	1,818	-	138,435	138,435
Federal aid	141,154	-	3,114	144,268	144,268
Other	24,779	10,968	41,174	76,921	76,921
Total receivables	$ 1,791,722	$ 20,600	$ 111,050	$ 1,923,372	$ 1,923,372
Less: Allowance for uncollectibles - property taxes	(100,867)	(287)	(3,440)	(104,594)	(104,594)
Less: Allowance for uncollectibles - state aid	-	(712)	-	(712)	(712)
Less: Allowance for uncollectibles - federal aid	(92)	-	-	(92)	(92)
Less: Allowance for uncollectibles - other	(4,466)	(5,636)	-	(10,102)	(10,102)
Total receivables, net	$ 1,686,297	$ 13,965	$ 107,610	$ 1,807,872	$ 1,807,872

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	$ 326,742	$ 1,542	$ -	$ 328,284
Construction in progress	148,296	275,673	(134,173)	289,796
Total capital assets not being depreciated	$ 475,038	$ 277,215	$ (134,173)	$ 618,080
Capital assets being depreciated:				
Buildings and improvements	$ 9,392,450	$ 119,334	$ (7,399)	$ 9,504,385
Equipment and administrative software	220,815	1,349	(136)	222,028
Internally developed software	6,112	1,533	115	7,760
Total capital assets being depreciated	$ 9,619,377	$ 122,216	$ (7,420)	$ 9,734,173
Total capital assets	$ 10,094,415	$ 399,431	$ (141,593)	$ 10,352,253
Less accumulated depreciation for:				
Buildings and improvements	(3,962,538)	(283,671)	6,626	(4,239,583)
Equipment and administrative software	(132,039)	(14,312)	42	(146,309)
Internally developed software	(5,476)	(389)	-	(5,865)
Total accumlulated depreciation	$ (4,100,053)	$ (298,372)	$ 6,668	$ (4,391,757)
Capital assets, net of depreciation	$ 5,994,362	$ 101,059	$ (134,925)	$ 5,960,496

Depreciation and impairment expense were charged to functions/programs of CPS as follows $(000's):

Governmental activities:	Depreciation Expenses	Impairment Expenses
Instruction	$ 199,149	$ 6,826
Pupil support services	29,047	996
Administrative support services	10,348	355
Facilities support services	24,352	835
Instructional support services	22,211	761
Food services	13,265	455
	$ 298,372	$ 10,228

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 were adjusted to zero. Management reviews capital assets at year-end for impairment.

NOTE 6. CAPITAL ASSETS (continued)

CPS recognized a total of $10.2 million in impairments in fiscal year 2018.

- Accelerated depreciation of $5.7 million was recognized as a 25% impairment for CPS facilities of TEAM Englewood, Hope and Harper High School, which will be closed at the end of fiscal year 2021. The remaining life will be recognized over the next three fiscal years.
- A 100% impairment in the amount of $4.5 million was recognized for the Robeson facility as this school was closed as of June 30, 2018.

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:		
Due From Capital Asset Program	$	3,242
Due From Bond Redemption and Interest Program		154
Total — Net due from other funds	$	3,396
Capital Projects Fund:		
Capital Asset Program — Due To General Operating Fund	$	(3,242)
Debt Service Fund:		
Bond Redemption and Interest Program — Due to General Operating Fund	$	(154)

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 from the Capital Projects Fund to the General Operating Fund is expected to be repaid through a future bond issue or capital asset related transactions.

Interfund Transfers

In fiscal year 2018, CPS transferred to the General Operating Fund $286.8 million of debt restructuring savings from the Bond Redemption and Interest Program and Capital Improvement Program.

NOTE 8. SHORT TERM DEBT

2017 Tax Anticipation Notes

During FY 2018, the Board closed on nine series of 2017 Educational Purposes Tax Anticipation Notes (the “2017 TANS”) with a total par amount of $1.2 billion for working capital purposes. The Series 2017 TANS were issued as a direct placements with investors. Each series of TANS issued during FY2018 were structured as single draws. The TANS provided liquidity support within the fiscal year.

NOTE 8. SHORT TERM DEBT (continued)

The 2017 TANs issued were first issued as follows $(000s):

Description	Initial Advance Date	Amount
Series 2017A1	September 28, 2017	$93,525
Series 2017A2	September 28, 2017	$56,475
Series 2017B	October 6, 2017	$200,000
Series 2017C	October 27, 2017	$200,000
Series 2017D	December 8, 2017	$50,000
Series 2017E	January 5, 2018	$202,635
Series 2017F	January 11, 2018	$147,365
Series 2017G	February 13, 2018	$144,730
Series 2017H	February 16, 2018	$105,270

Each of the TANS are backed by the Board's 2017 Education Property Tax Levy collected in two installments in 2018. 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 2017E, F, G and H TANS is the earlier of 60 days after the second installment due date of tax year 2017 property taxes or December 14, 2018. The repayment date for the 2017A1, A2, B, C and D TANS was April 2, 2018.

Outstanding Short-Term Notes Balances

As of June 30, 2018, a total of $600 million in short-term notes issued by the Board were outstanding. The total amount drawn on the issues is reported as a separate line item on the statement of net position and therefore, none of the issues were included in the Note 9 summarizing the changes in long term debt. Any amount of short-term notes paid off subsequent to year end is discussed further in Note 17.

Short-term debt activity for the year ended June 30, 2018 was as follows $(000's):

Short-Term Debt	Balance July 1, 2017	Draws	Repayments	Balance June 30, 2018
Tax Anticipation Notes	$ 950,000	$ 1,200,000	$ (1,550,089)	$ 599,911
Grant Anticipation Notes	386,994	-	(386,994)	-
Total Short-Term Debt	$ 1,336,994	$ 1,200,000	$ (1,937,083)	$ 599,911

FINANCIAL SECTION

NOTE 9. LONG-TERM DEBT

Long-term Obligations

Long-term debt activity for the fiscal year ended June 30, 2018 was as follows $(000's):

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Governmental activities:					
General Obligation Long-term Debt	$ 6,617,275	$ 2,087,250	$ (1,423,077)	$ 7,281,448	$ 112,740
Capital Improvement Tax Long-term Debt	729,580	64,900	-	794,480	-
Add unamortized premium (discount)	(65,492)	31,921	(12,915)	(46,486)	-
Add Arbitrage Liability	164	704	(164)	704	704
Add accretion of capital appreciation bonds	646,787	54,027	(33,019)	667,795	34,165
Subtotal of debt, net of premiums and discounts	$ 7,928,314	$ 2,238,802	$ (1,469,175)	$ 8,697,941	$ 147,609
Capitalized lease obligations	117,900	-	(43,505)	74,395	46,020
Total debt and capitalized lease obligations	$ 8,046,214	$ 2,238,802	$ (1,512,680)	$ 8,772,336	$ 193,629
Other liabilities:					
Other accrued liabilities	$ 29,840	$ 4,392	$ (7,424)	$ 26,808	$ 16,981
Net pension liability	11,011,400	1,371,017	-	12,382,417	-
Total other post-employment benefits liability*	2,329,607	137,166	(195,882)	2,270,891	-
Other benefits and claims	493,929	31,665	(54,237)	471,357	73,079
Total other liabilities:	13,864,776	1,544,240	(257,543)	15,151,473	90,060
Total long-term obligations:	$21,910,990	$ 3,783,042	$ (1,770,223)	$ 23,923,809	$ 283,689

*Implementation of GASB pronouncement: During fiscal year 2018, CPS implemented GASB Pronouncement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this GASB resulted in the long-term obligation for OPEB to be recognized as a liability. As a result, CPS made a restatement to beginning Net Position by $295 million. See Note 13.

General Obligation and Capital Improvement Tax Bonds

CPS issued the following long-term debt in fiscal year 2018.

Unlimited Tax General Obligation Bonds (Dedicated Revenue) Series 2017AB

In July 2017, CPS issued fixed-rate $500.0 million Unlimited Tax General Obligation Bonds (Dedicated 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 reimburse previous swap termination payments, restructure near term debt service and finance the continued implementation of the Board's Capital Improvement Program, and pay the costs of issuance on the Series 2017AB Bonds. The refunding increased annual debt service payments over twenty-three years by approximately $298.9 million, resulting in an economic loss of approximately $8.4 million.

The Series 2017AB 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 2017AB Bonds. The debt service on the Series 2017AB Bonds will be paid from Evidence-Based Funding Revenues.

NOTE 9. LONG-TERM DEBT (continued)

Unlimited Tax General Obligation Bonds (Dedicated Revenue) Series 2017CDEFGH

In November 2017, CPS issued fixed-rate $1.025 billion Unlimited Tax General Obligation Bonds (Dedicated Revenue), Series 2017CDEFGH (the "Series 2017CDEFGH Bonds") with an original issue premium of $30.3 million.

The proceeds of the Series 2017CDEFGH Bonds were used to provide funds to refund or restructure certain outstanding bonds of the Board, finance the continued implementation of the Board's Capital Improvement Program, fund capitalized interest and pay the costs of issuance on the Series 2017CDEFGH Bonds. The refunding decreased annual debt service payments over twenty-eight years by approximately $79.3 million, resulting in an economic gain of approximately $135.3 million.

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 Evidence-Based Funding Revenues, Personal Property Tax Revenues and Intergovernmental Agreement Revenues.

Dedicated Capital Improvement Tax Bonds Series 2017
In November 2017, CPS 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 were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance on the 2017 CIT Bonds.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenue) Series 2018AB
In June 2018, CPS issued fixed-rate $562.3 million Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenue), and Series 2018AB (the "Series 2018AB" Bonds"), with an original issue premium of $29.4 million.

The proceeds of the Series 2018AB Bonds were used to refund certain outstanding bonds of the Board, fund capitalized interest on the Bonds, and pay the costs of issuance on the Series 2018AB Bonds. This refunding decreased annual debt service payments over five years by approximately $1.0 million, resulting in an economic gain of approximately $1.0 million.

The Series 2018AB 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 2018AB Bonds. The debt service on the Series 2018AB Bonds will be paid from Evidence-Based Funding Revenues.

The current portion of long-term debt and long-term lease obligations is comprised of the following $(000's):

Bonds	$ 112,740
Arbitrage Liability	704
Accreted Interest	34,165
Subtotal	$ 147,609
Lease Obligations	46,020
Total Current Portion	$ 193,629

The Unlimited Tax General Obligation 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, state aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

NOTE 9. LONG-TERM DEBT (continued)

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 or 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, 2018 there were no hedged variable rate bonds outstanding. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June, 2018, and remain the same for the life of the bonds.

Debt service requirements for the Unlimited Tax General Obligation Bonds are scheduled as follows $(000’s):

	Fixed Rate Bonds		Variable Rate Bonds		
Fiscal Year(s)	Principal	Interest	Principal	Estimated Interest*	Total**
2019	$ 112,740	$ 332,193	$ -	$ 11,808	$ 456,741
2020	142,516	375,327	8,475	11,750	538,068
2021	186,645	405,660	8,825	11,516	612,646
2022	195,663	399,591	9,225	11,272	615,751
2023	203,553	392,730	9,400	11,019	616,702
2024-2028	1,367,018	1,804,434	174,580	46,397	3,392,429
2029-2033	1,319,283	1,683,454	206,905	13,222	3,222,864
2034-2038	1,072,225	837,051	14,800	303	1,924,379
2039-2043	1,388,730	488,150	-	-	1,876,880
2044-2047	860,865	106,855	-	-	967,720
Total	$6,849,238	$6,825,445	$ 432,210	$ 117,287	$14,224,180

*Interest in variable rate demand notes assumes current interest rates remain the same as of June 30, 2018, calculated at:
Series 2008A - 2.732% x outstanding principal
Series 2008B - 2.732% x outstanding principal

**Does not include debt backed by leases with the Public Building Commission that are discussed in Note 10 and Dedicated Revenue Capital Improvement Tax Bonds discussed further in Note 9.

Floating Rate Note Securities

During the 2018 fiscal year, in connection with the issuance of the Series 2017CDEFGH Bonds, the Board refinanced the last of its remaining outstanding floating rate note securities and as a result, as of June 30, 2018, the Board had no floating rate note securities that remained outstanding.

Direct Placements

Unlimited Tax General Obligation 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.

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, 2017	Increase	Payment	Accreted Interest June 30, 2018
1998B-1	$ 387,355	$ 32,505	$ (12,638)	$ 407,222
1999A	259,432	21,522	(20,381)	260,573
	$ 646,787	$ 54,027	$ (33,019)	$ 667,795

Defeased Debt

Defeased bonds have been removed from the Statement of Net Position because related assets have been placed in irrevocable trust that, together with interest earned, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at June 30, 2018 are as follows ($000's):

Description	Amount Defeased	Amount Outstanding
Unlimited Tax General Obligation Bonds Series 2008C	$ 6,985	$ 450,250
Unlimited Tax General Obligation Bonds Series 2009D	12,970	21,910
Unlimited Tax General Obligation Bonds Series 2010F	6,545	144,985
	$ 26,500	$ 617,145

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 Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue), Series 2016. In November 2017, CPS issued a second series of CIT Bonds in the amount of $64.9 million. The bonds were issued at a fixed rated and designated as Dedicated Revenue Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue), Series 2017. The proceeds of both series of bonds were used to finance permitted capital improvement projects, make a deposit into a consolidated reserve account, fund capitalized interest, and pay costs of issuance.

NOTE 9. LONG-TERM DEBT (continued)

Debt service requirements for the Series 2016 and Series 2017 CIT Bonds are as follows $(000's):

Fiscal Year(s)	Principal	Interest*	Total
2019	$ -	$ 46,784	$ 46,784
2020	-	46,784	46,784
2021	-	46,784	46,784
2022	-	46,784	46,784
2023	-	46,784	46,784
2024-2028	-	233,920	233,920
2029-2033	38,225	237,230	275,455
2034-2038	226,710	217,544	444,254
2039-2043	301,990	127,493	429,483
2044-2047	227,555	27,468	255,023
Total	$ 794,480	$1,077,575	$ 1,872,055

* Fixed Rate.

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 June 30, 2017	Accreted Interest
2018H………………	$ 280,000	Capital Improvement	5.00%	12/1/2046	$ -	$ -
2018G………………	126,500	Refunding	5.00%	12/1/2044	-	-
2018F………………	165,510	Refunding	5.00%	12/1/2024	-	-
2018E………………	22,180	Refunding	5.00%	12/1/2021	-	-
2018D………………	79,325	Refunding	5.00%	12/1/2031	-	-
2018C………………	351,485	Refunding	5.00%	12/1/2034	-	-
2018B………………	10,220	Refunding	6.75% to 7.00%	12/1/2042	-	-
2018A………………	552,030	Refunding	4.00% to 5.00%	12/1/2035	-	-
2017B………………	215,000	Refunding	6.75% to 7.00%	12/1/2022	-	-
2017A………………	285,000	Capital Improvement/Working Capital	7.00%	12/1/2046	-	-
CIT 2017……………	64,900	Capital Improvement	5.00%	4/1/2046	-	-
CIT 2016……………	729,580	Capital Improvement	5.75% to 6.10%	4/1/2046	729,580	-
2016B………………	150,000	Capital Improvement	6.50%	12/1/2046	150,000	-
2016A………………	725,000	Capital Improvement/Refunding	7.00%	12/1/2044	725,000	-
2015G………………	88,900	Refunding	Variable	3/1/2032	83,500	-
2015E………………	20,000	Capital Improvement	5.13%	12/1/2032	20,000	-
2015C………………	280,000	Capital Improvement	5.25%	12/1/2039	280,000	-
2015A………………	89,200	Refunding	Variable	3/1/2032	84,000	-
2013A-3……………	157,055	Refunding	Variable	3/1/2036	157,055	-
2013A-2……………	124,320	Refunding	Variable	3/1/2035	124,320	-
2013A-1……………	122,605	Refunding	Variable	3/1/2026	81,015	-
2012B………………	109,825	Refunding	5.00%	12/1/2034	109,825	-
2012A………………	468,915	Capital Improvement	5.00%	12/1/2042	468,915	-
2011C-2……………	44,100	Refunding	Variable	3/1/2032	41,500	-
2011C-1……………	51,000	Refunding	Variable	3/1/2032	42,200	-
2011A………………	402,410	Capital Improvement	5.00% to 5.50%	12/1/2041	402,410	-
2010G………………	72,915	Refunding	2.77% to 4.18%	12/1/2017	5,235	-
2010F………………	183,750	Refunding	5.00%	12/1/2031	161,300	-
2010D………………	125,000	Capital Improvement	6.52%	3/1/2036	125,000	-
2010C………………	257,125	Capital Improvement	6.32%	11/1/2029	257,125	-
2009G………………	254,240	Capital Improvement	1.75%	12/15/2025	254,240	-
2009E………………	518,210	Capital Improvement	4.682% to 6.14%	12/1/2039	518,210	-
2009D………………	75,720	Refunding	1.00% to 5.00%	12/1/2023	40,940	-
2008C………………	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	-
2008B………………	240,975	Refunding	Variable	3/1/2034	177,550	-
2008A………………	262,785	Refunding	Variable	12/1/2030	262,785	-
2007D………………	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	169,195	-
2007C………………	6,870	Refunding	4.00% to 4.375%	12/1/2021	3,740	-
2007B………………	197,765	Refunding	5.00%	12/1/2024	197,765	-
2006B………………	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	280,730	-
2006A………………	6,853	Capital Improvement	0.00%	6/1/2021	6,853	-
2005B………………	52,595	Refunding	5.00% to 5.50%	12/1/2021	22,735	-
2005A………………	193,585	Refunding	5.00% to 5.50%	12/1/2031	167,280	-
2004A………………	205,410	Refunding	4.00% to 5.00%	12/1/2020	70,690	-
2003C………………	4,585	Capital Improvement	0.00%	10/27/2017	4,585	-
2002A………………	48,970	Capital Improvement	3.00% to 5.25%	12/1/2022	24,885	-
1999A………………	532,553	Capital Improvement/Refunding	4.30% to 5.30%	12/1/2031	391,893	259,432
1998B-1……………	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	240,144	387,355
Total Bonds…………………………………………………					$ 7,346,855	$ 646,787
Less Current Portion …………………………………………						
For Net Premium/(Discount) …………………………………						
Total Long-term Debt, net of Current Portion and Premium/(Discount)…………						

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NOTE 9. LONG-TERM DEBT (continued)

Principal and Accreted Interest June 30, 2017	Issuances	Retirements	Principal Outstanding June 30, 2018	Accreted Interest	Principal and Accreted Interest June 30, 2018
$ -	$ 280,000	-	$ 280,000	-	$ 280,000
-	126,500	-	126,500	-	126,500
-	165,510	-	165,510	-	165,510
-	22,180	-	22,180	-	22,180
-	79,325	-	79,325	-	79,325
-	351,485	-	351,485	-	351,485
-	10,220	-	10,220	-	10,220
-	552,030	-	552,030	-	552,030
-	215,000	-	215,000	-	215,000
-	285,000	-	285,000	-	285,000
-	64,900	-	64,900	-	64,900
729,580	-	-	729,580	-	729,580
150,000	-	-	150,000	-	150,000
725,000		-	725,000	-	725,000
83,500	-	(83,500)	-	-	-
20,000	-	-	20,000	-	20,000
280,000	-	-	280,000	-	280,000
84,000	-	(84,000)	-	-	-
157,055	-	(157,055)	-	-	-
124,320	-	(124,320)	-	-	-
81,015	-	(81,015)	-	-	-
109,825	-	-	109,825	-	109,825
468,915	-	-	468,915	-	468,915
41,500	-	(41,500)	-	-	-
42,200	-	(42,200)	-	-	-
402,410	-	-	402,410	-	402,410
5,235	-	(5,235)	-	-	-
161,300	-	(16,315)	144,985	-	144,985
125,000	-	-	125,000	-	125,000
257,125	-	-	257,125	-	257,125
254,240	-	-	254,240	-	254,240
518,210	-	(13,780)	504,430	-	504,430
40,940	-	(19,030)	21,910	-	21,910
464,655	-	(14,405)	450,250	-	450,250
177,550	-	(8,125)	169,425	-	169,425
262,785	-	-	262,785	-	262,785
169,195	-	(169,195)	-	-	-
3,740	-	(3,740)	-	-	-
197,765	-	(181,730)	16,035	-	16,035
280,730	-	(258,725)	22,005	-	22,005
6,853	-	-	6,853	-	6,853
22,735	-	(22,735)	-	-	-
167,280	-	(7,455)	159,825	-	159,825
70,690	-	(21,090)	49,600	-	49,600
4,585	-	(4,585)	-	-	-
24,885	-	(24,885)	-	-	-
651,325	-	(30,694)	361,199	260,572	621,771
627,499	-	(7,763)	232,381	407,223	639,604
$ 7,993,642	$ 2,152,150	$ (1,423,077)	$ 8,075,928	$ 667,795	$ 8,743,723
(147,770)					(146,905)
(65,491)					(46,486)
$ 7,780,381					$ 8,550,332

FINANCIAL SECTION

NOTE 10. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the Public Building Commission (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, 2018 amounted to $0.7 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, 2018, are as follows $(000's):

Fiscal Year(s)	PBC Lease	Other	Total
2019	$ 52,099	$ 424	$ 52,523
2020	30,635	424	31,059
2021	-	647	647
Total Rentals	$ 82,734	$ 1,495	$ 84,229
Less - Interest and other costs	(9,214)	(620)	(9,834)
Pricipal amount of rental due	$ 73,520	$ 875	$ 74,395

Following is a summary of changes in PBC Leases and Capitalized Lease outstanding $(000's):

	Balance July 1, 2017	Additions	Reductions	June 30, 2018
PBC Leases	$ 116,850	$ -	$ (43,330)	$ 73,520
Other Capitalized Leases	1,050	-	(175)	875
Total Lease Obligations	$ 117,900	$ -	$ (43,505)	$ 74,395
Less: Current Portion PBC Leases				(45,845)
Current Portion Other Capitalized Leases				(175)
Total Long-Term Leases Outstanding				$ 28,375

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, 2018 were $17.9 million.

The following is a summary of operating lease commitments as of June 30, 2018 $(000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2019	$ 3,229	$ 15,709	$ 18,938
2020	1,491	14,969	16,460
2021	428	15,037	15,465
2022	27	13,778	13,805
2023	4	13,979	13,983
2024-2028	-	39,853	39,853
2029-2030	-	15,775	15,775
Total Operating Lease Commitments	$ 5,179	$ 129,100	$ 134,279

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 compensation, all or a portion of their 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 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 in accordance with the following parameters:

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 $45.0 million in excess of a $10.0 million self-insured retention per loss for claims arising from commercial general, automobile, school board legal, 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 2018, 2017, and 2016 there were no casualty claims made in excess of the self-insured retention.

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

For fiscal year 2018, the 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

As discussed in Note 15, 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 Program 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 $30.6 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, 2017	Increase/ (Decrease)	Payments	Balance June 30, 2018
Accrued sick pay benefits………………………………	$ 289,818	$ 1,557	$ (18,849)	$ 272,526
Accrued vacation pay benefits………………………	49,520	5,330	(6,086)	48,764
Accrued workers' compensation pay benefits……..	114,290	13,463	(24,081)	103,672
Accrued general and automobile claims……………	21,085	14,143	(5,219)	30,009
Tort liabilites and other claims………………………	19,216	(2,828)	-	16,388
	$ 493,929	$ 31,665	$ (54,235)	$ 471,359

Less: Current portion of accrued sick pay benefits……………………………………………………	(27,217)
Less: Current portion of accrued vacation pay benefits………………………………………………	(6,370)
Less: Current portion of accrued workers' compensation claims……………………………………	(22,145)
Less: Current portion of accrued general and automobile claims……………………………………	(17,349)
Total long-term other benefits and claims………………………………………………………………	$ 398,278

The following is activity related to workers' compensation claims and general and automobile claims $(000's):

Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018
$128,399	$28,957	$(21,981)	$135,375	$27,606	$(29,300)	$133,681

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A net liability of $60.8 million has been recorded for health insurance costs and is reported as part of accounts payable and accrued payroll and benefits in the General Operating Fund, which includes $32.1 million for estimated medical claims incurred but not reported as of June 30, 2018.

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

The following is the activity related to medical claims for which CPS is self-insured $(000's):

Balance July 1, 2016	Additions	Payments	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018
$60,262	$349,407	($360,931)	$48,738	$387,824	($375,786)	$60,776

NOTE 12. PENSION 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 pension code created a Tier 3 effective August 31, 2017, but due to the uncertainty of whether a resolution or ordinance will be passed, the actuarial valuation only uses Tier 1 and Tier 2.

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, 2017, CTPF Annual report, there were 28,855 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 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 $112,408 for 2017. 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 2018, total employee contributions were $149.6 million, as in previous fiscal years, CPS paid a portion (7% or $116.3 million) of the required employees' contribution. For employees hired on or after January 1, 2017, there is no employer pickup. A portion of grant funds from the Federal government and General Fund revenues provides the funding for the portion not picked up. The remaining portion 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, 2018, total employer contributions to the plan were $551.4 million. Of this amount, $25.1 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, 2018, $253.0 million of levy funds was owed to the CTPF for a fiscal year 2018 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%	$ 504,739
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded program	21,586
Charter school contributions	25,085
Total CPS Contributions	$ 551,410
Contributions from the State of Illinois	232,992
CPS contributions on-behalf of employees	116,339
Total CTPF contributions	$ 900,741

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability recognized by CPS is $12.382 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, 2017, 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 2018 fiscal year was $1.232 billion.

NOTE 12. PENSION BENEFITS (continued)

Employer Deferral of Fiscal Year 2018 Pension Contributions: CPS paid $551.4 million in contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date as of June 30, 2017. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2018.

As June 30, 2018, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources (amounts in thousands):

	Deferred Inflow of Resouces	Deferred Outflow of Resouces
Difference between expected and actual experience	$ 125,419	$ 38,465
Net difference between projected and actual investment earnings on pension plan investments	-	60,344
Changes in assumptions	-	1,235,647
Contributions after the measurement date	-	551,410
Totals	$ 125,419	$ 1,885,866

The $551.4 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, 2019. 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
2019	$ 234,326
2020	422,199
2021	367,524
2022	184,988
Totals	$ 1,209,037

NOTE 12. PENSION BENEFITS (continued)

Assumptions and Other Inputs

Actuarial Assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions and methods:

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.25%, net of investment expense
Projected salary increases	4.00% to 15.50%, varying by age
Inflation	2.50%, general inflation rate 3.25%, wage inflation rate
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, sex distinct, set back 2 years with generationally mortality improvement from 2004 based on Scale AA. This assumption provides a margin for future mortality improvements. No adjustment is made for post-disabled mortality. For disabled participants, mortality rates were based on the RP-2000 Disabled Mortality Table, sex distinct, set back 3 years.

Most of the actuarial assumptions used for the June 30, 2017 actuarial valuation are based on an experience review for the 5 year period covering July 1, 2007 through June 30, 2012, performed by the prior actuary. Beginning with the June 30, 2017 actuarial valuation, the investment return assumption, general inflation assumption and wage inflation assumption were reduced from 7.75% to 7.25%, 2.75% to 2.50% and 3.50% to 3.25%, respectively. The general inflation assumption also serves as the basis for the determination of annual increases in pension and pensionable salary cap for Tier 2 members. As a result of the change in the general inflation assumption, the assumption regarding future increases in pension and pensionable salary cap was reduced from 1.357% to 1.25% per year for current and future Tier 2 members.

The long-term expected rate of return on pension plan investments was determined under a building-block method by using the current risk-free rate and historical risk premium for each major asset class to develop the best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) 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).

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NOTE 12. PENSION BENEFITS (continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Equities	61.0%	4.6%
Fixed Income	23.0%	1.0%
Real Estate	9.0%	3.5%
Private Equity	5.0%	5.1%
Hedge Funds	0.0%	2.8%
Infrastructure	2.0%	N/A
Commodities	0.0%	0.4%
Cash Equivalents	0.0%	0.0%
Total	100.0%	

Discount Rate: For fiscal year 2017, a single discount rate of 7.07% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25%, cash flows (employee contributions, employer contributions, benefits, and administrative expenses) based on the results of the funding actuarial valuation using an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56%. The projection of cash flows used to determine this single discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contributions rates under the Fund's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contribution were sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

For fiscal year 2016, the single discount rate used to measure the total pension liability was 7.75%. The impact of the change in the single discount rate from 7.75% to 7.07% was an increase in the total pension liability of approximately $1.6 billion. The change in the discount rate was primarily driven by the decrease in the long-term assumed rate of return from 7.75% to 7.25%.

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 7.07%, 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 (6.07%)	Current Discount (7.07%)	1% Increase (8.07%)
$ 15,199,983	$ 12,382,417	$ 10,033,130

NOTE 12. PENSION BENEFITS (continued)

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" or the "Annuity Fund"). The Plan is administered under Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. Benefit and contribution provisions are established by the Statutes and may be amended only by the Illinois state legislature. The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2017, CPS employed approximately 16,721 of the 30,922 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.

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 8 highest consecutive years within the last 10 years of service prior to retirement.

Tier 3 employees age 65 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 60 with 10 years of service. The annuity is discounted ½ percent for each full month the employee is under age 65. Final average salary is calculated using salary from the 8 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 2016 and fiscal year 2017 were $111,572 and $112,408, 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.

NOTE 12. PENSION BENEFITS (continued)

Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute 8.5% of their pensionable salary. Tier 3 employees are required to contribute 11.5% of their pensionable salary. The pensionable salary for Tier 1 members has no limitation while Tier 2 and Tier 3 employees' pensionable salary may not exceed the social security wage base of $106,800 adjusted by inflation. In fiscal year 2018, as in previous fiscal years, CPS agreed to pay a portion (7% for union and 5% for non-union members or $32.9 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 $81.1 million, $76.7 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $4.4 million is funded under federally-funded programs. The portion funded by the City of Chicago and the Federal government is also reflected as revenue in the General Operating Fund.

Employer Proportionate Share of Net Pension Liability: At December 31, 2017, the MEABF reported a net pension liability (NPL) of $11.728 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 $4.669 billion or 39.8%. The net pension liability was measured as of December 31, 2017. 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 2017 calendar year, which approximates CPS' 2018 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 2018. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of $76.7 million for fiscal year 2018.

Employer Deferral of Fiscal Year 2017 Pension Contributions: CPS paid $4.4 million in federal, trust or grant contributions for the fiscal year ended June 30, 2018. Some contributions were made subsequent to the pension liability measurement date of December 31, 2017. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2018. Total pension expense for fiscal year 2018 was $81.1 million.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 — December 31, 2016. The total pension liability in the December 31, 2017 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, 2017
Actuarial assumptions:	
Investment rate of return...	7.00%, net of investment expense
Projected salary increases	3.50% - 7.75% for year 2023, (1.50% to 6.50% for years 2018-2022), varying by years of service
Inflation……………………	2.50%
Cost of living adjustments.	Tier 1: 3.0% compound. Tier 2 & 3: the lesser of 3.0% or one-half the change in CPI, simple

NOTE 12. PENSION BENEFITS (continued)

Post-retirement mortality rates were based on the RP-2014 Combined Healthy Mortality Tables, set forward two years for males and one year for females, and projected generationally using scale MP-2016. The mortality rates for pre-retirement were based on 120% of the RP-2014 Employee Mortality Tables projected generationally using scale MP-2016.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study for the period January 1, 2012 through December 31, 2016.

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, 2017 are summarized in the following tables:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26.0%	5.6%
International Equity	22.0%	5.7%
Fixed Income	27.0%	1.0%
Real Estate	10.0%	5.4%
Private Equity	5.0%	9.4%
Hedge Funds	10.0%	3.6%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023. 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 7.00%, 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):

NOTE 12. PENSION BENEFITS (continued)

1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
$ 13,807,800	$ 11,728,378	$ 10,006,090

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.

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefits (OPEB)

Plan Description: 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/. Only CPS and the State of Illinois (a nonemployer contributor) make direct contributions to the Pension Fund and a special funding situation is deemed not to exist with the State. Therefore, 100% of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and OPEB expense is allocated to CPS.

Benefits Provided: The Pension Fund administers a health insurance program that includes three 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.

Funding Policy and Annual Other Postemployment Benefit Cost: 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 2017, 2016 and 2015. 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 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. This provision reduces the net position of the Pension Fund. As of June 30, 2017, the Chicago Teachers' Pension Fund Retiree Health Insurance Program had 17,073 retirees and beneficiaries currently receiving health benefits and 11,366 retirees and beneficiaries entitled to but not yet receiving health benefits. The assets in the Health Insurance are not in a qualifying trust nor are those amounts restricted legally or otherwise required to be used solely to pay OPEB benefits Therefore there are no assets accumulated in a trust.

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (continued)

Total OPEB liability deferred outflows of resources, deferred inflows of resources and expense related to OPEB

The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2017. At June 30, 2018, the CPS recorded a total OPEB liability of $2.271 billion.

Schedule of Changes in Total OPEB Liability: Below is the schedule of changes in the total OPEB liability, as reported at June 30, 2018 (amounts in thousands):

Beginning Balance, OPEB Liability	$ 2,329,607
Service Cost	69,478
Interest on total OPEB Liability	67,688
Differences between expected and actual experience	(88,232)
Changes of Assumptions	(59,199)
Benefit Payments	(48,451)
Ending Balance, OPEB Liability	$ 2,270,891

Employer Deferral of Fiscal Year 2018 OPEB Contributions: The CPS recognized OPEB expense for the year ended June 30, 2018, of $115.3 million. At June 30, 2018, the CPS reported deferred outflows and deferred inflows of resources, from the following sources (amounts expressed in thousands):

Deferred inflows of resources	Amount
Changes in assumptions	$ 50,183
Differences between expected and actual non-investment income	74,795
Total deferred inflows of resources	$ 124,978

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Years Ended June 30:	Amount
2019	$ (22,454)
2020	(22,454)
2021	(22,454)
2022	(22,454)
2023	(22,453)
Thereafter	(12,709)
Totals	$ (124,978)

FINANCIAL SECTION

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified.

Valuation date…………………………	June 30, 2017
Measurement date…………………………	June 30, 2017
Actuarial cost method…………………………	Entry Age Normal
Inflation rate…………………………	2.75%
Projected salary increases…………………	4.25% - 15.75%, varying by age
Discount rate…………………………	3.56%
Experience Study…………………………	An experience study of the 5 year period 2007 – 2012.
Mortality…………………………	RP-2000 Healthy Annuitant mortality table, sex distinct, set back 2 years with generational mortality improvements from 2004 using Scale AA for healthy mortality and the RP-2000 Disabled mortality table, sex distinct, set back 3 years for disabled mortality.
Healthcare cost trend rate…………………	For fiscal years on and after 2018, trend starts at 7.50% and 8.50% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.5%. Excess trend rate of 0.29% and 0.00% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax under the Health Care Reform Act.

Discount rate: A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. The rate at June 30, 2016 was based on the 20-Bond GO Index, which is the Bond Buyer Index. The rate at June 30, 2017 was based on Fidelity Index's 20-year Municipal GO AA Index.

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate: The following table presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate (amounts expressed in thousands):

1% Decrease 2.56%	Current Single Discount Rate Assumption 3.56%	1% Increase 4.56%
$2,646,712	$2,270,891	$1,967,975

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands).

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS (continued)

1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
$1,934,940	$2,270,891	$2,705,839

Implementation of GASB pronouncement: During fiscal year 2018, CPS implemented GASB Pronouncement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this GASB resulted in the long-term obligation for OPEB to be recognized as a liability and a decrease in net position. As a result, CPS made a restatement to beginning Net Position of $295.6 million.

NOTE 14. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

1) At the end of the 2018 fiscal year, the General Operating Fund reported:

   i. $429 thousand of non-spendable fund balance for donations in which the principal may not be spent.

   ii. Restricted fund balance consisted of $52.3 million for grants and donations and $9.3 million for future teachers' pension contributions.

   iii. Assigned fund balance consisted of $18 million for commitments and contracts.

2) At the end of the 2018 fiscal year, the Debt Service Fund reported:

   i. Assigned fund balance of $341 thousand for debt service stabilization.

b. Statement of Net Position

The Statement of Net Position reports $973.3 million of restricted fund balance, of which $744.5 million is restricted for debt service, $167.2 million is restricted for capital projects, $52.3 million is restricted for programs funded by grants and donations and $9.3 million for future teachers' pension contributions.

NOTE 15. 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, 2018 resulting from a review by a responsible government agency, will not have a material effect on CPS' financial statements at June 30, 2018.

b. Pollution Remediation Obligation

In fiscal year 2018, CPS recorded a pollution remediation obligation of $17.0 million as current year expense in the Statement of Activities.

NOTE 15. LITIGATION AND CONTINGENCIES (continued)

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 years 2016 and 2017, a total of four (4) of the buildings identified to be demolished were sold, decreasing the estimated liability to $12.3 million. In fiscal year 2018, two (2) additional buildings were sold, decreasing the estimated liability by an additional $2.4 million. As of June 30, 2018, the estimated liability is $9.9 million.

d. Financial Guarantees

As of June 30, 2018, CPS has entered into one non-exchange 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, 2017 audited financial statements of Perspectives Charter Schools, the most recent audited financial information available, the outstanding balance of the revenue bonds is $3.9 million. Once the July 1, 2017 annual payment of $0.2 million is made the June 30, 2018 outstanding balance of the revenue bonds will be $3.7 million. This guarantee is still in place as of June 30, 2018, 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. In November 2018, the debt was paid in full and CPS received a letter from Harris noting that CPS was released from all obligations or liabilities under the guarantee agreement.

e. Other Litigation and Claims

There are approximately six 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 2018.

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, 2018, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However in FY16, CPS recorded a general accrual not specific to any pending legal action for these amounts and it remains in FY18. 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, 2018. The liability for other litigation and claims, not including workers' compensation and general liability, decreased by $2.8 million from $19.2 million in fiscal year 2017 to $16.4 million in fiscal year 2018.

NOTE 16. 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.

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, Class 8 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, 20% in the 12th year and 25% in subsequent years. In calendar year 2017, there were 397 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, 20% in the 12th year and 25% in subsequent years. In calendar year 2017, there were 122 parcels receiving this incentive in the City of Chicago.

The purpose of the Class 8 programs are to encourage commercial and industrial development throughout Cook County, in areas of severe economic stagnation. Properties receiving a Class 8 incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, 20% in the 12th year and 25% in subsequent years. In calendar year 2017, there were 19 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 multifamily 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 2017, there were 365 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 2018 fiscal year, the total estimated impact of these incentives to the District is a reduction in property taxes for those properties in the amount of $34.9 million.

NOTE 17. SUBSEQUENT EVENTS

Repayment of 2017 Tax Anticipation Notes

To finance cash flow deficits in Fiscal Year 2018, the Board issued $1.2 billion in aggregate principal amount of 2017 Tax Anticipation Notes in multiple series (the "2017 TANs") in anticipation of collection of its 2017 tax levy in 2018 in the amount of approximately $2.423 billion.

NOTE 17. SUBSEQUENT EVENTS (continued)

At the end of Fiscal Year 2018, the Board had outstanding $600 million of 2017 TANs. In August 2018, the Board repaid and ended all its Series 2017 TANs whereby no 2017 TANs remained outstanding.

Issuance of 2018 Tax Anticipation Notes

After the end of Fiscal Year 2018, for Fiscal Year 2019 the Board approved a levy of *ad valorem* property taxes of approximately $2.461 billion for educational purposes (the "2018 Tax Levy") to be collected in calendar year 2019 and authorized the issuance of not to exceed $1.250 billion principal amount of 2018 Tax Anticipation Notes (the "2018 TANs") in anticipation of the collection of the 2018 Tax Levy. As of December 15, 2018, the Board has currently issued and has outstanding 2018 TANs in the total aggregate amount of $400 million. The Board expects to issue additional TANs throughout Fiscal Year 2019 to fund its cash flow needs in an amount up to the authorized amount of $1.25 billion.

The Series 2018 TANs sub-series designations are as follows: (1) $200 million Series 2018A tax anticipation notes closed on October 31, 2018; (2) $200 million of Series 2018B tax anticipation notes closed on December 5, 2018: The Series 2018A and B TANs totaling $200 million were each sold by a public sale to investors. The 2018 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 2018 TANs is a fixed rate ranging from 2.40% to 2.65%.

Principal of and interest on the 2018 TANs is payable on the respective sub-series maturity date of each series of the 2018 TANs from the revenues from the 2018 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 2018AB TANs is March 29, 2019.

Issuance of Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2018CD

On December 13, 2018, the Board issued fixed-rate $763.4 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue), Series 2018CD (the "Series 2018CD" Bonds") with an original issue premium of $17.9 million.

The proceeds of the Series 2018CD Bonds were used to provide funds to refund certain outstanding bonds of the Board, finance the continued implementation of the Board's Capital Improvement Program, fund capitalized interest and pay the costs of issuance on the Series 2018CD Bonds. The Series 2018CD 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 2018CD Bonds. The debt service on the Series 2018CD Bonds will be paid from General State Aid Revenues and Personal Property Replacement Tax Revenues.

Issuance of Dedicated Capital Improvement Tax Bonds Series 2018

On December 13, 2018, the Board issued $86 million fixed-rate Dedicated Capital Improvement Tax Bonds, Series 2018 (the "2018 CIT Bonds") with an original issue premium of $4.8 million. The proceeds of the 2018 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 2018 CIT Bonds through April 1, 2020, and pay costs of issuance of the 2018 CIT Bonds.

NOTE 17. SUBSEQUENT EVENTS (continued)

The 2018 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 a Capital Improvement Tax (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 2018 CIT Bonds.

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, 2018
(Thousands of dollars)

	Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Budget	Fiscal Year Actual	Over (Under) Budget
Revenues:					
Property taxes	$ 2,808,707	$ -	$ 2,808,707	$ 2,794,613	$ (14,094)
Replacement taxes	90,438	-	90,438	109,997	19,559
State aid	1,699,411	-	1,699,411	1,859,582	160,171
Federal aid	1,100	-	1,100	723,432	722,332
Interest and investment earnings	772,979	-	772,979	6,099	(766,880)
Other	269,393	-	269,393	332,323	62,930
Total revenues	$ 5,642,028	$ -	$ 5,642,028	$ 5,826,046	$ 184,018
Expenditures:					
Salaries -					
Teachers' salaries	$ 1,860,907	$ (8,248)	$ 1,852,659	$ 1,841,295	$ (11,364)
Career service salaries	549,299	33,972	583,271	595,467	12,196
Commodities -					
Energy	74,866	(5,286)	69,580	60,813	(8,767)
Food	93,954	6,880	100,834	94,512	(6,322)
Textbook	36,807	19,893	56,700	50,296	(6,404)
Supplies	36,786	20,070	56,856	46,683	(10,173)
Other	410	(19)	391	301	(90)
Services -					
Professional and special services	331,975	107,636	439,611	410,175	(29,436)
Charter Schools	745,402	(5,126)	740,276	703,124	(37,152)
Transportation	106,681	5,048	111,729	106,021	(5,708)
Tuition	59,072	132	59,204	50,181	(9,023)
Telephone and telecommunications	30,744	(1,140)	29,604	23,718	(5,886)
Other	13,059	10,259	23,318	26,819	3,501
Equipment - educational	17,061	27,462	44,523	35,214	(9,309)
Building and Sites -					
Repair and replacements	18,911	(5,368)	13,543	13,214	(329)
Capital outlay	7	1,754	1,761	1,293	(468)
Teachers' pension	895,751	(1,178)	894,573	900,791	6,218
Career service pension	88,960	364	89,324	113,882	24,558
Hospitalization and dental insurance	348,182	(9,472)	338,710	319,344	(19,366)
Medicare	36,408	88	36,496	34,601	(1,895)
Unemployment compensation	8,997	(97)	8,900	6,604	(2,296)
Workers compensation	21,993	(247)	21,746	23,546	1,800
Rent	17,501	2,961	20,462	16,840	(3,622)
Debt service	79,106	(21,589)	57,517	32,101	(25,416)
Other	226,453	(178,749)	47,704	7,045	(40,659)
Total expenditures	$ 5,699,292	$ -	$ 5,699,292	$ 5,513,880	$ (185,412)
Revenues in excess of (less than) expenditures	$ (57,264)	$ -	$ (57,264)	$ 312,166	$ 369,430
Other financing sources (uses):					
Transfers in / (out)	$ -	$ -	$ -	$ 286,828	$ 286,828
Total other financing sources (uses)	$ -	$ -	$ -	$ 286,828	$ 286,828
Net change in fund balances	$ (57,264)	$ -	$ (57,264)	$ 598,994	$ 656,258
Fund balances (deficit), beginning of period	(275,230)	-	(275,230)	(275,230)	(275,230)
Fund balances (deficit), end of period	$ (332,494)	$ -	$ (332,494)	$ 323,764	$ 381,028

See Independent Auditors' Report.

FINANCIAL SECTION

SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Four Fiscal Years Ended June 30, 2018
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago:

	2015 (1)	2016	2017	2018 (2)
CPS' Proportion of the Net Pension Liability	100.00%	100.00%	100.00%	100.00%
CPS' Proportionate Share of the Net Pension Liability	$ 9,501,206	$ 10,023,263	$ 11,011,400	$ 12,382,417
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	-	-	-	-
Total	$ 9,501,206	$ 10,023,263	$ 11,011,400	$ 12,382,417
CPS' Covered Employee Payroll	$ 2,233,281	$ 2,273,551	$ 2,281,269	$ 2,030,175
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	425.44%	440.86%	482.69%	609.92%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%	51.61%	47.78%	49.46%

Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015	2016	2017	2018
CPS' Proportion of the Net Pension Liability	0.00%	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	4,848,718
Total	$ 2,779,767	$ 7,829,700	$ 7,529,116	$ 4,848,718
Covered Employee Payroll	$ 625,161	$ 691,178	$ 657,649	$ 697,242
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%	20.30%	19.05%	27.97%

NOTES:

1) 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.

2) In fiscal year 2018 the assumptions for investment return was reduced from 7.75% to 7.25% and the discount rate was reduced from 7.75% to 7.07%

3) The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See Independent Auditors' Report.

SCHEDULE OF CPS' CONTRIBUTION TO DEFINED BENEFIT PENSION PLANS
For the Four Fiscal Years Ended June 30, 2018
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

Year Ended	CPS' 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, 2018……………	$ 784,402	$ 232,992	$ 551,410	$ 784,402	$ -	$ 2,111,982	37.14%
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%

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, 2018………………………	$ 415,674	$ 76,700	$ 76,700	$ 338,974	$ 697,242	11.00%
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.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY
For the Fiscal Year Ended June 30, 2018
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

	2018
District's Proportion of the Total OPEB Liability	100.00%
District's Proportionate Share of the Collective Total OPEB Liability	$ 2,270,891
Total	$ 2,270,891
Covered payroll	$ 2,030,175
District's proportionate share of the Total OPEB liability as a percentage of its employee payroll	111.86%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

Public School Teachers' Pension and Retirement Fund of Chicago

	2018
Contractually required contribution	$ 49,001
Contributions in relation to the contractually required contribution	49,001
Contribution Deficiency (Excess)	$ -
Covered payroll	$ 2,030,175
Contributions as a Percentage of Employee Payroll	2.41%

NOTES:
CPS implemented GASB No. 75 in fiscal year 2018. 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

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; Supplementary General State Aid Program; Chicago Teacher's Pension 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, 2018

With Comparative Amounts for the Fiscal Year Ended June 30, 2017

(Thousands of dollars)

	Final Budget	Fiscal Year 2018 Actual	Over (Under) Budget	Fiscal Year 2017 Actual	2018 Over (Under) 2017
Revenues:					
Property taxes	$ 2,808,707	$ 2,794,613	$ (14,094)	$ 2,613,889	$ 180,724
Replacement taxes	90,438	109,997	19,559	169,637	(59,640)
State aid	1,699,411	1,859,582	160,171	1,287,702	571,880
Interest and investment earnings	1,100	723,432	722,332	1,964	721,468
Federal aid	772,979	6,099	(766,880)	752,295	(746,196)
Other	269,393	332,323	62,930	265,099	67,224
Total revenues	$ 5,642,028	$ 5,826,046	$ 184,018	$ 5,090,586	$ 735,460
Expenditures:					
Teachers' salaries	$ 1,852,659	$ 1,841,295	$ (11,364)	$ 1,815,309	$ 25,986
Career service salaries	583,271	595,467	12,196	581,665	13,802
Energy	69,580	60,813	(8,767)	69,067	(8,254)
Food	100,834	94,512	(6,322)	94,911	(399)
Textbook	56,700	50,296	(6,404)	43,255	7,041
Supplies	56,856	46,683	(10,173)	44,040	2,643
Other commodities	391	301	(90)	221	80
Professional fees	439,611	410,175	(29,436)	357,258	52,917
Charter Schools	740,276	703,124	(37,152)	668,412	34,712
Transportation	111,729	106,021	(5,708)	95,974	10,047
Tuition	59,204	50,181	(9,023)	53,668	(3,487)
Telephone and telecommunications	29,604	23,718	(5,886)	21,998	1,720
Other services	23,318	26,819	3,501	13,814	13,005
Equipment - educational	44,523	35,214	(9,309)	30,967	4,247
Repair and replacements	13,543	13,214	(329)	18,319	(5,105)
Capital outlay	1,761	1,293	(468)	1,017	276
Teachers' pension	894,573	900,791	6,218	853,474	47,317
Career service pension	89,324	113,882	24,558	99,428	14,454
Hospitalization and dental insurance	338,710	319,344	(19,366)	306,871	12,473
Medicare	36,496	34,601	(1,895)	33,658	943
Unemployment compensation	8,900	6,604	(2,296)	7,040	(436)
Workers compensation	21,746	23,546	1,800	20,531	3,015
Rent	20,462	16,840	(3,622)	14,638	2,202
Debt service	57,517	32,101	(25,416)	38,735	(6,634)
Other fixed charges	47,704	7,045	(40,659)	13,488	(6,443)
Total expenditures	$ 5,699,292	$ 5,513,880	$ (185,412)	$ 5,297,758	$ 216,122
Revenues in excess of (less than) expenditures	$ (57,264)	$ 312,166	$ 369,430	$ (207,172)	$ 519,338
Other financing sources (uses):					
Other revenue sources /(uses)	$ -	$ -	$ -	$ 224	$ (224)
Transfers in / (out)	-	286,828	286,828	58,350	228,478
Total other financing sources (uses)	$ -	$ 286,828	$ 286,828	$ 58,574	$ 228,254
Net change in fund balances	$ (57,264)	$ 598,994	$ 656,258	$ (148,598)	$ 748,040
Fund balances (deficit), beginning of period	(275,230)	(275,230)	-	(126,632)	(147,592)
Fund balances, end of period	$ (332,494)	$ 323,764	$ 656,258	$ (275,230)	$ 598,994

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, 2018
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
Property taxes	$ -	$ 8,106	$ 8,106
State aid	-	14,019	14,019
Federal aid	-	19,498	19,498
Interest and investment earnings	-	7,305	7,305
Other	-	28,457	28,457
Total revenues	$ -	$ 77,385	$ 77,385
Expenditures:			
Capital outlay	$ 283	$ 338,906	$ 339,189
Total expenditures	$ 283	$ 338,906	$ 339,189
Revenues less than expenditures	$ (283)	$ (261,521)	$ (261,804)
Other financing sources (uses):			
Gross amounts from debt issuances	$ -	$ 348,211	$ 348,211
Premiums	-	9,848	9,848
Discounts	-	(2,675)	(2,675)
Sales of general capital assets	9,442	-	9,442
Transfers in / (out)	-	(497)	(497)
Total other financing sources (uses)	$ 9,442	$ 354,887	$ 364,329
Net change in fund balances	$ 9,159	$ 93,366	$ 102,525
Fund balances, beginning of period	46,987	745,599	792,586
Fund balances, end of period	$ 56,146	$ 838,965	$ 895,111

FINANCIAL SECTION

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, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2018	Variance	Fiscal Year 2017	2018 Over (Under) 2017
Expenditures:					
Services……	$ -	$ 283	$ 283	$ 105	$ 178
Capital outlay……	46,817	-	(46,817)	-	-
Total expenditures……	$ 46,817	$ 283	$ (46,534)	$ 105	$ 178
Revenues less than expenditures……	$ (46,817)	$ (283)	$ 46,534	$ (105)	$ (178)
Other financing sources:					
Sales of general capital assets……	$ -	$ 9,442	$ 9,442	$ 6,272	$ 3,170
Total other financing sources……	$ -	$ 9,442	$ 9,442	$ 6,272	$ 3,170
Net change in fund balance……	$ (46,817)	$ 9,159	$ 55,976	$ 6,167	$ 2,992
Fund balance, beginning of period ……	46,987	46,987	-	40,820	6,167
Fund balance, end of period……	$ 170	$ 56,146	$ 55,976	$ 46,987	$ 9,159

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, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2018	Variance	Fiscal Year 2017	2018 Over (Under) 2017
Revenues:					
Property taxes	$ 5,118	$ 8,106	$ 2,988	$ 48,409	$ (40,303)
State aid	14,022	14,019	(3)	30,150	(16,131)
Federal aid	15,700	19,498	3,798	6,653	12,845
Interest and investment earnings	-	7,305	7,305	2,077	5,228
Other	49,696	28,457	(21,239)	21,090	7,367
Total revenues	$ 84,536	$ 77,385	$ (7,151)	$ 108,379	$ (30,994)
Expenditures:					
Salaries	$ 796	$ 739	$ -	$ 676	$ 63
Services	12,120	8,406	8,406	13,415	(5,009)
Educational equipment	61	61	61	3	58
Capital outlay	979,299	321,248	658,051	184,446	136,802
Pension	98	130	32	106	24
Hospitalization and dental insurance	52	52	-	43	9
Medicare	10	10	-	9	1
Unemployment compensation	3	2	(1)	2	(0)
Workers compensation	7	8	1	6	2
Other	16	8,250	8,234	6,024	2,226
Total expenditures	$ 992,463	$ 338,906	$ 653,557	$ 204,730	$ 134,176
Revenues less than expenditures	$ (51,699)	$ (261,521)	$ 646,406	$ (96,351)	$ (165,170)
Other financing sources (uses):					
Gross amounts from debt issuances	$ -	$ 348,211	$ 348,211	$ 811,619	$ (463,408)
Premiums	-	9,848	9,848	-	9,848
Discounts	-	(2,675)	(2,675)	(36,097)	33,422
Transfers out	-	(497)	(497)	-	(497)
Total other financing sources (uses)	$ -	$ 354,887	$ 354,887	$775,522	$ (420,635)
Net change in fund balance	$ (907,927)	$ 93,366	$ 1,001,293	$ 679,171	$ (585,805)
Fund balance, beginning of period	745,599	745,599	-	66,428	679,171
Fund balance, end of period	$ 162,328	$ 838,965	$1,001,293	$ 745,599	$ 93,366

FINANCIAL SECTION

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 general obligation 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, 2018
(Thousands of dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ 43,538	$ 51,613	$ 95,151
Replacement taxes	58,257	-	58,257
State aid	323,355	-	323,355
Federal aid	24,998	-	24,998
Interest and investment earnings	5,279	339	5,618
Other	100,912	-	100,912
Total revenues	$ 556,339	$ 51,952	$ 608,291
Expenditures:			
Current:			
Debt service	$ 568,362	$ 52,069	$ 620,431
Total expenditures	$ 568,362	$ 52,069	$ 620,431
Revenues less than expenditures	$ (12,023)	$ (117)	$ (12,140)
Other financing sources (uses):			
Gross amounts from debt issuances	$ 1,803,939	$ -	$ 1,803,939
Premiums	55,505	-	$ 55,505
Discounts	(30,757)	-	$ (30,757)
Payment to refunded bond escrow agent	(1,321,865)	-	$ (1,321,865)
Transfers in / (out)	(286,057)	(274)	(286,331)
Total other financing sources (uses)	$ 220,765	$ (274)	$ 220,491
Net change in fund balances	$ 208,742	$ (391)	$ 208,351
Fund balances, beginning of period	518,174	58,992	577,166
Fund balances, end of period	$ 726,916	$ 58,601	$ 785,517

FINANCIAL SECTION

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, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2018	Variance	Fiscal Year 2017	2018 Over (Under) 2017
Revenues:					
Property taxes	$ 43,539	$ 43,538	$ (1)	$ -	$ 43,538
Replacement taxes	58,284	58,257	(27)	58,284	(27)
State aid	367,083	323,355	(43,728)	391,013	(67,658)
Federal aid	24,726	24,998	272	24,995	3
Interest and investment earnings	-	5,279	5,279	1,260	4,019
Other	95,500	100,912	5,412	100,856	56
Total revenues	$ 589,132	$ 556,339	$ (32,793)	$ 576,407	$ (20,068)
Expenditures:					
Debt Service	$ 524,810	$ 568,362	$ 43,552	$ 478,939	$ 89,423
Total expenditures	$ 524,810	$ 568,362	$ 43,552	$ 478,939	$ 89,423
Revenues less than expenditures	$ 64,322	$ (12,023)	$ 76,345	$ 97,468	$ (109,491)
Other financing sources (uses):					
Gross amounts from debt issuances	$ -	$ 1,803,939	$ (1,803,939)	$ 67,961	$ 1,735,978
Premiums	-	55,505	(55,505)	-	55,505
Discounts	-	(30,757)	30,757	-	(30,757)
Payment to refunded bond escrow agent	-	(1,321,865)	1,321,865	-	(1,321,865)
Transfers in / (out)	500	(286,057)	286,557	(58,245)	(227,812)
Total other financing sources (uses)	$ 500	$ 220,765	$ (220,265)	$ 9,716	$ 211,049
Net change in fund balance	$ 64,822	$ 208,742	$ (143,920)	$ 107,185	$ 101,557
Fund balance, beginning of period	518,174	518,174	-	410,989	107,185
Fund balance, end of period	$ 582,996	$ 726,916	$ (143,920)	$ 518,174	$ 208,742

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, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2018	Variance	Fiscal Year 2017	2018 Over (Under) 2017
Revenues:					
Property taxes	$ 52,069	$ 51,613	$ (456)	$ 52,658	$ (1,045)
Interest and investment earnings	-	339	339	141	198
Total revenues	$ 52,069	$ 51,952	$ (117)	$ 52,799	$ (847)
Expenditures:					
Debt Service	$ 52,069	$ 52,069	$ -	$ 52,020	$ 49
Total expenditures	$ 52,069	$ 52,069	$ -	$ 52,020	$ 49
Revenues less than expenditures	$ -	$ (117)	$ (117)	$ 779	$ (896)
Other financing sources (uses):					
Transfers in / (out)	$ -	$ (274)	$ (274)	$ (105)	$ (169)
Total other financing sources (uses)	$ -	$ (274)	$ (274)	$ (105)	$ (169)
Net change in fund balance	$ -	$ (391)	$ (391)	$ 674	$ (1,065)
Fund balance, beginning of period	58,992	58,992	-	58,318	674
Fund balance, end of period	$ 58,992	$ 58,601	$ (391)	$ 58,992	$ (391)

FINANCIAL SECTION

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.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Thousands of dollars)

	2009 (1) (as restated)	2010 (2)	2011 (3)	2012 (4) (as restated)
Net investment in capital assets	$ 30,202	$ 440,099	$ 370,159	$ 310,028
Restricted for:				
Capital Projects	-	-	-	-
Debt service	391,392	442,851	276,097	282,253
Donations	3,695	5,825	-	-
Enabling legislation	101,072	109,163	-	-
Grants and donations	-	-	70,045	70,302
Teacher's Pension Contributions	-	-	-	-
Workers' comp/tort immunity	-	-	91,036	92,680
Unrestricted	(1,017,248)	(1,916,207)	(2,009,152)	(2,552,441)
Total net position (deficit)	$ (490,887)	$ (918,269)	$ (1,201,815)	$(1,797,178)

NOTES:

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.
6) Certain items in the fiscal year 2017 financial statements were restated to reflect the effects of GASB 75 adopted in fiscal year 2018.

2013	2014	2015	2016 (5) (as restated)	2017 (6) (as restated)	2018
$ 80,009	$ (37,194)	$ (159,007)	$ (342,529)	$ (644,224)	$ (743,406)
-	-	-	-	125,516	167,172
345,399	368,794	445,663	510,743	630,308	744,517
-	-	-	-	-	-
-	-	-	-	-	-
63,862	61,451	64,584	65,282	52,287	52,333
-	-	-	-	-	9,287
64,985	19,838	41,373	35,116	27,344	-
(3,358,734)	(4,372,335)	(11,604,516)	(12,362,437)	(13,497,487)	(14,286,782)
$ (2,804,479)	$ (3,959,446)	$ (11,211,903)	$ (12,093,825)	$ (13,306,256)	$ (14,056,879)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011
Governmental Activities:			
Expenses:			
Instruction	$ 3,324,936	$ 3,507,221	$ 3,712,681
Pupil support services	408,705	438,164	545,428
Administrative support services	233,361	201,908	187,559
Facilities support services	582,539	481,245	499,093
Instructional support services	512,427	523,851	541,714
Food services	203,880	207,127	215,609
Community services	56,392	50,879	47,021
Interest expense	259,850	258,360	285,577
Other	8,504	12,919	8,845
Total governmental activities	$ 5,590,594	$ 5,681,674	$ 6,043,527
Program revenues:			
Charges for services			
Instruction	$ 5,189	$ 4,308	$ 692
Food services	8,298	6,881	6,404
Operating grants and contributions	1,250,526	1,376,744	1,368,118
Capital grants and contributions	151,405	99,054	184,837
Total program revenues	$ 1,415,418	$ 1,486,987	$ 1,560,051
Revenues (less than) expenditures	$ (4,175,176)	$ (4,194,687)	$ (4,483,476)
General revenues and other changes in net position:			
Taxes:			
Property taxes	$ 1,936,656	$ 1,896,265	$ 2,053,119
Replacement taxes	188,503	152,497	197,762
Non-program state aid	1,603,926	1,532,679	1,792,747
Interest and investment earnings	43,692	12,734	17,101
Gain on sale of capital assets	91	-	-
Other	56,132	173,130	139,201
Extraordinary item - gain on impairment of capital assets	708	-	-
Total general revenues and extraordinary item	$ 3,829,708	$ 3,767,305	$ 4,199,930
Change in net position	$ (345,468)	$ (427,382)	$ (283,546)

STATISTICAL SECTION

2012	2013	2014	2015	2016	2017	2018
$ 3,742,788	$ 4,040,352	$ 4,139,906	$ 4,217,996	$ 3,870,330	$ 4,024,653	$ 4,449,069
483,167	494,076	487,139	484,745	470,316	472,176	481,371
192,605	211,294	241,913	249,662	318,736	301,053	171,493
455,342	490,381	654,971	477,892	454,652	465,170	455,563
473,202	491,137	474,926	492,232	468,999	460,568	496,199
219,382	234,659	205,989	207,834	211,288	213,920	219,809
38,941	39,946	37,507	37,997	36,967	39,625	39,863
310,452	337,053	335,237	332,023	365,136	448,126	544,857
8,115	7,043	6,134	6,319	7,388	12,691	10,015
$ 5,923,994	$ 6,345,941	$ 6,583,722	$ 6,506,700	$ 6,203,812	$ 6,437,982	$ 6,868,239
$ 727	$ 700	$ 657	$ 571	$ 612	$ 647	$ 698
6,083	5,554	3,485	1,303	1,336	1,522	3,356
1,196,073	963,325	1,086,885	1,051,655	1,147,750	1,156,382	1,322,703
112,914	186,394	162,403	356,189	109,766	57,658	60,896
$ 1,315,797	$ 1,155,973	$ 1,253,430	$ 1,409,718	$ 1,259,464	$ 1,216,209	$ 1,387,653
$ (4,608,197)	$ (5,189,968)	$ (5,330,292)	$ (5,096,982)	$ (4,944,348)	$ (5,221,773)	$ (5,480,586)
$ 2,089,016	$ 2,156,943	$ 2,218,033	$ 2,302,881	$ 2,399,287	$ 2,696,046	$ 2,889,401
181,927	185,884	188,040	202,148	161,535	227,921	168,254
1,611,726	1,688,611	1,572,564	1,492,019	1,442,822	1,212,143	1,451,897
20,683	7,879	15,563	(47,720)	(18,706)	5,442	19,022
-	-	-	-	10,058	7,008	8,674
147,550	143,350	181,125	125,638	190,480	156,369	192,715
-	-	-	-	-	-	-
$ 4,050,902	$ 4,182,667	$ 4,175,325	$ 4,074,966	$ 4,185,476	$ 4,304,929	$ 4,729,963
$ (557,295)	$ (1,007,301)	$ (1,154,967)	$ (1,022,016)	$ (758,872)	$ (916,844)	$ (750,623)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF FUND BALANCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011 (1)	2012
General operating fund				
Reserved……	$ 215,452	$ 226,154	$ -	$ -
Unreserved……	311,422	198,461	-	-
Nonspendable……	-	-	1,972	3,329
Restricted for grants and donations……	-	-	69,616	69,873
Restricted for workers' comp/tort immunity……	-	-	91,036	92,680
Restricted for teacher's pension contributions……	-	-	-	-
Assigned for educational services……	-	-	289,000	-
Assigned for appropriated fund balance……	-	-	181,300	348,900
Assigned for commitments and contracts……	-	-	102,163	110,397
Unassigned……	-	-	5,293	443,575
Total general operating fund……	$ 526,874	$ 424,615	$ 740,380	$ 1,068,754
All other governmental funds				
Reserved……	$ 373,010	$ 604,733	$ -	$ -
Unreserved, reported in:				
Capital projects fund……	-	33,846	-	-
Debt service fund……	154,616	124,556	-	-
Nonspendable……	-	-	-	5,674
Restricted for capital improvement program……	-	-	182,884	88,762
Restricted for debt service……	-	-	271,643	332,517
Assigned for debt service……	-	-	231,413	254,967
Unassigned (deficit)……	-	-	-	-
Total all other governmental funds……	$ 527,626	$ 763,135	$ 685,940	$ 681,920

NOTE:

1) Since fiscal year 2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

2013	2014	2015	2016	2017	2018
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
1,720	429	429	429	429	429
63,434	61,022	64,155	64,854	51,858	52,333
64,985	19,838	41,373	35,116	27,344	-
-	-	-	-	-	9,287
-	-	-	-	-	-
562,682	267,652	79,225	-	-	-
105,664	87,067	73,101	-	-	18,044
150,658	-	102,002	(227,031)	(354,861)	243,671
$ 949,143	$ 436,008	$ 360,285	$ (126,632)	$ (275,230)	$ 323,764
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,388	-	-	-	2,356	-
169,368	-	-	107,248	792,586	895,111
466,966	491,552	545,383	535,116	660,501	785,176
269,167	193,877	57,057	-	-	341
-	(91,953)	(131,111)	(65,809)	(85,691)	-
$ 909,889	$ 593,476	$ 471,329	$ 576,555	$ 1,369,752	$ 1,680,628

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)

	2009	2010	2011	2012
Revenues:				
Property taxes……	$ 1,896,540	$ 2,047,163	$ 1,936,655	$ 2,352,136
Replacement taxes……	188,503	152,497	197,762	181,927
State aid……	1,511,886	1,552,076	1,949,781	1,965,901
Federal aid……	1,125,580	1,180,148	1,144,884	935,951
Interest and investment earnings……	43,693	12,483	13,399	20,760
Other……	253,376	359,661	417,516	303,744
Total revenues……	$ 5,019,578	$ 5,304,028	$ 5,659,997	$ 5,760,419
Expenditures:				
Current:				
Instruction……	$ 2,773,440	$ 2,898,855	$ 2,955,772	$ 2,992,481
Pupil support services……	390,399	416,502	508,803	469,366
General support services……	1,057,672	1,010,637	1,023,004	967,692
Food services……	194,603	196,828	201,325	213,115
Community services……	56,003	50,331	45,848	39,794
Teachers' pension and retirement benefits……	237,011	294,424	149,377	183,499
Other……	8,504	11,928	8,845	8,115
Capital outlay……	672,412	705,691	580,363	591,148
Debt service:				
Principal……	81,351	141,977	70,848	88,466
Interest……	212,934	236,261	249,975	275,707
Other charges……	7,921	8,359	11,274	10,321
Total expenditures……	$ 5,692,250	$ 5,971,793	$ 5,805,434	$ 5,839,704
Revenues in excess of (less than) expenditures……	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)
Other financing sources (uses):				
Gross amounts from debt issuances……	$ 225,675	$ 1,083,260	$ 638,790	$ 592,510
Premiums on bonds issued……	-	6,459	14,700	1,229
Insurance proceeds……	1,155	-	-	-
Sales of general capital assets……	91	-	-	-
Payment to refunded bond escrow agent……	(226,408)	(288,704)	(269,483)	(190,100)
Transfers in……	20,389	-	-	-
Transfers out……	(20,389)	-	-	-
Discounts on bonds issued……	-	-	-	-
Total other financing sources (uses)……	$ 513	$ 801,015	$ 384,007	$ 403,639
Net changes in fund balances……	$ (672,159)	$ 133,250	$ 238,570	$ 324,354
Debt service as a percentage of noncapital expenditures ……	5.71%	7.07%	6.09%	6.89%

NOTES:

1) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

2013	2014	2015	2016	2017	2018
$2,211,568	$2,204,252	$ 2,304,656	$2,408,416	$2,714,956	$2,897,870
185,884	188,041	202,148	161,535	227,920	168,254
1,815,798	1,840,805	1,847,069	1,552,325	1,708,865	2,196,956
845,796	907,241	798,931	808,999	783,943	767,928
7,303	15,596	(92,825)	(95,650)	5,442	19,022
322,128	286,472	377,286	437,042	387,045	461,692
$5,388,477	$5,442,407	$ 5,437,265	$5,272,667	$5,828,171	$6,511,722
$3,034,509	$3,126,689	$ 3,253,484	$2,970,553	$2,859,105	$3,108,443
454,240	457,939	459,672	448,254	441,324	453,389
941,270	987,048	972,526	1,044,740	948,943	888,314
215,739	193,642	197,084	201,377	199,944	207,042
39,656	37,460	38,003	37,497	39,607	40,047
227,766	593,225	676,078	664,123	708,941	762,816
7,043	6,134	6,319	7,388	12,691	10,016
519,604	534,980	391,953	308,091	217,303	352,028
73,423	148,272	214,707	139,096	152,638	144,717
304,788	315,927	310,923	310,778	375,679	443,886
12,198	3,705	7,863	31,545	77,377	62,802
$5,830,236	$6,405,021	$ 6,528,612	$6,163,442	$6,033,552	$6,473,500
$ (441,759)	$ (962,614)	$(1,091,347)	$ (890,775)	$ (205,380)	$ 38,222
$ 982,720	$ 131,600	$ 561,880	$ 724,999	$ 879,580	$2,152,150
47,271	-	-	-	-	65,353
-	-	-	-	224	-
723	7,301	37,504	15,012	6,272	9,442
(480,597)	-	(386,710)	(120,856)	-	(1,321,865)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(12,502)	(110,071)	(36,097)	(33,432)
$ 550,117	$ 138,901	$ 200,172	$ 509,084	$ 849,979	$ 871,648
$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	$ 644,599	$ 909,870
7.02%	7.64%	8.47%	7.68%	9.09%	9.61%

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)

	2009		2010		2011	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$ 1,896,540	37.8%	$ 2,047,163	38.6%	$ 1,936,655	34.2%
Replacement taxes	188,503	3.8%	152,497	2.9%	197,762	3.5%
State aid	1,511,886	30.1%	1,552,076	29.3%	1,949,781	34.5%
Federal aid	1,125,580	22.4%	1,180,148	22.3%	1,144,884	20.2%
Interest and investment earnings	43,693	0.9%	12,483	0.2%	13,399	0.2%
Other	253,376	5.0%	359,661	6.7%	417,516	7.4%
Total revenues	$ 5,019,578	100.0%	$ 5,304,028	100.0%	$ 5,659,997	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%

2012		2013		2014 (as restated)	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$2,352,136	40.8%	$2,211,568	41.1%	$2,204,252	40.5%
181,927	3.2%	185,884	3.4%	188,041	3.5%
1,965,901	34.1%	1,815,798	33.7%	1,840,805	33.9%
935,951	16.2%	845,796	15.7%	907,241	16.7%
20,760	0.4%	7,303	0.1%	15,596	0.3%
303,744	5.3%	322,128	6.0%	286,472	5.3%
$5,760,419	100.0%	$5,388,477	100.0%	$5,442,407	100.0%

2018	
Amount	Percent of Total
$2,897,870	44.5%
168,254	2.6%
2,196,956	33.7%
767,928	11.8%
19,022	0.3%
461,692	7.1%
$6,511,722	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)

	2009		2010		2011	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$ 2,773,440	48.7%	$ 2,898,855	48.5%	$ 2,955,772	50.9%
Pupil support services	390,399	6.9%	416,502	7.0%	508,803	8.8%
General support services	1,057,672	18.6%	1,010,637	17.0%	1,023,004	17.6%
Food services	194,603	3.4%	196,828	3.3%	201,325	3.5%
Community services	56,003	1.0%	50,331	0.8%	45,848	0.8%
Teachers' pension and retirement benefits	237,011	4.2%	294,424	4.9%	149,377	2.6%
Other	8,504	0.1%	11,928	0.2%	8,845	0.1%
Capital outlay	672,412	11.8%	705,691	11.8%	580,363	10.0%
Debt service	302,206	5.3%	386,597	6.5%	332,097	5.7%
Total expenditures	$ 5,692,250	100.0%	$ 5,971,793	100.0%	$ 5,805,434	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%

2012		2013		2014	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$ 2,992,481	51.3%	$ 3,034,509	52.0%	$ 3,126,689	48.8%
469,366	8.0%	454,240	7.9%	457,939	7.1%
967,692	16.6%	941,270	16.1%	987,048	15.4%
213,115	3.7%	215,739	3.7%	193,642	3.0%
39,794	0.7%	39,656	0.7%	37,460	0.6%
183,499	3.1%	227,766	3.9%	593,225	9.3%
8,115	0.1%	7,043	0.1%	6,134	0.1%
591,148	10.1%	519,604	8.9%	534,980	8.4%
374,494	6.4%	390,409	6.7%	467,904	7.3%
$ 5,839,704	100.0%	$ 5,830,236	100.0%	$ 6,405,021	100.0%

2018	
Amount	Percent of Total
$ 3,108,443	48.0%
453,389	7.0%
888,314	13.7%
207,042	3.2%
40,047	0.6%
762,816	11.8%
10,016	0.2%
352,028	5.4%
651,405	10.1%
$ 6,473,500	100.0%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES
For the Fiscal Year Ended June 30, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)

	Fiscal Year 2018	Fiscal Year 2017	2018 Over (Under) 2017
Revenues:			
Local taxes:			
Property taxes	$ 2,794,613	$ 2,613,889	$ 180,724
Replacement taxes	109,997	169,637	(59,640)
Total revenue from local taxes	$ 2,904,610	$ 2,783,526	$ 121,084
Local nontax revenue:			
Interest and investment earnings	$ 6,099	$ 1,964	$ 4,135
Lunchroom operations	-	1,309	(1,309)
Other	332,323	263,790	68,532
Total revenue from nontax revenue	$ 338,422	$ 267,063	$ 71,358
Total local revenue	$ 3,243,032	$ 3,050,589	$ 192,442
State grants and subsidies:			
Evidence based funding (1)	$ 1,254,533	$ 667,729	$ 586,804
Block grants	122,607	449,417	(326,810)
Other	482,422	170,556	311,886
Total state grants & subsidies	$ 1,859,582	$ 1,287,702	$ 571,880
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 261,500	$ 277,045	$ (15,545)
American Recovery and Reinvestment Act (ARRA)	8,899	25,228	(16,329)
School lunch program	196,495	184,767	11,728
Individuals with Disabilities Education Act (IDEA)	92,655	93,096	(441)
Other	163,883	172,159	(8,276)
..Total federal grants and subsidies	$ 723,432	$ 752,295	$ (28,863)
Total revenues	$ 5,826,046	$ 5,090,586	$ 735,459

NOTE:

1) Evidence based funding replaced General state aid in Fiscal Year 2018.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)

	Fiscal Year 2018	Fiscal Year 2017	2018 Over (Under) 2017
Expenditures:			
Instruction:			
Salaries	$ 1,752,944	$ 1,723,648	$ 29,296
Commodities	60,504	55,560	4,944
Services	844,773	649,122	195,651
Equipment - educational	22,849	21,194	1,655
Building and sites	2,037	2,015	22
Fixed charges	425,336	407,566	17,770
Total instruction	$ 3,108,443	$ 2,859,105	$ 249,338
Pupil support services:			
Salaries	$ 234,168	$ 230,784	$ 3,384
Commodities	5,905	4,917	988
Services	139,801	136,212	3,589
Equipment - educational	684	528	156
Building and sites	227	199	28
Fixed charges	72,604	68,684	3,920
Total pupil support services	$ 453,389	$ 441,324	$ 12,065
Administrative support services:			
Salaries	$ 69,868	$ 62,711	$ 7,157
Commodities	13,065	10,388	2,677
Services	55,500	182,295	(126,795)
Equipment - educational	635	656	(21)
Building and sites	544	827	(283)
Fixed charges	21,912	24,506	(2,594)
Total administrative support services	$ 161,524	$ 281,383	$ (119,859)

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, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Fiscal Year 2018	Fiscal Year 2017	2018 Over (Under) 2017
Facilities support services:			
Salaries	$ 57,001	$ 71,830	$ (14,829)
Commodities	64,030	73,574	(9,544)
Services	212,289	178,871	33,418
Equipment - educational	989	660	329
Building and sites	7,818	12,948	(5,130)
Fixed charges	37,973	38,493	(520)
Total facilities support services	$ 380,100	$ 376,376	$ 3,724
Instructional support services:			
Salaries	$ 242,005	$ 232,001	$ 10,004
Commodities	9,963	8,121	1,842
Services	28,659	28,281	378
Equipment - educational	6,505	3,645	2,860
Building and sites	2,466	2,247	219
Fixed charges	57,092	52,889	4,203
Total instructional support services	$ 346,690	$ 327,184	$ 19,506
Food services:			
Salaries	$ 66,908	$ 62,408	$ 4,500
Commodities	93,868	94,415	(547)
Services	6,076	4,798	1,278
Equipment - educational	2,932	4,036	(1,104)
Fixed charges	37,258	34,287	2,971
Total food services	$ 207,042	$ 199,944	$ 7,098

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)

	Fiscal Year 2018	Fiscal Year 2017	2018 Over (Under) 2017
Community services:			
Salaries	$ 10,855	$ 10,819	$ 36
Commodities	1,431	1,537	(106)
Services	24,468	23,385	1,083
Equipment - educational	194	113	81
Building and sites	12	509	(497)
Fixed charges	3,087	3,244	(157)
Total community services	$ 40,047	$ 39,607	$ 440
Teacher's Pension:			
Teachers Pension and retirement benefits	$ 762,816	$ 708,941	$ 53,875
Total teachers' pension and retirement benefits	$ 762,816	$ 708,941	$ 53,875
Capital outlay:			
Salaries	$ 2,756	$ 2,570	$ 186
Commodities	3,831	2,972	859
Services	3,669	5,525	(1,856)
Equipment - educational	426	136	290
Building and sites	1,403	592	811
Fixed charges	754	673	81
Total capital outlay	$ 12,839	$ 12,468	$ 371
Debt service:			
Fixed charges	$ 30,974	$ 38,735	$ (7,761)
Total debt service	$ 30,974	$ 38,735	$ (7,761)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2018
With Comparative Amounts for the Fiscal Year Ended June 30, 2017
(Modified Accrual Basis of Accounting)

	Fiscal Year 2018	Fiscal Year 2017	2018 Over (Under) 2017
Other:			
Salaries	$ 256	$ 205	$ 51
Commodities	12	7	5
Services	4,803	2,633	2,170
Fixed charges	4,945	9,846	(4,901)
Total other	$ 10,016	$ 12,691	$ (2,675)
Total expenditures	$ 5,513,880	$ 5,297,758	$ 216,123

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OTHER FINANCING SOURCES AND (USES)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011
General operating fund:			
Insurance proceeds	$ -	$ -	$ -
Transfers in/(out)	20,389	17,851	109,830
Total general operating fund	$ 20,389	$ 17,851	$ 109,830
All other governmental funds:			
Gross amounts from debt issuances	$ 225,675	$ 1,083,260	$ 638,790
Premiums on bonds issued	-	6,459	14,700
Insurance proceeds	1,155	-	-
Sales of general capital assets	91	-	-
Payment to refunded bond escrow agent	(226,408)	(288,704)	(269,483)
Transfers in/(out)	(20,389)	(17,851)	(109,830)
Discounts on bonds issued	-	-	-
Total all other governmental funds	$ (19,876)	$ 783,164	$ 274,177

2012	2013	2014	2015	2016	2017	2018
$ -	$ -	$ -	$ -	$ -	$ 224	$ -
62	439	161	(12,915)	50,162	58,350	286,828
$ 62	$ 439	$ 161	$ (12,915)	$ 50,162	$ 58,574	$ 286,828
$ 592,510	$ 982,720	$ 131,600	$ 561,880	$ 724,999	$ 879,580	$ 2,152,150
1,229	47,271	-	-	-	-	65,353
-	-	-	-	-	-	-
-	723	7,301	37,504	15,012	6,272	9,442
(190,100)	(480,597)	-	(386,710)	(120,856)	-	(1,321,865)
(62)	(439)	(161)	12,915	(50,162)	(58,350)	(286,828)
-	-	-	(12,502)	(110,071)	(36,097)	(33,432)
$ 403,577	$ 549,678	$ 138,740	$ 213,087	$ 458,922	$ 791,405	$ 584,820

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RATIO OF E T SER ICE TO NON
CAPITAL E PEN ITURES
L T F Y
(Thousands of dollars)

Fiscal Year	Debt Service	Non-Capital	Ratio
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
2018	651,405	6,121,472	0.11 : 1

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Rate per $100 of equalized assessed valuation)

School Direct Rates	2009 (A)	2010
Education	$ 2.426	$ 2.204
Worker's and Unemployment Compensation/Tort Immunity	0.031	0.148
Public Building Commission	0.015	0.014
Capital Improvement	-	-
Teacher Pension	-	-
Bonds & Interest (B)	-	-
Total direct rate	$ 2.472	$ 2.366
City of Chicago	$ 1.147	$ 1.098
Chicago City Colleges	0.156	0.150
Chicago Park District	0.323	0.309
Metropolitan Water Reclamation District	0.252	0.261
Cook County	0.415	0.394
Cook County Forest Preserve	0.051	0.049
Total for all governments	$ 4.816	$ 4.627

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.

B) Beginning in fiscal year 2018, CPS issued a Bond Resolution Series Levy.

2011	2012	2013	2014	2015	2016	2017	2018
$ 2.449	$ 2.671	$ 3.309	$ 3.519	$ 3.409	$ 3.205	$ 3.115	$ 3.161
0.067	0.133	0.031	0.067	0.169	0.111	0.107	0.039
0.065	0.071	0.082	0.085	0.082	0.075	0.072	0.069
-	-	-	-	-	0.064	0.065	0.011
-	-	-	-	-	-	0.367	0.551
-	-	-	-	-	-	-	0.059
$ 2.581	$ 2.875	$ 3.422	$ 3.671	$ 3.660	$ 3.455	$ 3.726	$ 3.890
$ 1.132	$ 1.229	$ 1.425	$ 1.496	$ 1.473	$ 1.806	$ 1.880	$ 1.894
0.151	0.165	0.190	0.199	0.193	0.177	0.169	0.164
0.319	0.346	0.395	0.420	0.415	0.382	0.368	0.358
0.274	0.320	0.370	0.417	0.430	0.426	0.406	0.402
0.423	0.462	0.531	0.560	0.568	0.552	0.533	0.496
0.051	0.058	0.063	0.069	0.069	0.069	0.063	0.062
$ 4.931	$ 5.455	$ 6.396	$ 6.832	$ 6.808	$ 6.867	$ 7.145	$ 7.266

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)		Collections	Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	in Subsequent Years	Amount	Percentage of Extension
2008	2009	2,001,751	916,129	45.77%	1,022,926	1,939,055	96.87%
2009	2010	2,001,252	1,024,263	51.18%	894,307	1,918,570	95.87%
2010	2011	2,118,541	1,021,564	48.22%	1,021,568	2,043,132	96.44%
2011	2012	2,159,586	1,083,667	50.18%	1,028,680	2,112,347	97.81%
2012	2013	2,232,684	1,090,274	48.83%	1,050,497	2,140,771	95.88%
2013	2014	2,289,250	1,134,859	49.57%	1,097,563	2,232,422	97.52%
2014	2015	2,375,822	1,177,370	49.56%	1,148,914	2,326,284	97.91%
2015	2016	2,451,566	1,230,423	50.19%	1,147,858	2,378,281	97.01%
2016	2017	2,757,651	1,242,377	45.05%	1,183,604	2,425,981	87.97%
2017	2018	2,988,432	1,453,350	48.63%	-	-	

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		Assessed Values (A)				
Levy	Fiscal Year	Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	Total
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570
2015	2016	17,319,503	1,589,995	11,240,864	541,183	30,691,545
2016	2017	17,219,809	1,863,312	11,316,868	562,402	30,962,391
2017	2018	17,196,902	1,905,033	11,370,329	497,856	30,970,120

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.

State Equalization Factor (F)	Total Equalized Assessed Value (G)	Total Direct Tax Rate (H)	Total Estimated Fair Cash Value (I)	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value (%)
2.9786	80,977,543	2.472	310,888,609	26.05%
3.3701	84,586,808	2.366	280,288,730	30.18%
3.3000	82,087,170	2.581	231,986,396	35.38%
2.9706	75,122,914	2.875	222,856,064	33.71%
2.8056	65,250,387	3.422	206,915,723	31.53%
2.6621	62,363,876	3.671	236,695,475	26.35%
2.7253	64,908,057	3.660	255,639,792	25.39%
2.6685	70,963,289	3.455	278,076,449	25.52%
2.8032	74,016,506	3.726	293,121,793	25.25%
2.9627	76,765,303	3.890	N/A	N/A

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION
Last Ten Fiscal Years
(Thousands of dollars)

	2017			2016		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 429,591	1	0.56%	$ 406,464	1	0.55%
HCSC Blue Cross	264,940	2	0.35%	250,676	3	0.34%
AON Building	263,985	3	0.34%	252,408	2	0.34%
Prudential Plaza	248,867	4	0.32%	212,135	5	0.29%
Water Tower Place	239,238	5	0.31%	226,358	4	0.31%
300 Lasalle LLC	217,715	6	0.28%	205,994	6	0.28%
Franklin Center	215,948	7	0.28%	204,322	7	0.28%
Chase Tower	214,683	8	0.28%	203,126	8	0.27%
Three First National Plaza	202,646	9	0.26%	191,736	10	0.26%
Citadel Center	184,853	10	0.24%	196,745	9	0.27%
Northwestern Memorial Hospital	-	-	-	-	-	-
131 S. Dearborn	-	-	-	-	-	-
One North Wacker	-	-	-	-	-	-
Citigroup Center	-	-	-	-	-	-
Leo Burnett Building	-	-	-	-	-	-
	$2,482,466		3.22%	$2,349,964		3.19%

	2012			2011		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 386,266	1	0.59%	$ 445,590	1	0.59%
HCSC Blue Cross	205,275	4	0.31%	206,343	6	0.27%
AON Building	255,347	2	0.39%	302,124	2	0.40%
Prudential Plaza	234,964	3	0.36%	272,345	3	0.36%
Water Tower Place	201,246	5	0.31%	207,942	5	0.28%
300 Lasalle LLC	179,804	10	0.28%	190,005	10	0.25%
Franklin Center	192,985	7	0.30%	197,944	8	0.26%
Chase Tower	200,708	6	0.31%	204,229	7	0.27%
Three First National Plaza	187,449	8	0.29%	197,183	9	0.26%
Citadel Center	184,596	9	0.28%	-	-	-
Northwestern Memorial Hospital	-	-	-	243,609	4	0.32%
131 S. Dearborn	-	-	-	-	-	-
One North Wacker	-	-	-	-	-	-
Citigroup Center	-	-	-	-	-	-
Leo Burnett Building	-	-	-	-	-	-
	$2,228,640		3.42%	$2,467,314		3.26%

Source: Cook County Treasurer's Office and Cook County Assessor's Office

2015			2014			2013		
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
$ 386,932	1	0.55%	$ 364,455	1	0.56%	370,197	1	0.59%
238,631	3	0.34%		3	0.32%	$	3	0.32%
239,092	2	0.34%	206,782	2	0.37%	201,987	2	0.40%
186,795	9	0.26%	241,081	7	0.28%	248,906	4	0.31%
215,481	4	0.30%	184,101	4	0.30%	193,495	5	0.31%
196,095	5	0.28%	195,486	8	0.28%	190,953	10	0.26%
194,504	6	0.27%	183,764	6	0.29%	159,537	7	0.29%
193,365	7	0.27%	187,461	5	0.30%	183,114	6	0.31%
182,523	10	0.26%	194,963	9	0.28%	190,442	8	0.29%
187,291	8	0.26%	182,084	10	0.28%	177,862	9	0.28%
-	-	-	181,210-	-	-	177,008	-	-
-	-	-	-	-		- -	-	
-	-	-	-	-	-	-	-	-
-	-		-	-	-	-	-	-
-	-	- -	-	-	-	-	-	-
$2,220,709		3.13%	$2,121,387		- 3.26%	$2,093,501		3.36%

2010			2009			2008		
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
$ 495,000	1	0.60%	$ 505,515	1	0.60%	$ 540,074	1	0.67%
-	-	-	-	-	-	-	-	-
335,454	2	0.41%	375,441	2	0.44%	392,192	2	0.48%
305,026	3	0.37%	318,635	3	0.38%	307,510	3	0.38%
231,000	4	0.28%	235,907	5	0.28%	242,014	6	0.30%
-	-	-	-	-	-	-	-	-
209,723	8	0.26%	256,590	4	0.30%	294,569	4	0.36%
226,875	5	0.28%	231,694	6	0.27%	262,114	5	0.32%
226,222	6	0.28%	231,028	7	0.27%	215,666	10	0.27%
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
210,502	7	0.26%	212,725	8	0.25%	218,722	9	0.27%
207,127	9	0.25%	211,526	9	0.25%	-	-	-
191,070	10	0.23%	-	-	-	226,458	7	0.28%
-	-	-	208,973	10	0.25%	221,846	8	0.27%
$2,637,999		3.22%	$2,788,034		3.29%	$2,921,165		3.60%

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)
2009 (A)	$ 205,330,651	$ 987,176,180	$ 69,521,623	$ 1,262,028,454	14.00%
2010 (A)	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011 (A)	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012 (A)	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013 (A)	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014 (A)	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (A)(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%
2018	159,473,143	1,186,564,831	(102,900,432)	1,243,137,542	14.00%

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.

Board Replacement Tax Data (B)

Board	Revenues (D)	Revenues
$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
174,089,033	174,089,033	168,253,658

Monthly Summary of the Total Allocations to the Board of Education

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	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	194,444,380
2018	19,792,771	17,558,226	36,093,602	36,791,094	28,668,109	2,897,394	25,943,635	6,344,203 (G)	174,089,034

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS

For the Fiscal Year Ended June 30, 2018

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2017 EAV $	% Change in EAV (for 2017)
Addison South	5/9/2007	2031	$ 70,940,232	$ 128,480,584	81.1%
Archer Courts	5/12/1999	2023	85,326	6,420,724	7424.9%
Archer/Central	5/17/2000	2024	37,646,911	42,827,423	13.8%
Archer/Western	2/11/2009	2033	117,506,250	113,188,424	-3.7%
Armitage/Pulaski	6/13/2007	2031	17,643,508	20,115,276	14.0%
Austin/Commercial	9/27/2007	2031	72,287,864	87,294,181	20.8%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	28,660,328	29.2%
Avondale	7/29/2009	2033	40,426,760	37,584,915	-7.0%
Belmont/Central	1/12/2000	2024	137,304,682	206,155,930	50.1%
Belmont/Cicero	1/12/2000	2024	33,673,880	49,491,330	47.0%
Bronzeville	11/4/1998	2022	46,166,304	102,539,521	122.1%
Bryn Mawr/Broadway	12/11/1996	2019	17,829,852	48,695,165	173.1%
California/Foster	4/2/2014	2038	15,399,717	19,726,830	28.1%
Calumet/Cermak	7/29/1998	2021	3,219,685	182,619,864	5572.0%
Canal/Congress	11/12/1998	2022	36,872,487	456,520,596	1138.1%
Central West	2/16/2000	2024	85,481,254	404,742,146	373.5%
Chicago/Central Park	2/27/2002	2026	84,789,947	182,984,103	115.8%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	429,332,404	1014.5%
Cicero/Archer	5/17/2000	2024	19,629,324	30,275,039	54.2%
Clark/Montrose	7/7/1999	2022	23,433,096	72,706,213	210.3%
Clark/Ridge	9/29/1999	2022	39,619,368	72,578,661	83.2%
Commercial Ave	11/13/2002	2026	40,748,652	59,085,196	45.0%
Devon/Sheridan	3/31/2004	2028	45,541,834	54,246,478	19.1%
Devon/Western	11/3/1999	2023	71,430,503	108,295,053	51.6%
Diversey/Narragansett	2/5/2003	2027	34,746,231	68,320,135	96.6%
Division/Homan	6/27/2001	2025	24,683,716	43,588,676	76.6%
Drexel Blvd	7/10/2002	2026	127,408	5,709,669	4381.4%
Edgewater/Ashland	10/1/2003	2027	1,875,282	13,049,440	595.9%
Elston/Armstrong	7/19/2007	2031	45,742,226	53,051,531	16.0%
Englewood Mall	11/29/1989	2025	3,868,736	14,509,751	275.1%
Englewood Neighborhood	6/27/2001	2025	56,079,946	144,203,566	157.1%
Ewing Avenue	3/10/2010	2034	52,994,264	48,510,145	-8.5%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	213,240,231	150.4%
Galewood/Armitage Industrial	7/7/1999	2023	48,056,697	111,181,163	131.4%
Goose Island	7/10/1996	2019	13,676,187	91,438,561	568.6%
Greater Southwest (West)	4/12/2000	2024	115,603,413	90,410,414	-21.8%
Harlem Industrial Park	3/14/2007	2031	45,981,764	40,032,591	-12.9%
Harrison/Central	7/26/2006	2030	43,430,700	47,116,466	8.5%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	144,146,689	-9.2%
Homan/Arthington	2/5/1998	2021	2,658,362	13,948,625	424.7%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	87,578,493	172.3%
Irving Park/Cicero	6/10/1996	2020	8,150,631	19,413,463	138.2%
Irving Park/Elston	5/13/2009	2033	44,853,282	39,743,597	-11.4%
Jefferson Park	9/9/1998	2021	23,970,085	41,351,163	72.5%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2018

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2017 EAV $	% Change in EAV (for 2017)
Jefferson/Roosevelt	8/30/2000	2024	$ 52,292,656	$ 156,894,059	200.0%
Kennedy/Kimball	3/12/2008	2032	72,841,679	76,434,868	4.9%
Kinzie Conservation	6/10/1998	2022	144,961,719	667,843,403	360.7%
Lake Calumet	12/13/2000	2024	175,893,913	201,700,897	14.7%
Lakefront	3/27/2002	2026	-	5,487,541	-
LaSalle/Central	11/15/2006	2030	4,192,597,468	4,615,912,374	10.1%
Lawrence/Broadway	6/27/2001	2025	38,499,977	98,014,948	154.6%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	211,072,720	91.2%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	65,472,474	49.8%
Lincoln Avenue	11/3/1999	2023	63,741,191	104,902,169	64.6%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	21,881,037	790.4%
Little Village East	4/22/2009	2033	44,751,945	36,865,813	-17.6%
Little Village Ind	6/13/2007	2031	88,054,895	82,713,722	-6.1%
Madden/Wells	11/6/2002	2026	1,333,582	21,758,751	1531.6%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	77,365,945	58.7%
Michigan Ave/Cermak	9/13/1989	2025	5,858,634	30,879,994	427.1%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	102,834,661	111.4%
Midwest	5/17/2000	2036	216,733,898	479,923,827	121.4%
Montclare	8/30/2000	2024	792,770	5,478,944	591.1%
Montrose/Clarendon	6/30/2010	2034	-	3,640,433	-
Near North	7/30/1997	2020	41,373,938	494,739,409	1095.8%
North Ave./Cicero	7/30/1997	2020	5,658,542	28,696,745	407.1%
North Branch/North	7/2/1997	2021	29,574,537	111,123,089	275.7%
North Branch/South	2/5/1998	2021	44,361,677	195,643,528	341.0%
North Pullman	6/30/2009	2033	44,582,869	60,991,452	36.8%
NW Industrial Corridor	12/2/1998	2022	146,115,991	251,320,308	72.0%
Ogden/Pulaski	4/9/2008	2032	221,709,034	213,510,159	-3.7%
Ohio/Wabash	6/7/2000	2024	1,278,143	28,639,310	2140.7%
Pershing/King	9/5/2007	2031	12,948,117	12,642,331	-2.4%
Peterson/Cicero	2/16/2000	2024	1,116,653	8,094,736	624.9%
Peterson/Pulaski	2/16/2000	2024	40,112,395	58,575,102	46.0%
Pilsen Area	6/10/1998	2022	111,394,217	329,057,632	195.4%
Portage Park	9/9/1998	2021	65,084,552	101,391,006	55.8%
Pratt/Ridge	6/23/2004	2028	16,414,897	22,529,980	37.3%
Pulaski Corridor	6/9/1999	2023	82,778,075	140,533,747	69.8%
Randolph/Wells	6/9/2010	2034	72,140,805	76,785,076	6.4%
Ravenswood Corridor	3/9/2005	2029	44,169,275	62,995,083	42.6%
Read/Dunning	1/11/1991	2027	6,382,072	47,103,597	638.1%
River South	7/30/1997	2020	65,930,580	475,819,263	621.7%
River West	1/10/2001	2025	50,463,240	346,514,416	586.7%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	91,917,320	103.4%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	36,894,014	427.6%
Roosevelt/Union	5/12/1999	2022	4,369,258	90,879,255	1980.0%
Roseland/Michigan	1/16/2002	2026	29,627,768	37,650,965	27.1%
Sanitary Draig & Ship	7/24/1991	2027	10,722,329	19,291,864	79.9%
South Chicago	4/12/2000	2024	14,775,992	35,758,389	142.0%
South Works	11/3/1999	2023	3,823,633	1,312,018	-65.7%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	235,712,116	9.0%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)
For the Fiscal Year Ended June 30, 2018

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2017 EAV $	% Change in EAV (for 2017)
Stockyards Annex.....................	12/11/1996	2020	$ 38,650,631	$ 62,209,203	61.0%
Stockyards-Southeast Quad........	2/26/1992	2016	27,527,305	49,171,956	78.6%
Stony Island Com/Burnside..........	6/10/1998	2034	46,058,038	92,006,345	99.8%
Southwest Ind. Corridor..............	3/10/1999	2023	17,662,923	34,126,102	93.2%
Touhy/Western...........................	9/13/2006	2030	55,187,828	52,466,303	-4.9%
Washington Park.........................	10/8/2014	2038	72,073,855	84,690,481	17.5%
Weed/Fremont............................	1/8/2008	2032	6,430,360	18,202,210	183.1%
West Irving Park.........................	1/12/2000	2024	36,446,831	53,555,716	46.9%
West Woodlawn...........................	5/12/2010	2034	127,750,505	98,447,801	-22.9%
Western Ave. South.....................	1/12/2000	2024	69,504,372	188,690,671	171.5%
Western Ave. North.....................	1/12/2000	2024	71,260,546	181,682,023	155.0%
Western/Ogden...........................	2/5/1998	2021	41,536,306	181,083,797	336.0%
Western/Rock Island....................	2/8/2006	2030	102,358,411	117,189,440	14.5%
Wilson Yard................................	6/27/2001	2025	56,194,225	175,926,151	213.1%
Woodlawn..................................	1/20/1999	2022	28,865,833	78,155,850	170.8%
105th/Vincennes.........................	10/3/2001	2025	108,828,811	123,823,645	13.8%
107th/Halsted............................	4/2/2014	2038	122,435,316	131,545,860	7.4%
111th/Kedzie.............................	9/29/1999	2022	14,456,141	25,584,389	77.0%
119th/Halsted............................	2/6/2002	2026	63,231,728	80,560,725	27.4%
119th/I-57.................................	11/6/2002	2026	100,669,561	157,940,925	56.9%
24th/Michigan............................	7/21/1999	2022	15,874,286	58,690,654	269.7%
26th/King Drive..........................	1/11/2006	2030	-	11,834,890	-
35th/Halsted.............................	1/14/1997	2021	81,212,182	191,309,367	135.6%
35th/State................................	1/14/2004	2028	3,978,955	45,545,994	1044.7%
35th/Wallace.............................	12/15/1999	2023	9,047,402	24,990,837	176.2%
41st/King Drive..........................	7/13/1994	2018	129,892	3,112,690	2296.4%
43rd/Cottage Grove....................	7/8/1998	2022	13,728,931	60,166,879	338.2%
47th/Ashland.............................	3/27/2002	2026	53,606,185	88,730,144	65.5%
47th/Halsted.............................	5/29/2002	2026	39,164,012	94,173,110	140.5%
47th/King Drive..........................	3/27/2002	2026	61,269,066	173,103,231	182.5%
47th/State................................	7/21/2004	2028	19,279,360	43,351,944	124.9%
49th/St. Lawrence......................	1/10/1996	2020	683,377	7,269,682	963.8%
51st/Archer..............................	5/17/2000	2024	29,522,751	50,738,815	71.9%
51st/Lake Park..........................	11/15/2012	2036	2,320,971	18,915,151	715.0%
53rd St....................................	1/10/2001	2025	20,916,553	85,503,542	308.8%
60th/Western............................	5/9/1996	2019	2,464,026	4,405,422	78.8%
63rd/Ashland.............................	3/29/2006	2030	47,496,362	67,378,286	41.9%
63rd/Pulaski..............................	5/17/2000	2024	56,171,856	82,636,447	47.1%
67th/Cicero...............................	10/2/2002	2026	-	3,887,540	-
67th/Wentworth.........................	5/4/2011	2035	210,005,927	160,239,700	-23.7%
71st/Stony Island.......................	10/7/1998	2021	53,336,063	96,651,253	81.2%
73rd/University..........................	9/13/2006	2030	16,998,947	23,209,784	36.5%
79th Street Corridor...................	7/8/1998	2021	21,576,305	35,007,493	62.2%
79th/Cicero...............................	6/8/2005	2029	8,018,405	16,165,348	101.6%
79th/SW Highway.......................	10/3/2001	2025	36,347,823	58,669,063	61.4%
79th/Vincennes..........................	9/27/2007	2031	32,132,472	31,894,334	-0.7%
83rd/Stewart.............................	3/31/2004	2028	10,618,689	26,993,574	154.2%
87th/Cottage Grove....................	11/13/2002	2026	53,959,824	77,570,806	43.8%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)
For the Fiscal Year Ended June 30, 2018

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2017 EAV $	% Change in EAV (for 2017)
95th/Western...........................	7/13/1995	2019	$ 16,035,773	$ 30,128,514	87.9%
			$ 10,871,644,610	$ 18,617,645,330	

NOTES:

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 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 2017 EAV for the City of Chicago is $76,765,305,536 — 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)

		Agency Overall Equalized	Components of New Property by Tax Levy Year (B)						New property
Tax Year Levy	Fiscal Year	Assessed Value (A)	New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives	Total New Property (A)	percentage of overall EAV
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%
2017	2018	76,768,955	624,331	-	-	17,836	9,144	651,311	0.85%

NOTES:

A) *Source* : Cook County Clerk's Office - Agency Tax Rate Report, includes DuPage County Valuation.

B) *Source* : Cook County Clerk's Office - PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools
Capital Intergovernmental Agreements as of June 30, 2018

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	31,929,188	-	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	7,737,740	17,682,260	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**	**$ 459,602,965**	**$ 17,682,260**	
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 Nbhd

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, 2018 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Manierre Elementary	750,000	750,000	-	Near North
Mays Elementary	750,000	-		Englewood Nbhd
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 Nbhd
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 Nbhd
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 Corridor
Schurz High School	2,852,792	2,852,792	-	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**	**$ 14,438,363**	**$ -**	
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	18,123,790	-	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

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, 2018 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Coonley Middle School Addition…………	16,500,000	14,644,445	-	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 Nbhd
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
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	-	Belmont Central
Budlong ES Bathroom Improvements…..	2,200,000	2,141,830	3,000	Foster / California
Cather ES Space to Grow…………………	500,000	500,000	-	Kinzie Industrial
Earle ES Playground………………………	287,000	190,826	-	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	253,614	-	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	9,136,000	-	River South
New South Loop School Escrow Agreeme	48,333,000	15,900,000	-	River South
Schurz Athletic Field……………………….	2,700,000	Pending	-	Portage Park
Whitney Young Athletic Field………………	4,300,000	Pending	-	Central West
Morton - Space to Grow……………………	500,000	Pending	-	Kinzie Industrial
Wells HS UAF………………………………	1,700,000	1,700,000	-	Open Space
Perez Elementary School New Playgroun	800,000	698,894	-	Pilsen Redevelopment
Nettelhorst Playground Project……………	400,000	263,467	-	Open Space
Drake School Based Health Center…….	500,000	Pending	-	W 27th St/ S. Deaborn St
Other Capital IGA Subtotal	**$ 517,826,976**	**$ 471,149,306**	**$ 3,000**	
Grand Total	**$1,049,902,855**	**$ 945,190,634**	**$ 17,685,260**	

NOTES:

Based on intergovernmental agreements approved by City Council and executed by the City of Chicago and Chicago Public

*City of Chicago refunded bonds to cover future principal and interest payments, no additional amounts to be paid to CPS.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS

For the Fiscal Year Ended June 30, 2018

(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/11/1999
1998 B-1	Unlimited Tax G.O. Bonds	IGA	10/28/1998
1999A	Unlimited Tax G.O. Bonds	PPRT/IGA	2/25/1999
2002A	Unlimited Tax G.O. Bonds	City Note/IGA	9/24/2002
2003C	Qualified Zone Academy G.O. Bonds	State Aid	10/28/2003
2004A	Unlimited Tax G.O. Bonds	PPRT/State Aid	4/6/2004
2005A	Unlimited Tax G.O. Bonds	State Aid	6/27/2005
2005B	Unlimited Tax G.O. Bonds	PPRT	6/27/2005
2006A	Qualified Zone Academy G.O. Bonds	State Aid	6/7/2006
2006B	Unlimited Tax G.O. Bonds	State Aid	9/27/2006
2007B	Unlimited Tax G.O. Bonds	IGA	9/5/2007
2007C	Unlimited Tax G.O. Bonds	IGA	9/5/2007
2007D	Unlimited Tax G.O. Bonds	State Aid	12/13/2007
2008A	Unlimited Tax G.O. Bonds	PPRT/IGA	5/13/2008
2008B	Unlimited Tax G.O. Bonds	State Aid	5/13/2008
2008C	Unlimited Tax G.O. Bonds	State Aid	5/1/2008
2009D	Unlimited Tax G.O. Bonds	State Aid	7/30/2009
2009E	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	9/24/2009
2009G	Qualified School Construction G.O. Bonds	State Aid	12/17/2009
2010C	Qualified School Construction G.O. Bonds	State Aid and Federal Subsidy	11/2/2010
2010D	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	11/2/2010
2010F	Unlimited Tax G.O. Bonds	State Aid	11/2/2010
2010G	Unlimited Tax G.O. Bonds	State Aid	11/2/2010
2011A	Unlimited Tax G.O. Bonds	State Aid	11/1/2011
2011C-1	Unlimited Tax G.O. Bonds	State Aid	12/20/2011
2011C-2	Unlimited Tax G.O. Bonds	State Aid	12/20/2011
2012A	Unlimited Tax G.O. Bonds	State Aid	8/21/2012
2012B	Unlimited Tax G.O. Bonds	State Aid	12/21/2012
2013A-1	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
2013A-2	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
2013A-3	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
2015A	Unlimited Tax G.O. Bonds	State Aid	3/26/2015
2015C	Unlimited Tax G.O. Bonds	State Aid	4/29/2015
2015E	Unlimited Tax G.O. Bonds	State Aid	4/29/2015
2015G	Unlimited Tax G.O. Bonds	State Aid	3/26/2015
2016A	Unlimited Tax G.O. Bonds	State Aid	2/8/2016
2016B	Unlimited Tax G.O. Bonds	State Aid	7/29/2016
2016CIT	Capital Improvement Tax	CIT Levy	1/4/2017
2017CIT	Capital Improvement Tax	CIT Levy	11/30/2017
2017A	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017B	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017C	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017D	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017E	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017F	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017G	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2017H	Unlimited Tax G.O. Bonds	State Aid	11/30/2017
2018A	Unlimited Tax G.O. Bonds	State Aid	6/1/2018
2018B	Unlimited Tax G.O. Bonds	State Aid	6/1/2018
		Grand Total Direct Debt	

NOTES: A. Net of amounts set aside/ escrow ed to maturity for December 1, 2018 payments deposited by June 30, 2018
B. Excludes total accreted interest in the follow ing series:

Series	Accreted Interest
1998B-1	$ 407,223
1999A	260,572
Total	**$ 667,795**

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS
For the Fiscal Year Ended June 30, 2018
(Thousands of dollars)

Final Maturity	Interest Rate	Outstanding at June 30, 2017	Issue or (Redeemed)	Outstanding at June 30, 2018 (A) (B)
1/1/2020	6.00%-6.5%	$ 78,525	$ (24,725)	$ 53,800
12/1/2018	5.00%-5.25%	38,325	(18,605)	19,720
12/1/2031	4.55%-5.22%	240,144	(7,763)	232,381
12/1/2031	4.30%-5.3%	391,893	(30,694)	361,199
12/1/2022	3.00%-5.25%	24,885	(24,885)	-
10/27/2017	0.00%	4,585	(4,585)	-
12/1/2020	4.00%-5.00%	70,690	(21,090)	49,600
12/1/2031	5.00%-5.50%	167,280	(7,455)	159,825
12/1/2021	5.00%	22,735	(22,735)	-
6/1/2021	0.00%	6,853	-	6,853
12/1/2036	4.25%-5.00%	280,730	(258,725)	22,005
12/1/2024	5.00%	197,765	(181,730)	16,035
12/1/2021	4.00%-4.375%	3,740	(3,740)	-
12/1/2029	4.00%-5.00%	169,195	(169,195)	-
12/1/2030	Variable	262,785	-	262,785
12/1/2041	Variable	177,550	(8,125)	169,425
3/1/2032	4.25%-5.00%	464,655	(14,405)	450,250
12/1/2023	1.00%-5.00%	40,940	(19,030)	21,910
12/1/2039	4.682%-6.14%	518,210	(13,780)	504,430
12/15/2025	1.75%	254,240	-	254,240
11/1/2029	6.32%	257,125	-	257,125
3/1/2036	6.52%	125,000	-	125,000
12/1/2031	5.00%	161,300	(16,315)	144,985
3/1/2017	2.77%-4.18%	5,235	(5,235)	-
12/1/2041	5.00%-5.50%	402,410	-	402,410
3/1/2032	Variable	42,200	(42,200)	-
3/1/2032	Variable	41,500	(41,500)	-
12/1/2042	5.00%	468,915	-	468,915
12/1/2034	5.00%	109,825	-	109,825
3/1/2026	Variable	81,015	(81,015)	-
3/1/2035	Variable	124,320	(124,320)	-
3/1/2036	Variable	157,055	(157,055)	-
3/1/2032	Variable	84,000	(84,000)	-
12/1/2039	5.25%-6.00%	280,000	-	280,000
12/1/2039	5.13%	20,000	-	20,000
3/1/2032	Variable	83,500	(83,500)	-
12/1/2044	7.00%	725,000	-	725,000
12/1/2046	6.50%	150,000	-	150,000
4/1/2046	5.75%-6.10%	729,580	-	729,580
4/1/2046	5.00%		64,900	64,900
12/1/2046	7.00%		285,000	285,000
12/1/2042	6.75%-7.00%		215,000	215,000
12/1/2034	5.00%		351,485	351,485
12/1/2031	5.00%		79,325	79,325
12/1/2021	5.00%		22,180	22,180
12/1/2024	5.00%		165,510	165,510
12/1/2044	5.00%		126,500	126,500
12/1/2046	5.00%		280,000	280,000
12/1/2035	4.00%-5.00%		552,030	552,030
12/1/2022	4.00%-5.00%		10,220	10,220
		$ 7,463,705	**$ 685,743**	**$ 8,149,448**

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES
As of June 30, 2018
(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued		Lien Closed	Retired	Principal Outstanding June 30, 2018	(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)	-	904,123	593,580	(B)	2,297
1998 Alternate Bond Authorization	900,000	870,195	(C)	-	870,195	-	(C)	29,805
2001 Alternate Bond Authorization	500,000	500,000	(D)	-	500,000	-	(D)	-
2002 Alternate Bond Authorization	500,000	500,000	(E)	-	500,000	-	(E)	-
2004 Alternate Bond Authorization	965,000	965,000	(F)	-	939,512	25,488	(F)	-
2006 Alternate Bond Authorization	750,000	634,258	(G)	-	608,978	25,280	(G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990	(H)	-	258,860	1,641,130	(H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180	(I)	-	507,745	1,398,435	(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	1,160,000	(K)	-	-	1,160,000		-
2016 Alternate Bond Authorization	945,000	631,720	(L)	-	631,720	631,720		313,280
TOTAL	**$ 13,365,000**	**$ 12,169,871**		**$ 300,000**	**$ 6,916,133**	**$ 5,885,458**		**$ 895,129**

(1) Debt Reform Act Section 15 of the State of Illinois states that Alternate bonds may, upon meeting certain requirements of the Debt Reform Act, be issued to refund previously issued Alternate Bonds without utilizing additional authorization. CPS currently has oustanding eight series of refunding bonds which met these requirements: $205,410 Series 2004A, of which $49,600 is outstanding; $193,585 Series 2005A, of which $159,825 is outstanding; $197,765 Series 2007B, of which $16,035 is outstanding; $351,485 Series 2017C, of which all is outstanding; $79,325 Series 2017D, of which all is outstanding; $22,180 Series 2017E, of which all is outstanding; $165,510 Series 2017F, of which all is outstanding; $552,030 Series 2018A, of which all is outstanding. These series are not included in the authorization table above. Total principal amount issued including these series is $1,395,990. Principal outstanding on CPS Alternate Bonds only is $7,281,448.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)
As of June 30, 2018
(Thousands of dollars)

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	$ -

B. The total issued and outstanding debt for the 1997Authorization 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	232,381
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	361,199
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	$ 593,580

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	-
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	$ -

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	$ -

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)
As of June 30, 2018
(Thousands of dollars)

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	$ -
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	$ -

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	18,635
		$ 965,000	$ 25,488

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	3,370
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	162,785	-
Unlimited Tax GO Refunding Bonds, Series 2007C	9/5/2007	6,870	-
Unlimited Tax GO Bonds, Series 2007D	12/13/2007	238,720	-
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	21,910
		$ 634,258	$ 25,280

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	169,425
Unlimited Tax GO Refunding Bonds, Series 2008C	5/1/2008	464,655	450,250
Unlimited Tax GO Refunding Bonds, Series 2009A	3/18/2009	130,000	-
Unlimited Taxable GO Bonds, Series 2009E	9/24/2009	518,210	504,430
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	$ 1,641,130

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)
As of June 30, 2018
(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	144,985
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	-
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	-
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	$ 1,398,435

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 2	12/20/2013	150,000	-
Unlimited Tax GO Short-term Line of Credit, Series 2	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

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
Unlimited Tax GO Bonds, Series 2017A	7/11/2017	285,000	285,000
		$ 1,160,000	$ 1,160,000

L. The total issued and outstanding debt for the 2016 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2017B	11/30/2017	215,000	215,000
Unlimited Tax GO Bonds, Series 2016G	11/30/2017	126,500	126,500
Unlimited Tax GO Bonds, Series 2017H	11/30/2017	280,000	280,000
Unlimited Tax GO Bonds, Series 2018B	6/1/2018	10,220	10,220
		$ 631,720	$ 631,720

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OUTSTANDING DEBT PER CAPITA
Last Ten Fiscal Years
As of June 30, 2018
(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
2018	7,281,448	794,480	73,520	-	875	-	8,150,323	158,585

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.

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
$ 4,697,085	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	4.01%	19.89%	2,695,598	2,264.30	2,252.95
6,640,293	4.30%	21.45%	2,695,598	2,463.38	2,440.64
7,921,997	4.92%	25.58%	2,716,450	2,916.31	2,650.05
7,991,738	N/A	N/A	2,716,450	2,941.98	2,680.50

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
As of June 30, 2018
(Thousands of dollars)

	Fiscal Year			
	2009	**2010**	**2011**	**2012**
Debt limit	$ 11,175,687	$ 11,673,736	$ 11,328,763	$ 10,367,652
General obligation	553,134	498,593	446,719	394,793
Less: amount set aside for repayment of bonds	(34,719)	(16,042)	(36,440)	(29,917)
Total net debt applicable to limit (A)	518,415	482,551	410,279	364,876
Legal debt margin	$ 10,657,272	$ 11,191,185	$ 10,918,484	$ 10,002,776
Total net debt applicable to the limit as a percentage of debt limit	4.64%	4.13%	3.62%	3.52%

(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:

$328.7 million Series 1998B-1
$532.5 million Series 1999A
$205.4 million Series 2004A
$193.5 million Series 2005A
$6.9 million Series 2006A
$355.8 million Series 2006B
$197.7 million Series 2007B
$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
$402.4 million Series 2011A
$468.9 million Series 2012A
$109.8 million Series 2012B
$280.0 million Series 2015C
$20.0 million Series 2015E
$725.0 million Series 2016A
$150.0 million Series 2016B
$285.0 million Series 2017A
$215.0 million Series 2017B
$351.5 million Series 2017C
$79.3 million Series 2017D
$22.2 million Series 2017E
$165.5 million Series 2017F
$126.5 million Series 2017G
$280.0 million Series 2017H
$552.0 million Series 2018A
$10.2 million Series 2018B

Fiscal Year					
2013	2014	2015	2016	2017	2018
$ 9,005,479	$ 8,607,088	$ 8,958,101	$ 9,793,658	$ 10,214,898	$ 10,594,116
342,830	290,849	238,820	186,823	134,803	82,734
(34,790)	(35,201)	(34,684)	(34,866)	(32,761)	(35,452)
308,040	255,648	204,136	151,957	102,042	47,282
$ 8,697,439	$ 8,351,440	$ 8,753,965	$ 9,641,701	$ 10,112,856	$ 10,546,834
3.42%	2.97%	2.28%	1.55%	1.00%	0.45%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2018

(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	$ 8,819,502	100.00%	$ 8,819,502
City Colleges of Chicago	315,560	100.00%	315,560
Chicago Park District	781,890	100.00%	781,890
Cook County	3,354,242	49.38%	1,656,325
Forest Preserve District	150,960	50.90%	76,839
Water Reclamation District	2,640,610	51.89%	1,370,213
Subtotal, overlapping debt			$13,020,329
Chicago Public School Direct Debt			8,149,448
Total Direct and Overlapping Debt			$21,169,777

(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 2016 City of Chicago tax extension within the City of Chicago by the total 2017 Cook County extension for the district.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education
CPS' DEBT RATING HISTORY

Fiscal Year Ending June 30, 2018

General Obligation Bonds

The following table presents the changes in general obligation credit rating for Chicago Board of Education for the last five years:

	Mar. 2014	Mar. 2015	May 2015	July 2015	Aug. 2015	Jan. 2016	Sept. 2016*	Nov. 2016*	Dec. 2016*	Nov. 2017*	May 2018*	June 2018*
S&P	A+	A-	A-	BBB	BB	B+	B+	B	B	B	B	B
Moody's	Baa1	Baa3	Ba3	Ba3	Ba3	B2	B3	B3	B3	B3	B3	B3
Fitch	A-	BBB-	BBB-	BB+	B+	B+	B+	B+	B+	BB-	BB-	BB-
Kroll		BBB+	BBB+	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-. CPS Bond Series 2017CDEFGH and 2018AB have been BBB rated since November 2017 and May 2018 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:

	Nov. 2017	June 2018
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 capital improvement tax (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 and 2018.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)
Last Ten Years

	2017 (1)			2016			2015			2014			2013		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Advocate Health Care........................	19,049	1	1.48%	18,930	1	1.48%	18,308	1	1.44%	18,556	1	1.47%	-	-	-
Northwestern Memorial Healthcare......	16,667	2	1.29%	15,747	3	1.23%	15,317	3	1.20%	14,550	4	1.15%	-	-	-
University of Chicago........................	16,583	3	1.29%	16,374	2	1.28%	16,197	2	1.27%	16,025	2	1.27%	-	-	-
J.P. Morgan Chase & Co. (2)..............	15,701	4	1.22%	15,229	4	1.19%	14,158	4	1.11%	15,015	3	1.19%	8,499	1	0.78%
Amazon.com Inc................................	13,240	5	1.03%	-	-	-	-	-	-	-	-	-	-	-	-
United Continental Holdings Inc. (3)......	12,994	6	1.01%	15,157	5	1.18%	14,000	5	1.10%	14,000	5	1.11%	8,199	2	0.75%
Walgreens Boots Alliance Inc..............	12,751	7	0.99%	12,685	6	0.99%	13,006	7	1.02%	13,797	6	1.09%	2,869	9	0.26%
Northwestern University.....................	10,847	8	0.84%	10,241	7	0.80%	9,708	10	0.76%	-	-	-	-	-	-
Presence Health..............................	10,225	9	0.79%	10,183	8	0.79%	10,500	8	0.82%	11,279	8	0.89%	-	-	-
Wal-mart Stores Inc...........................	10,220	10	0.79%	-	-	-	-	-	-	-	-	-	-	-	-
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%
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%
Northern Trust.................................	-	-	-	-	-	-	-	-	-	-	-	-	5,353	4	0.49%
Ford Motor Company........................	-	-	-	-	-	-	-	-	-	-	-	-	5,103	5	0.47%
ABM Janitorial Midwest, Inc................	-	-	-	-	-	-	-	-	-	-	-	-	3,399	7	0.31%
Bank of America NT & SA.................	-	-	-	-	-	-	-	-	-	-	-	-	3,392	8	0.31%
American Airlines..............................	-	-	-	-	-	-	-	-	-	-	-	-	2,749	10	0.25%
SBC Ameritech	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CVS Corporation..............................	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonded Maintenance Company............	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES:

Beginning with fiscal year 2008, the Chicago Board of Education will accumulate 10 years of data.

1) *Source* : Reprinted with permission, Crain's Chicago Business [January 15, 2018], Crain Communications, Inc.

2) J.P. Morgran 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.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT) (continued)
Last Ten Years

2012			2011			2010			2009			2008		
Number of mployee	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,168	1	0.76%	7,993	1	0.77%	8,094	1	0.81%	8,431	1	0.81%	8,865	1	0.81%
7,521	2	0.70%	6,366	2	0.62%	5,585	2	0.58%	6,019	2	0.58%	6,403	2	0.58%
2,789	10	0.26%	4,429	7	0.43%	4,552	6	0.33%	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-		-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,572	5	0.43%	4,799	5	0.46%	5,307	4	0.52%	5,833	3	0.56%	5,977	3	0.55%
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,590	3	0.52%	5,014	4	0.48%	4,224	7	0.32%	3,341	7	0.32%	4,532	5	0.41%
5,448	4	0.51%	5,485	3	0.53%	5,833	3	0.56%	5,394	4	0.52%	5,084	4	0.46%
4,187	6	0.39%	3,410	10	0.33%	-	-	-	2,764	10	0.27%	3,325	8	0.30%
3,398	8	0.32%	3,629	9	0.35%	3,840	9	0.30%	-	-	-	-	-	-
3,811	7	0.36%	4,557	6	0.44%	4,668	5	0.44%	4,631	5	0.44%	-	-	-
3,076	9	0.29%	-	-	-	3,153	10	0.27%	3,394	6	0.33%	3,582	6	0.33%
-	-	-	-	-	-	-	-	-	3,136	8	0.30%	3,459	7	0.32%
-	-	-	4,159	8	0.40%	4,067	8	0.30%	3,120	9	0.30%	3,161	9	0.29%
-	-	-	-	-	-	-	-	-	-	-	-	2,955	10	0.27%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Year	City of Chicago Population (A)	Personal Income ($000's)	Per Capita Income (B)	Median Age (C)	Number of Households (C)
2008	2,896,016	134,592,344	46,475	34.13	1,032,746
2009	2,896,016	133,682,995	46,161	34.50	1,037,069
2010	2,695,598	122,140,241	45,311	34.80	1,045,666
2011	2,695,598	126,523,283	46,937	33.20	1,045,666
2012	2,695,598	131,930,653	48,943	33.10	1,030,076
2013	2,695,598	133,866,092	49,661	33.30	1,028,746
2014	2,695,598	138,230,265	51,280	33.40	1,028,829
2015	2,695,598	147,486,949	54,714	33.70	1,035,436
2016	2,695,598	154,417,331	57,285	33.90	1,042,579
2017	2,716,450	160,917,065	59,238	34.10	1,046,789

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

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEMOGRAPHIC AND ECONOMIC STATISTICS (continued)
Last Ten Calendar Years

Civilian Labor Force (D)		Employment (D)		
Number	Percent of Population	Number	Percent of Population	Unemployment Rate
1,328,413	45.87%	1,235,459	42.66%	7.00%
1,318,491	45.53%	1,174,785	40.57%	10.90%
1,320,502	48.99%	1,175,029	43.59%	11.00%
1,259,055	46.71%	1,116,216	41.41%	11.30%
1,273,805	47.26%	1,144,896	42.47%	10.10%
1,277,649	47.40%	1,143,944	42.44%	10.50%
1,369,656	50.81%	1,264,234	46.90%	7.70%
1,361,418	50.51%	1,273,727	47.25%	6.40%
1,371,326	50.87%	1,282,117	47.56%	6.50%
1,364,817	50.24%	1,289,325	47.46%	5.50%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2017 NET REVENUES
(Millions of dollars)

Company Name	2017 Net Revenues	Number of Employees (1)
Walgreens Boots Alliance Inc.	$ 118,214.0	345,000
Boeing Co.	93,392.0	140,800
Archer Daniels Midland Co.	60,828.0	31,300
Caterpillar Inc.	45,462.0	98,400
Allstate Corp.	38,524.0	42,900
United Continental Holdings Inc.	37,736.0	89,800
Exelon Corp.	33,531.0	34,621
Deere & Co.	29,737.7	60,476
Abbvie Inc.	28,216.0	29,000
Abbott Laboratories	27,390.0	99,000
Kraft Heinz Co	26,232.0	39,000
Mondelez International Inc.	25,896.0	83,000
US Foods Holdings Corp.	24,147.2	25,355
McDonald's Corp.	22,820.4	235,000
Sears Holdings Corp.	16,702.0	89,000
CDW Corp.	15,191.5	8,726
Illinois Tool Works Inc.	14,314.0	50,000
Discover Financial Services Inc.	11,545.0	16,500
Baxter International Inc.	10,561.0	47,000
W.W Grainger Inc.	10,424.9	25,700

Source : **Crain's Chicago Business**, "Chicago's Largest Public Companies", from May 21, 2018 issue. Copyright 2018 Crain Communications Inc.

NOTES:
1) Most recent employee count available

STATISTICAL SECTION

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, 2018

With Comparative Amounts for the Fiscal Year Ended June 30, 2017

(Thousands of Dollars)

	Final Budget	Fiscal Year 2018 Actual	Over (Under) Budget	Fiscal Year 2017 Actual	2018 Over (Under) 2017
Revenues:					
Property taxes	2,808,707	2,794,613	(14,094)	2,613,889	180,724
Replacement taxes	90,438	109,997	19,559	169,637	(59,640)
State aid	1,699,411	1,859,582	160,171	1,287,702	571,880
Interest and investment earnings	1,100	723,432	722,332	1,964	721,468
Federal aid	772,979	6,099	(766,880)	752,295	(746,196)
Other	269,393	332,323	62,930	265,099	67,224
Total revenues	5,642,028	5,826,046	184,018	5,090,586	735,460
Expenditures:					
Teachers' salaries	1,852,659	1,841,295	(11,364)	1,815,309	25,986
Career service salaries	583,271	595,467	12,196	581,665	13,802
Energy	69,580	60,813	(8,767)	69,067	(8,254)
Food	100,834	94,512	(6,322)	94,911	(399)
Textbook	56,700	50,296	(6,404)	43,255	7,041
Supplies	56,856	46,683	(10,173)	44,040	2,643
Other commodities	391	301	(90)	221	80
Professional fees	439,611	410,175	(29,436)	357,258	52,917
Charter Schools	740,276	703,124	(37,152)	668,412	34,712
Transportation	111,729	106,021	(5,708)	95,974	10,047
Tuition	59,204	50,181	(9,023)	53,668	(3,487)
Telephone and telecommunications	29,604	23,718	(5,886)	21,998	1,720
Other services	23,318	26,819	3,501	13,814	13,005
Equipment - educational	44,523	35,214	(9,309)	30,967	4,247
Repair and replacements	13,543	13,214	(329)	18,319	(5,105)
Capital outlay	1,761	1,293	(468)	1,017	276
Teachers' pension	894,573	900,791	6,218	853,474	47,317
Career service pension	89,324	113,882	24,558	99,428	14,454
Hospitalization and dental insurance	338,710	319,344	(19,366)	306,871	12,473
Medicare	36,496	34,601	(1,895)	33,658	943
Unemployment compensation	8,900	6,604	(2,296)	7,040	(436)
Workers compensation	21,746	23,546	1,800	20,531	3,015
Rent	20,462	16,840	(3,622)	14,638	2,202
Debt service	57,517	32,101	(25,416)	38,735	(6,634)
Other fixed charges	47,704	7,045	(40,391)	13,488	(6,443)
Total expenditures	5,699,292	5,513,880	(184,876)	5,297,758	216,122
Revenues in excess of (less than) expenditures	(57,264)	312,166	368,894	(207,172)	519,338
Other financing sources (uses):					
Other revenue sources /(uses)	0	0	0	224	(224)
Transfers in / (out)	0	286,828	286,828	58,350	228,478
Total other financing sources (uses)	0	286,828	286,828	58,574	228,254
Net change in fund balances	(57,264)	598,994	656,258	(148,598)	747,592
Fund balances, beginning of period	(275,230)	(275,230)	0	(126,632)	(148,598)
Fund balances, end of period	(332,494)	323,764	656,258	(275,230)	598,994

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2018
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program
Revenues:				
Property taxes....................	$ 2,351,803	$ 414,041	$ -	$ -
Replacement taxes...............	108,996	-	-	-
State aid..............................	1,041,658	-	-	274,614
Federal aid..........................	69,693	-	92,655	102,190
Interest and investment income	6,044	46	-	-
Other....................................	257,678	10,186	-	30,924
Total revenues.....................	$ 3,835,862	$ 424,273	$ 92,655	$ 407,728

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
$ -	$ -	$ -	$ 28,769	$ -	$ -	$ 2,794,613
-	-	1,001	-	-	-	109,997
212,874	-	1,384	-	329,052	-	1,859,582
-	261,500	196,495	-	-	8,899	723,432
-	-	-	9	-	-	6,099
4,692	-	12,419	7,026	9,408	-	332,323
$ 217,566	$ 261,500	$ 211,299	$ 35,804	$ 338,460	$ 8,899	$ 5,826,046

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF EXPENDITURES - BY PROGRAM
For the Fiscal Year Ended June 30, 2018
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	CTPF Pension Levy	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program
Teachers' salaries	$ 1,448,320	$ -	$ 59,582	$ 111,091
Career service salaries	331,154	-	3,414	40,729
Energy	131	-	-	-
Food	444	-	-	2,733
Textbook	40,763	-	5	1,929
Supplies	29,095	-	120	5,700
Other commodities	246	-	-	3
Professional and special services	102,104	-	4,521	79,104
Charter Schools	652,346	-	-	7,206
Transportation	96,884	-	13	1,725
Tuition	47,627	-	-	2,213
Telephone	23,686	-	-	-
Other services	18,814	-	7	2,288
Education equipment	23,145	-	6	4,259
Repair and replacement	4,436	-	-	111
Capital outlay	1,293	-	-	-
Teachers' pension	410,221	426,025	10,104	18,352
Career service pension	60,785	-	600	7,220
Hospitalization and dental insurance	216,654	-	7,233	19,649
Medicare	25,173	-	868	2,113
Unemployment compensation	4,841	-	181	403
Workers compensation	17,257	-	644	1,437
Rent	1,306	-	4	1,175
Debt service	30,977	1,124	-	-
Other fixed charges	(14,614)	-	2,377	878
Total expenditures	$ 3,573,088	$ 427,149	$ 89,679	$ 310,318

STATISTICAL SECTION

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
$ 109,930	$ 107,814	$ -	$ 81	$ 11	$ 4,466	$ 1,841,295
35,039	16,362	67,015	46,753	53,675	1,326	595,467
-	-	-	-	60,682	-	60,813
10	204	91,099	18	4	-	94,512
3,789	3,678	3	-	21	108	50,296
4,137	4,494	24	55	2,898	160	46,683
18	6	-	-	25	3	301
3,521	35,157	6,101	2,222	176,380	1,065	410,175
3,709	39,863	-	-	-	-	703,124
1,365	5,695	51	9	243	36	106,021
337	-	4	-	-	-	50,181
-	40	-	-	(8)	-	23,718
587	529	116	4,423	8	47	26,819
2,698	1,917	2,932	128	42	87	35,214
728	84	-	204	7,651	-	13,214
-	-	-	-	-	-	1,293
18,150	17,231	-	13	-	695	900,791
6,606	3,027	13,678	9,926	11,838	202	113,882
18,716	14,711	21,867	10,766	9,256	492	319,344
2,089	1,773	937	839	713	96	34,601
390	331	170	124	150	14	6,604
1,390	1,182	607	444	536	49	23,546
-	-	16	4	14,335	-	16,840
-	-	-	-	-	-	32,101
2	6,676	6,657	4,971	-	98	7,045
$ 213,211	$ 260,774	$ 211,277	$ 80,980	$ 338,460	$ 8,944	$ 5,513,880

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS
Last Ten Fiscal Years and 2019 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011	2012	2013	2014 (as restated)
Local revenue:						
Property taxes	$ 1,896,540	$ 2,047,163	$ 1,936,655	$ 2,352,136	$ 2,211,568	$ 2,204,252
Replacement taxes	188,503	152,497	197,762	181,927	185,884	188,041
Investment income	43,693	12,483	13,399	20,760	7,303	15,596
Other	253,376	359,661	417,516	303,744	322,128	286,472
Total local	$ 2,382,112	$ 2,571,804	$ 2,565,332	$ 2,858,567	$ 2,726,883	$ 2,694,361
State revenue:						
Evidence based funding (1)	$ 879,658	$ 1,001,777	$ 1,163,412	$ 1,136,472	$ 1,094,732	$ 1,089,673
Teachers' pension	74,845	37,551	42,971	10,449	10,931	11,903
Capital	-	-	2,793	-	-	-
Special Education	-	-	-	-	-	-
Other	557,383	512,748	740,605	818,980	710,135	739,229
Total state	$ 1,511,886	$ 1,552,076	$ 1,949,781	$ 1,965,901	$ 1,815,798	$ 1,840,805
Federal revenue:						
Elementary and Secondary Education Act (ESEA)	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915
Individuals with Disabilities Education Act (IDEA)	95,230	96,240	88,058	84,385	106,902	100,092
School lunchroom	139,096	178,764	175,753	182,836	190,093	181,902
Medicaid	50,758	34,937	72,343	92,736	41,523	44,801
Other	471,144	562,876	536,871	292,313	242,678	237,531
Total federal	$ 1,125,580	$ 1,180,148	$ 1,144,884	$ 935,951	$ 845,796	$ 907,241
Total revenue	$ 5,019,578	$ 5,304,028	$ 5,659,997	$ 5,760,419	$ 5,388,477	$ 5,442,407
Change in revenue from previous year	$ 1,174	$ 284,450	$ 355,969	$ 100,442	$ (371,942)	$ 53,930
Percent change in revenue	0.0%	5.7%	6.7%	1.89%	-6.5%	1.0%

NOTES:

1) General State Aid changed to Evidence Based Funding in FY18

STATISTICAL SECTION

2015	2016	2017	2018	Budget 2019	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$ 2,304,656	$ 2,408,416	$ 2,714,956	$ 2,897,870	$ 2,984,278	4.3%	5.6%
202,148	161,535	227,921	168,254	161,100	-1.1%	-2.2%
(92,825)	(95,650)	5,442	19,022	5,000	-8.0%	4.1%
377,286	437,042	387,045	461,692	381,643	6.2%	10.0%
$ 2,791,265	$ 2,911,343	$ 3,335,364	$ 3,546,838	$ 3,532,021	4.1%	5.7%
$ 1,014,395	$ 971,642	$ 1,074,021	$ 1,540,295	$ 1,646,302	5.8%	7.2%
62,145	12,105	1,016	232,992	238,900	12.0%	81.3%
-	-	-	-	13,300	N/A	N/A
-	-	-	6,908	-	N/A	N/A
770,529	568,578	633,828	416,761	293,900	-2.9%	-10.8%
$ 1,847,069	$ 1,552,325	$ 1,708,865	$ 2,196,956	$ 2,192,402	3.8%	3.6%
$ 253,514	$ 150,477	$ 278,136	$ 261,500	$ 309,604	-3.4%	-5.3%
103,899	93,483	93,096	92,655	96,549	-0.3%	-1.5%
200,412	202,943	198,440	196,495	203,444	3.5%	1.6%
42,524	34,806	37,108	32,392	41,807	-4.4%	-6.3%
198,582	327,290	177,163	184,886	185,296	-8.9%	-4.9%
$ 798,931	$ 808,999	$ 783,943	$ 767,928	$ 836,700	-3.8%	-3.3%
$ 5,437,265	$ 5,272,667	$ 5,828,172	$ 6,511,722	$ 6,561,123	2.6%	3.7%
$ (5,142)	$ (164,598)	$ 555,505	$ 683,550	$ 49,401		
-0.1%	-3.0%	10.5%	11.7%	0.8%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES - ALL FUNDS
Last Ten Fiscal Years and 2019 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011	2012	2013	2014
Compensation:						
Teacher salaries	$ 1,975,940	$ 2,026,257	$ 2,023,510	$ 2,026,832	$ 1,942,007	$ 1,921,969
ESP salaries	597,533	604,042	610,741	618,265	633,489	619,462
Total salaries	$ 2,573,473	$ 2,630,299	$ 2,634,251	$ 2,645,097	$ 2,575,496	$ 2,541,431
Teacher pension	392,801	475,628	306,111	335,657	374,567	740,419
ESP pension	93,791	96,913	102,158	100,026	102,342	101,885
Hospitalization	299,206	311,048	353,878	324,918	319,792	343,308
Medicare	33,667	34,826	35,004	34,900	36,404	35,951
Unemployment insurance	8,599	16,000	21,992	17,141	9,134	16,426
Workers' compensation	28,148	28,244	25,859	26,042	23,967	25,646
Total benefits	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206	$ 1,263,635
Total compensation	$ 3,429,685	$ 3,592,958	$ 3,479,253	$ 3,483,781	$ 3,441,702	$ 3,805,066
Non-compensation:						
Energy	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559	$ 87,547
Food	89,592	93,088	93,766	104,245	106,650	96,816
Textbooks	86,356	70,596	70,249	49,147	68,969	52,871
Supplies	44,572	48,046	51,125	45,521	52,925	55,223
Commodities - other	998	948	478	583	408	648
Professional fees	440,921	381,851	450,127	412,072	398,064	441,667
Charter schools	256,154	326,322	377,755	424,423	498,162	580,652
Transportation	109,351	109,349	107,530	109,368	106,861	104,430
Tuition	63,858	62,568	59,102	55,001	54,626	66,396
Telephone and telecommunications	19,426	18,199	19,823	23,451	23,642	30,297
Services - other	13,935	15,688	11,789	11,010	12,438	14,126
Equipment	34,450	33,661	41,896	40,938	59,654	62,757
Repairs and replacements	34,772	31,854	37,355	33,912	26,449	31,679
Capital outlays	648,314	691,774	563,390	576,925	493,532	486,986
Rent	12,000	12,093	11,941	11,745	10,547	12,164
Debt service	302,206	386,597	332,097	374,494	390,409	467,904
Other	13,306	17,519	14,402	9,679	8,639	7,792
Total non-compensation	$ 2,262,565	$ 2,378,835	$ 2,326,181	$ 2,355,923	$ 2,388,534	$ 2,599,955
Total expenditures	$ 5,692,250	$ 5,971,793	$ 5,805,434	$ 5,839,704	$ 5,830,236	$ 6,405,021
Change in expenditures from previous year	$ 574,070	$ 279,543	$ (166,359)	$ 34,270	$ (9,468)	$ 574,785
Percent change in expenditures	11.2%	4.9%	-2.8%	0.6%	-0.2%	9.8%

STATISTICAL SECTION

2015	2016	2017	2018	Budget 2019	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$1,953,938	$1,869,683	$1,815,309	$1,841,295	$1,926,851	-0.7%	-0.9%
622,591	605,817	581,665	595,467	576,203	0.0%	-0.8%
$2,576,529	$2,475,500	$2,396,974	$2,436,762	$2,503,054	-0.5%	-0.8%
826,304	811,051	853,474	900,791	934,624	8.7%	4.0%
102,012	102,762	99,428	113,882	91,791	2.0%	2.3%
357,124	348,083	306,871	319,344	356,175	0.7%	-1.4%
36,557	34,824	33,658	34,601	37,304	0.3%	-0.8%
8,138	9,438	7,040	6,604	9,000	-2.6%	-16.7%
25,926	20,337	20,531	23,546	22,000	-1.8%	-1.7%
$1,356,061	$1,326,495	$1,321,002	$1,398,768	$1,450,894	5.0%	2.1%
$3,932,590	$3,801,995	$3,717,976	$3,835,530	$3,953,948	1.1%	0.2%
$ 74,516	$ 70,227	$ 69,067	$ 60,813	$ 74,747	-4.1%	-7.0%
99,573	98,777	94,911	94,512	98,628	0.5%	-0.5%
55,254	54,856	43,255	50,296	39,651	-5.3%	-1.0%
50,571	47,085	44,040	46,683	30,013	0.5%	-3.3%
474	294	221	301	364	-11.3%	-14.2%
395,221	314,732	357,258	410,175	386,937	-0.7%	-1.5%
662,553	704,981	668,412	703,124	749,408	10.6%	3.9%
103,891	104,450	95,974	106,021	106,177	-0.3%	0.3%
90,901	61,028	53,668	50,181	63,034	-2.4%	-5.4%
28,061	24,579	21,998	23,718	31,721	2.0%	-4.8%
14,133	16,471	13,814	26,819	22,057	6.8%	13.7%
60,962	45,407	30,967	35,214	18,333	0.2%	-10.9%
27,291	18,853	18,319	13,214	23,781	-9.2%	-16.0%
374,758	294,446	205,852	340,482	989,000	-6.2%	-6.9%
13,030	16,012	14,638	16,840	17,783	3.4%	6.7%
523,113	480,288	569,694	652,532	606,885	8.0%	6.9%
11,340	8,961	13,488	7,045	367,618	-6.2%	-2.0%
$2,585,642	$2,361,447	$2,315,576	$2,637,970	$3,626,137	1.5%	0.3%
$6,518,232	$6,163,442	$6,033,552	$6,473,500	$7,580,085	1.3%	0.2%
$ 113,211	$ (354,790)	$ (129,890)	$ 439,948	$1,106,585		
1.8%	-5.4%	-2.1%	7.3%	17.1%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) - ALL FUNDS

Last Ten Fiscal Years and 2019 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2009	2010	2011	2012
Revenues:				
Local	$2,382,112	$2,571,804	$2,565,332	$2,858,567
State	1,511,886	1,552,076	1,949,781	1,965,901
Federal	1,125,580	1,180,148	1,144,884	935,951
Total revenues	$5,019,578	$5,304,028	$5,659,997	$5,760,419
Total expenditures	5,692,250	5,971,793	5,805,434	5,839,704
Revenues less expenditures	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)
Other Financing Sources:				
Bond proceeds	$ 225,675	$ 1,083,260	$ 638,790	$ 592,510
Net premiums/discounts	-	6,459	14,700	1,229
Insurance proceeds	1,155	-	-	-
Sales of general capital assets	91	-	-	-
Payment to bond escrow agent	(226,408)	(288,704)	(269,483)	(190,100)
Transfers in/ (out)	-	-	-	-
Total other financing sources	$ 513	$ 801,015	$ 384,007	$ 403,639
Change in fund balance	$ (672,159)	$ 133,250	$ 238,570	$ 324,354
Fund balance - beginning of period	1,726,659	1,054,500	1,187,750	1,426,320
Fund balance - end of period	$1,054,500	$1,187,750	$1,426,320	$1,750,674
Revenues as a percent of expenditures	88.2%	88.8%	97.5%	98.6%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 211,422	$ 340,688	$ -	$ -
Reserved for restricted donations	3,695	5,825	-	-
Reserved for specific purposes	101,072	109,163	-	-
Reserved for debt services	272,273	375,211	-	-
Unreserved:				
Designated to provide operating capital	181,200	-	-	-
Undesignated	284,838	356,863	-	-
Nonspendable	-	-	1,972	9,003
Restricted for grants and donations	-	-	126,855	69,873
Restricted for workers' comp/tort immunity	-	-	91,036	92,680
Restricted for capital improvement program	-	-	182,884	88,762
Restricted for debt service	-	-	271,643	332,517
Restricted for teacher's penion contributions	-	-	-	-
Assigned for educational services	-	-	289,000	-
Assigned for appropriated fund balance	-	-	181,300	348,900
Assigned for debt service	-	-	231,413	254,967
Assigned for commitments and contracts	-	-	44,924	110,397
Unassigned	-	-	5,293	443,575
Total fund balance	$ 1,054,500	$ 1,187,750	$ 1,426,320	$ 1,750,674
Unreserved/Unassigned fund balance as a percentage of revenues	9.3%	6.7%	0.1%	7.7%
Total fund balance as a percentage of revenues	21.0%	22.4%	25.2%	30.4%

NOTE:
The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

STATISTICAL SECTION

2013	2014 (as restated)	2015	2016	2017	2018	Budget 2019
$2,726,883	$ 2,694,361	$ 2,791,265	$2,911,343	$ 3,335,363	$3,546,838	$3,527,000
1,815,798	1,840,805	1,847,069	1,552,325	1,707,849	2,196,956	2,192,400
845,796	907,241	798,931	808,999	783,943	767,928	836,700
$5,388,477	$ 5,442,407	$ 5,437,265	$5,272,667	$ 5,828,171	$6,511,722	$6,556,100
5,830,236	6,405,021	6,518,232	6,163,442	6,033,552	6,473,500	-
$ (441,759)	$ (962,614)	$ (1,080,967)	$ (890,775)	$ (205,380)	$ 38,222	$ 6,556,100
982,720	131,600	561,880	724,999	879,580	2,152,150	$ 313,000
47,271	-	(12,502)	(110,071)	(36,097)	31,921	-
-	-	-	-	-	-	-
723	7,301	37,504	15,012	6,273	9,442	-
(480,597)	-	(397,090)	(120,856)	-	(1,321,865)	-
-	-	-	-	-	-	-
$ 550,117	$ 138,901	$ 189,792	$ 509,084	$ 849,756	$ 871,648	$ 313,000
$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	$ 644,376	$ 909,870	
1,750,674	2,546,502	1,722,789	831,614	449,923	1,094,522	
$1,859,032	$ 1,722,789	$ 831,614	$ 449,923	$ 1,094,299	$2,004,392	
92.4%	85.0%	83.4%	85.5%	96.6%	100.6%	
$ -	$ -	$ -	$ -	$ -	$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
6,108	429	429	429	2,785	429	
63,434	61,022	64,155	64,854	51,858	52,333	
64,985	19,838	41,373	35,116	27,344	-	
169,368	-	-	107,248	792,586	895,111	
466,966	491,552	545,383	535,116	660,501	785,176	
-	-	-	-	-	9,287	
-	-	-	-	-	-	
562,682	267,652	79,225	-	-	-	
269,167	193,877	57,057	-	-	341	
105,664	87,067	73,101	-	-	18,044	
150,658	(91,953)	(29,109)	(292,840)	(440,552)	243,671	
$1,859,032	$ 1,029,484	$ 831,614	$ 449,923	$ 1,094,522	$2,004,392	
2.8%	-1.7%	-0.5%	-5.6%	-7.6%	3.7%	
34.5%	18.9%	15.3%	8.5%	18.8%	30.8%	

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES

Last Ten Fiscal Years and 2019 Budget

(Modified Accrual Basis of Accounting)

(Thousands of Dollars)

	2009	2010	2011	2012	2013
Local revenue:					
Property taxes	$ 1,867,350	$ 2,035,938	$ 1,904,169	$2,295,178	$2,157,777
Replacement taxes	132,819	96,816	172,384	126,786	128,212
Investment income	21,405	3,084	1,920	4,363	2,207
Other	102,107	111,985	221,391	142,160	132,717
Total local	$ 2,123,681	$ 2,247,823	$ 2,299,864	$2,568,487	$2,420,913
State Revenue:					
General state aid	$ 700,954	$ 801,198	$ 940,693	$ 989,943	$ 945,651
Teacher pension	74,845	74,922	42,971	10,449	10,931
Special Ed	-	-	-	-	-
Other	557,383	491,677	710,902	756,774	642,842
Total state	$ 1,333,182	$ 1,367,797	$ 1,694,566	$1,757,166	$1,599,424
Federal revenue:					
Elementary and Secondary Education Act (ESEA)	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600
Individuals with Disabilities Education Act (IDEA)	95,230	96,240	88,058	84,385	106,902
School lunch program	139,096	178,764	175,753	182,836	190,093
Medicaid	50,758	34,937	72,343	92,736	41,523
Other	468,369	543,140	513,444	247,349	202,865
Total federal	$ 1,122,805	$ 1,160,412	$ 1,121,457	$ 890,987	$ 805,983
Total revenue	$ 4,579,668	$ 4,776,032	$ 5,115,887	$5,216,640	$4,826,320
Change in revenue from previous year	$ (6,017)	$ 196,364	$ 339,855	$ 100,753	$ (390,320)
Percentage change in revenue	-0.1%	4.3%	7.1%	2.0%	-7.5%

STATISTICAL SECTION

2014 (as restated	2015	2016	2017	2018	Budget 2019	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,152,753	$2,252,828	$2,313,470	$ 2,613,889	$ 2,794,613	$ 2,899,427	4.1%	5.4%
131,075	143,867	115,961	169,637	109,997	126,159	-1.9%	-3.4%
4,458	198	1,347	1,964	6,099	5,000	-11.8%	6.5%
156,115	165,819	271,858	265,099	332,323	236,485	12.5%	16.3%
$2,444,401	$2,562,712	$2,702,636	$ 3,050,589	$ 3,243,032	$ 3,267,071	4.3%	5.8%
$ 972,572	$ 847,420	$ 857,601	$ 683,008	$ 1,216,940	$ 1,318,351	5.7%	4.6%
11,903	62,145	12,105	1,016	232,992	238,869	12.0%	81.3%
-	-	-	-	6,908	-	N/A	N/A
645,417	669,759	529,148	603,678	402,742	291,969	-3.2%	-9.0%
$1,629,892	$1,579,324	$1,398,854	$ 1,287,702	$ 1,859,582	$ 1,849,189	3.4%	2.7%
$ 342,915	$ 253,514	$ 293,302	$ 357,715	$ 320,005	$ 358,114	-1.4%	-1.4%
100,092	103,899	93,483	93,096	92,655	103,041	-0.3%	-1.5%
189,336	200,412	202,943	198,440	196,495	205,815	3.5%	0.7%
40,879	42,524	34,806	37,108	32,392	35,000	-4.4%	-4.5%
194,290	167,199	151,743	65,936	81,885	103,383	-16.0%	-15.9%
$ 867,512	$ 767,548	$ 776,277	$ 752,295	$ 723,432	$ 805,353	-4.3%	-3.6%
$4,941,805	$4,909,584	$4,877,767	$ 5,090,586	$ 5,826,046	$ 5,921,614	2.4%	3.3%
$ 115,485	$ (32,221)	$ (31,817)	$ 212,819	$ 735,460	$ 95,568		
2.4%	-0.7%	-0.6%	4.4%	14.4%	1.6%		

STATISTICAL SECTION

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES
Last Ten Fiscal Years and 2019 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011	2012	2013
Compensation:					
Teachers' salaries	$ 1,975,940	$ 2,026,257	$ 2,023,510	$ 2,026,832	$ 1,942,007
ESP salaries	597,533	604,042	610,741	618,265	633,489
Total salaries	$ 2,573,473	$ 2,630,299	$ 2,634,251	$ 2,645,097	$ 2,575,496
Teachers' pension	392,801	475,628	306,111	335,657	374,567
ESP pension	93,791	96,913	102,158	100,026	102,342
Hospitalization	299,206	311,048	353,878	324,918	319,792
Medicare	33,667	34,826	35,004	34,900	36,404
Unemployment insurance	8,599	16,000	21,992	17,141	9,134
Workers' compensation	28,148	28,244	25,859	26,042	23,967
Total benefits	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206
Total compensation	$ 3,429,685	$ 3,592,958	$ 3,479,253	$ 3,483,781	$ 3,441,702
Non-compensation:					
Energy	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559
Food	89,592	93,088	93,766	104,245	106,650
Textbooks	86,356	70,596	70,249	49,147	68,969
Supplies	44,572	48,046	51,125	45,521	52,925
Commodities - other	998	948	478	583	408
Professional fees	440,921	381,851	450,127	412,072	398,064
Charter schools	256,154	326,322	377,755	424,423	498,162
Transportation	109,351	109,349	107,530	109,368	106,861
Tuition	63,858	62,568	59,102	55,001	54,626
Telephone and telecommunications	19,426	18,199	19,823	23,451	23,642
Services - other	13,935	15,688	11,789	11,010	12,438
Equipment	34,450	33,661	41,896	40,938	59,654
Repairs and replacements	34,772	31,854	37,355	33,912	26,449
Capital outlays	12	10	5	43	75
Rent	12,000	12,093	11,941	11,745	10,547
Debt service	1,037	2,710	-	-	-
Other	13,306	17,519	14,402	9,679	8,639
Total non-compensation	$ 1,313,094	$ 1,303,184	$ 1,430,699	$ 1,404,547	$ 1,504,668
Total expenditures	$ 4,742,779	$ 4,896,142	$ 4,909,952	$ 4,888,328	$ 4,946,370
Change in expenditures from previous year	$ 348,094	$ 153,363	$ 13,810	$ (21,624)	$ 58,042
Percent change in expenditures	7.9%	3.2%	0.3%	-0.4%	1.2%

STATISTICAL SECTION

2014	2015	2016	2017	2018	Budget 2019	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$ 1,921,969	$ 1,953,938	$ 1,869,683	$ 1,815,309	$ 1,841,295	$ 1,932,165	-0.7%	-0.9%
619,462	622,591	605,817	581,665	595,467	576,203	3.5%	-0.8%
$ 2,541,431	$ 2,576,529	$ 2,475,500	$ 2,396,974	$ 2,436,762	$ 2,508,368	-0.5%	-0.8%
740,419	826,304	811,051	853,474	900,791	934,624	8.7%	4.0%
101,885	102,012	102,762	99,428	113,882	91,791	2.0%	2.3%
343,308	357,124	348,083	306,871	319,344	356,175	0.7%	-1.4%
35,951	36,557	34,824	33,658	34,601	37,304	0.3%	-0.8%
16,426	8,138	9,438	7,040	6,604	9,000	-2.6%	-16.7%
25,646	25,926	20,337	20,531	23,546	22,000	-1.8%	-1.7%
$ 1,263,635	$ 1,356,061	$ 1,326,495	$ 1,321,002	$ 1,398,768	$ 1,450,894	5.0%	2.1%
$ 3,805,066	$ 3,932,590	$ 3,801,995	$ 3,717,976	$ 3,835,530	$ 3,959,262	1.1%	0.2%
$ 87,547	$ 74,516	$ 70,227	$ 69,067	$ 60,813	$ 74,747	-4.1%	-7.0%
96,816	99,573	98,777	94,911	94,512	98,628	0.5%	-0.5%
52,871	55,254	54,856	43,255	50,296	39,651	-5.3%	-1.0%
55,223	50,571	47,085	44,040	46,683	24,699	0.5%	-3.3%
648	474	294	221	301	364	-11.3%	-14.2%
441,667	395,221	314,732	357,258	410,175	386,937	-0.7%	-1.5%
580,652	662,553	704,981	668,412	703,124	749,408	10.6%	3.9%
104,430	103,891	104,450	95,974	106,021	106,177	-0.3%	0.3%
66,396	90,901	61,028	53,668	50,181	63,034	-2.4%	-5.4%
30,297	28,061	24,579	21,998	23,718	31,721	2.0%	-4.8%
14,126	14,133	16,471	13,814	26,819	22,057	6.8%	13.7%
62,757	60,962	45,407	30,967	35,214	18,333	0.2%	-10.9%
31,679	27,291	18,853	18,319	13,214	23,781	-9.2%	-16.0%
-	5	1,135	1,016	1,293	-	59.7%	N/A
12,164	13,030	16,012	14,638	16,840	17,783	3.4%	6.7%
-	-	25,003	38,735	32,101	21,000	41.0%	N/A
7,792	11,340	8,961	13,488	7,045	346,618	-6.2%	-2.0%
$ 1,645,065	$ 1,687,776	$ 1,612,851	$ 1,579,781	$ 1,678,350	$ 2,024,938	2.5%	0.4%
$ 5,450,131	$ 5,620,366	$ 5,414,846	$ 5,297,757	$ 5,513,880	$ 5,984,200	1.5%	0.2%
$ 503,761	$ 170,235	$ (205,520)	$ (117,089)	$ 216,123	$ 470,320		
10.2%	3.1%	-3.7%	-2.2%	4.1%	8.5%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)
Last Ten Fiscal Years and 2019 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2009	2010	2011	2012
Revenues:				
Local	$2,123,681	$2,247,823	$2,299,864	$2,568,487
State	1,333,182	1,367,797	1,694,566	1,757,166
Federal	1,122,805	1,160,412	1,121,457	890,987
Total revenues	$4,579,668	$4,776,032	$5,115,887	$5,216,640
Total expenditures	4,742,779	4,896,142	4,909,952	4,888,328
Revenues less expenditures	$ (163,111)	$ (120,110)	$ 205,935	$ 328,312
Other financing sources less transfers	20,389	17,851	109,830	62
Change in fund balance	$ (142,722)	$ (102,259)	$ 315,765	$ 328,374
Fund balance - beginning of period	669,596	526,874	424,615	740,380
Fund balance - end of period	$ 526,874	$ 424,615	$ 740,380	$1,068,754
Revenues as a percent of expenditures	96.6%	97.5%	104.2%	106.7%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 110,685	$ 111,166	$ -	$ -
Reserved for restricted donations	3,695	5,825	-	-
Reserved by law for specific purposes	101,072	109,163	-	-
Unreserved:				
Designated to provide operating capital	181,200	-	-	-
Undesignated	130,222	198,461	-	-
Nonspendable	-	-	1,972	3,329
Restricted for grants and donations	-	-	126,855	69,873
Restricted for workers' comp/tort immunity	-	-	91,036	92,680
Restricted for teacher's pension contributions	-	-	-	-
Assigned for educational services	-	-	289,000	-
Assigned for appropriated fund balance	-	-	181,300	348,900
Assigned for commitments and contracts	-	-	44,924	110,397
Unassigned	-	-	5,293	443,575
Total fund balance	$ 526,874	$ 424,615	$ 740,380	$1,068,754
Unreserved/unassigned fund balance as a percent of revenues	6.8%	4.2%	0.1%	8.5%
Total fund balance as a percentage of revenues	11.5%	8.9%	14.5%	20.5%

NOTE:
The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

STATISTICAL SECTION

2013	2014 (as restated)	2015	2016	2017	2018	Budget 2019
$2,420,913	$ 2,444,401	$2,562,712	$2,702,635	$3,050,589	$3,243,032	$3,267,071
1,599,424	1,629,892	1,579,324	1,398,855	1,287,702	1,859,582	1,849,188
805,983	867,512	767,548	776,277	752,295	723,432	805,353
$4,826,320	$ 4,941,805	$4,909,584	$4,877,767	$5,090,586	$5,826,046	$5,921,612
4,946,370	5,450,131	5,620,366	5,414,846	5,297,758	5,513,880	5,984,197
$ (120,050)	$ (508,326)	$ (710,782)	$ (537,079)	$ (207,172)	$ 312,166	$ (62,585)
439	161	(12,915)	50,162	58,574	286,828	
$ (119,611)	$ (508,165)	$ (723,697)	$ (486,917)	$ (148,598)	$ 598,994	
1,068,754	1,592,147	1,083,982	360,285	(126,632)	(275,230)	
$ 949,143	$ 1,083,982	$ 360,285	$ (126,632)	$ (275,230)	$ 323,764	
97.6%	90.7%	87.4%	90.1%	96.1%	105.7%	
$ -	$ -	$ -	$ -	$ -	$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
1,720	429	429	429	429	429	
63,434	61,022	64,155	64,854	51,858	52,333	
64,985	19,838	41,373	35,116	27,344	-	
-	-	-	-	-	9,287	
-	-	-	-	-	-	
562,682	267,652	79,225	-	-	-	
105,664	87,067	73,101	-	-	18,044	
150,658	-	102,002	(227,031)	(354,861)	243,671	
$ 949,143	$ 436,008	$ 360,285	$ (126,632)	$ (275,230)	$ 323,764	
3.1%	0.0%	2.1%	-4.7%	-7.0%	4.2%	
19.7%	8.8%	7.3%	-2.6%	-5.4%	5.6%	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF TORT EXPENDITURES
As Required Under Section 9-103 (a-5) of the Tort Immunity Act
For the Fiscal Year Ended June 30, 2018

Eligible Expenditures:

Other General Charges	$ 7,147,004
Physical Education - Athletic Claims	152,326
Summer School	1,669
Tort Claims - Administration Fee	597,250
Tort Claims - Major Settlements	3,990,147
Tort Claims - Casualty	321,121
General Liability Insurance	2,671,824
Property Damage Insurance	1,967,613
Property Loss Reserve Fund	110,870
Investigations - Administration	56,430
School Safety Services	5,605,583
School Security Personnel	54,213,740
Central Service Security	3,855,498
Security Services	4,435,257
Absence & Disability Management	37,134
Total Eligible Expenditures	$ 85,163,466

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2018

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

Checking:	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Elementary Schools	$ 22,154,052	$ 32,643,296	$ 31,906,851	$ 22,890,496
Child Parent Centers	-	-	-	-
Alternative Schools	19,048	23,857	30,966	11,939
Middle Schools	368,092	606,179	628,700	345,571
High Schools	22,971,647	32,186,236	30,916,327	24,241,557
	$ 45,512,839	$ 65,459,568	$ 63,482,844	$ 47,489,562

Investments:	
Elementary Schools	$ 92,146
High Schools	242,498
Total Cash and Investments Held for Student Activities	**$ 47,824,206**

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$ 1,622,321	$ 3,443,015	$ 5,065,337
Total Elementary Students	231,470	231,470	231,470
Average Fee per Student	7	15	22
Total High School Fees	$ 898,134	$ 9,434,057	$ 10,332,191
Total High School Students	82,511	82,511	82,511
Average Fee per Student	11	114	125

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES
For the Fiscal Year Ended June 30, 2018

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	07/01/17-06/30/18	$ 103,500	Insurance placement and consultation. The contract with Mesirow for these services continues until Feb 28, 2020 with (1) option to renew for a (2) year period.
PROPERTY INSURANCE				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/17-06/30/18	$ 1,827,256	$50M per occurrence subject to $5M deductible/self insured retention
Property Excess II	Starr Specialty Insurance; Chubb Insurance; GSINDA Insurance	07/01/17-06/30/18	70,833	$25M per occurrence excess $50M
Property Excess III	Steadfast Insurance (Zurich) Company	07/01/17-06/30/18	72,727	$25M per occurrence excess $50M excess $50M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/17-06/30/18	83,036	$100M subject to $50,000 deductible/retention
Total Property Program			$ 2,053,852	Total Property, Boiler & Machinery for year end 06/30/18
LIABILITY INSURANCE				
General Liability, Auto, SBLL, EPL, Abuse	Gemini Insurance Co (Berkley)	07/01/17-06/30/18	$ 446,877	$5M excess $10M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/17-06/30/18	900,451	$10M excess of $15M Self Insured Retention (does not follow form of Gemini)
Excess Liability III	Ironshore Specialty Insurance Company	07/01/17-06/30/18	479,094	$10M excess of $10M excess of $15M Self Insured Retention (follows form of Lexington)
Excess Liability IV	AXIS Surplus Insuance Company	07/01/17-06/30/18	373,320	$10M excess of $10M excess of $10M excess of $15M Self Insured Retention (follows form of Lexington)
Excess Liability V	Lexington Insurance Company	07/01/17-06/30/18	270,592	$10M excess of $10M excess of $10M excess of $10M excess $15M Self Insured Retention (follows form of Lexington)
Special Events CGL	National Casualty Insurance Company	07/01/17-06/30/18	57,635	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/17-06/30/18	18,922	$5M excess of $5M no deductible
Fiduciary	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/17-06/30/18	83,628	$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA (AIG)	07/01/17-06/30/18	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)	07/01/17-06/30/18	6,899	$1M/deductible varies/$4M master control program agg
Total Liability Insurance Cost			$ 2,744,403	
Total Insurance Cost			$ 4,798,255	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2018

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	07/01/17-06/30/18	$ 5,280,399	TOTAL: Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc	07/01/17-06/30/18	525,000	Administration fees
			$ 5,805,399	Total General Liability Claims and Expenses
Workers' Compensation Claims	Cannon, Cochran, Management Services, Inc	07/01/17-06/30/18	$ 975,000	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	07/01/17-06/30/18	24,064,215	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 25,039,215	Total Workers' Compensation Claims and Expenses
Total Self Insured Program			$ 30,844,614	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2018

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 Blue Advantage HMO	07/01/17-06/30/18	$ 54,165,609	HMO health care for eligible employees and dependents
	Blue Cross PPO	07/01/17-06/30/18	7,235,812	PPO health care for eligible employees and dependents
	Blue Cross PPO with HSA	07/01/17-06/30/18	654,223	PPO health care for eligible employees and dependents that includes a health savings account.
	Blue Cross HMO Illinois	07/01/17-06/30/18	4,518	HMO health care for eligible employees and dependents. This plan terminated as of December 31, 2016. No premiums were paid in FY18. The charges are for fees and prior year adjustments.
	United Healthcare HMO(EPO), PPO, & PPO w/HRA	07/01/17-06/30/18	43,548	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.
Medical Total Administrative Fees			$ 62,103,710	
Medical PPO Claims	Blue Cross PPO and PPO with HSA	07/01/17-06/30/18	$ 168,958,888	PPO and PPO with HSA health care for eligible employees and dependents
	United Healthcare PPO	07/01/17-06/30/18	1,248,300	PPO health care for eligible employees and dependents. This plan terminated as of December 31, 2016. Claims for services performed in 2016 are still being filed and paid in FY18.
	United Healthcare PPO w/HRA	07/01/17-06/30/18	696	PPO with HSA health care for eligible employees and dependents. This plan terminated as of December 31, 2016. Claims for services performed in 2016 are still being filed and paid in FY18.
Medical Total PPO Claims			$ 170,207,884	

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2018

Type of Coverage	Provider Broker/Insurer/TPA	Term From – To	Annual Expense	Coverage Details Limits of Liability
Medical HMO Claims	Blue Cross Blue Advantage HMO	07/01/17-06/30/18	$ 69,628,696	HMO health care for eligible employees and dependents and Claims and Physician Service Fees
	Blue Cross HMO Illinois	07/01/17-06/30/18	545,757	HMO health care 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 FY18.
	United Healthcare HMO (EPO)	07/01/17-06/30/18	(45,540)	The HMO (EPO) plan terminated December 31, 2015. There is a credit balance as of FY18 for this plan due to adjustments for services from 2015.
Medical Total HMO Claims			$ 70,128,913	
Medical Claims Total		07/01/17-06/30/18	$ 240,336,797	
Health Savings Account	HSA Bank	07/01/17-06/30/18	$ 1,768,725	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 Total		07/01/17-06/30/18	$ 304,209,232	
Managed Mental Health Service	Optum Behavioral Health	07/01/17-06/30/18	$ 49,608	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 a payment was made for post-expiration services
Utilization Review and Case Management	Telligen	07/01/17-06/30/18	395	Pre-certification, utilization review and case management for PPO eligible employees and dependents. Contract with this vendor terminated December 31, 2016. A payment was made in FY18 for services performed in 2016.
Prescription Drugs	Caremark	07/01/17-06/30/18	73,345,566	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/17-06/30/18	$ 377,604,801	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2018

Type of Coverage	Provider Broker/Insurer/TPA	Term From – To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/17-06/30/18	$ 2,548,315	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/17-06/30/18	8,332,236	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 10,880,551	
Vision Plan	EyeMed	07/01/17-06/30/18	$ 2,413,041	Vision services for eligible employees and dependents
Term Life Insurance	Aetna Life Insurance	07/01/17-06/30/18	$ 270,282	Life insurance policy at $25,000 per eligible employee
Total Dental/Vision/Life			$ 13,563,874	
Total Health/Life Benefit Expenses			$ 391,168,675	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2018

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, 2018

(Millions of dollars)

	2009	2010	2011
Unexpended (over expended)	$ 565.7	$ 73.9	$ 261.6
Proceeds available from bond issuance	-	803.8	382.3
Property Taxes	-	-	-
State aid	-	-	2.8
Federal aid	2.8	12.3	4.4
Investment income	12.5	2.0	2.1
Other income	127.5	83.1	91.5
Total	$ 708.5	$ 975.1	$ 744.7
Expenditures	634.6	666.7	562.3
Operating transfers in (out)	-	(46.8)	(0.2)
Unexpended	$ 73.9	$ 261.6	$ 182.2
Encumbrances	73.9	229.5	182.2
Available balance	$ -	$ 32.1	$ -

NOTES:

A) The above amounts do not include construction expenditures made by the Public Building Commission.

B) Beginning in FY2013, the proceeds available from bond issuance includes both premiums and gross amounts from debt issuances.

C) In FY2015, CPS changed its revenue recognition policy resulting in a restatement to FY2014 balances.

2012	2013 (B)	2014 (C)	2015	2016	2017	2018
$ 182.2	$ 88.1	$ 174.2	$ (91.9)	$ (157.1)	$ 66.4	$ 745.4
402.4	508.9	131.3	148.5	364.0	775.5	355.4
-	-	-	-	42.5	48.4	8.1
1.3	6.9	37.8	31.6	39.4	30.1	14.0
18.1	13.6	14.9	6.5	7.7	6.7	19.5
5.5	1.9	0.8	0.4	0.1	2.0	7.3
54.2	88.0	31.3	107.2	62.9	21.1	28.6
$ 663.7	$ 707.4	$ 390.3	$ 202.3	$ 359.5	$ 950.2	$ 1,178.3
576.8	493.4	482.2	359.4	293.1	204.8	338.9
1.2	(41.6)	-	-	-	-	(0.5)
$ 88.1	$ 172.4	$ (91.9)	$ (157.1)	$ 66.4	$ 745.4	$ 838.9
88.1	172.4	(91.9)	(157.1)	66.4	745.4	838.9
$ -	$ -	$ -	$ -	$ -	$ -	$ -

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM
Last Five Fiscal Years
(Thousands of dollars)

	2014	2015 (A)	2016 (A)	2017 (A)	2018 (A)
DAYS MEALS SERVED:					
National School Lunch Program	177	178	176	178	178
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	1,324,623	-	-	-	-
Reduced lunches (regular)	1,353,204	-	-	-	-
Free lunches (regular)	40,531,544	43,507,955	42,061,499	40,401,995	39,139,162
TOTAL PUPIL LUNCHES SERVED	$ 43,209,371	$ 43,507,955	$42,061,499	$ 40,401,995	$39,139,162
Daily Average	244,121	244,427	238,986	226,978	219,616
Change from Previous Year	(969,215)	298,584	(1,446,456)	(1,659,504)	(1,262,833)
Daily Percentage Change	0.0%	0.1%	-2.2%	-5.0%	-3.2%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	1,534,733	-	-	-	-
Reduced breakfasts (regular)	724,873	-	-	-	-
Free breakfasts (regular)	23,724,239	26,144,917	24,850,825	23,511,510	22,580,175
TOTAL PUPIL BREAKFASTS SERVED	$ 25,983,845	$ 26,144,917	$24,850,825	$ 23,511,510	$22,580,175
Daily Average	146,801	146,882	141,198	132,087	126,855
Change from Previous Year	(871,856)	161,072	(1,294,092)	(1,339,315)	(931,335)
Daily Percentage Change	-1.1%	0.1%	-3.9%	-6.5%	-4.0%
TOTAL MEALS SERVED	69,193,216	69,652,872	66,912,324	63,913,505	61,719,337
Daily Average	390,922	391,308	380,184	359,065	346,738
Total Change From Previous Year	(1,841,071)	459,656	(2,740,548)	(2,998,819)	(2,194,168)
Daily Percentage Change	-0.4%	0.1%	-2.8%	-5.6%	-3.4%
NUMBER OF ADULT LUNCHES (REGULAR)	429,877	241,263	241,533	217,541	202,997
Daily Average	2,429	1,355	1,372	1,222	1,140
Total Change From Previous Year	368,136	(188,614)	270	(23,992)	(14,544)
Daily Percentage Change	612.2%	-44.2%	1.3%	-10.9%	-6.7%

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)

	2014	2015	2016	2017	2018
REVENUE:					
Federal and State Sources	$ 189,152	$ 204,975	$ 207,506	$ 203,003	$ 197,854
Local Sources	13,698	7,747	8,428	8,704	13,420
Total Revenue	$ 202,850	$ 212,722	$ 215,934	$ 211,707	$ 211,274
EXPENDITURES:					
Career Service Salaries	$ 60,680	$ 60,303	$ 61,566	$ 62,551	$ 67,015
Career Service Pension	10,282	10,374	11,121	11,359	13,678
Hospitalization	23,567	23,562	23,770	21,351	21,867
Food	92,984	94,576	94,619	92,500	91,099
Professional and Special Services	2,927	3,942	4,234	4,909	6,101
Administrative Allocation	10,124	7,665	11,184	9,205	6,657
Other	2,286	2,174	3,351	5,878	4,856
Total Expenditures	$ 202,850	$ 202,596	$ 209,845	$ 207,753	$ 211,273
Revenues in excess of Expenditures	$ -	$ 10,126	$ 6,089	$ 3,954	$ 1
DAILY AVERAGE					
Revenues	$ 1,146	$ 1,195	$ 1,227	$ 1,189	$ 1,187
Expenditures	$ 1,146	$ 1,138	$ 1,192	$ 1,167	$ 1,187
PERCENTAGE CHANGE					
Revenues	-11.7%	4.9%	1.5%	-2.0%	-0.2%
Expenditures	-11.7%	-0.1%	3.6%	-1.0%	1.7%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2018

With Comparative Amounts for the Period Ended June 30, 2017

	2018 Schools	2018 Administrative Center	Total
Electricity			
Total Electricity Charges……….	$ 40,418,200	$ 114,963	$ 40,533,163
Kilowat Hours…………………….	535,087,144	1,191,251	$ 536,278,395
Charge per Kilowatt Hour……….	$ 0.07554	$ 0.09651	$ 0.07558
Gas			
Total Gas Charges………………	$ 20,217,133	$ -	$ 20,217,133
Therms……………………………	33,089,017	-	$ 33,089,017
Charge per Therm………………	$ 0.61099	$ -	$ 0.61099

	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

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY SALES AND PURCHASES
For the Fiscal Year Ended June 30, 2018

Sales

Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain / (Loss) on Sale
410 N Monticello	1973	$ -	$ 10,000	$ 10,000
1726 W Berteau	1950	-	5,300,000	5,300,000
1310 S Ashland	1960	-	2,102,018	2,102,018
112 W Garfield	1976	18,811	100,000	81,189
5055 S State Street	1957	-	100,000	100,000
11941 S Parnell Ave	1970	-	250,000	250,000
515-535 N Parkside	1907	-	175,000	175,000
5500 W Madison	1913	-	75,000	75,000
740 S Campbell	1941	-	1,510,000	1,510,000
838 W Marquette	1900	-	55,000	55,000
		$ 18,811	$ 9,677,018	$ 9,658,207

Purchases

Unit Location	Date Acquired	School	Purchase Cost
None			$ -
			$ -

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)
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%
2018	51,666	75,180	98,694	2.00%

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)
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%
2017………………………	853,474	10,933,032	(B)	10,888,979		50.1%		49.9%

NOTES:

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.

B) The actuarial value includes assets previously restricted for OPEB benefits.

STATISTICAL SECTION

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)
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	15,419	12,243
2018	2017-18	333,116	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

	2009	2010
Elementary		
Pre-Kindergarten	23,325	24,370
Kindergarten	28,975	29,632
Grades 1-3	93,416	92,581
Grades 4-6	89,234	88,695
Grades 7-8	59,839	58,231
Total Elementary	294,789	293,509
Secondary		
9th Grade	34,233	32,877
10th Grade	32,177	34,659
11th Grade	25,292	25,436
12th Grade	21,464	22,798
Total Secondary	113,166	115,770
Grand Total	407,955	409,279

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

2011	2012	2013	2014	2015	2016	2017	2018
23,705	24,232	24,507	23,671	22,873	22,555	20,673	19,441
28,812	29,594	30,936	30,166	28,978	27,651	26,093	24,963
91,899	92,302	91,880	92,251	92,526	91,347	86,610	82,188
87,834	87,630	86,966	86,244	86,066	85,391	85,022	84,478
56,791	56,520	56,773	56,184	54,233	54,174	53,898	52,960
289,041	290,278	291,062	288,516	284,676	281,118	272,296	264,030
31,081	30,336	29,812	30,069	30,366	29,130	27,623	27,566
33,303	32,230	31,343	30,963	31,130	31,189	29,704	28,453
26,277	27,039	26,610	26,500	26,378	26,714	27,284	26,279
22,979	24,268	24,634	24,497	24,133	24,134	24,442	25,054
113,640	113,873	112,399	112,029	112,007	111,167	109,053	107,352
402,681	404,151	403,461	400,545	396,683	392,285	381,349	371,382

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary…………	23.5	21.3	23.2	23.3	24.6	25.2	25.4	25.8	24.7	24.5
Secondary…………	19.5	19.7	19.8	19.2	19.8	21.5	21.9	20.3	23.7	24.4

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, 2018

Functions	2014	2015	2016	2017	2018
Instruction	26,123	26,261	25,615	25,044	24,010
Support services:					
Pupil support services	4,676	4,652	4,415	4,476	4,357
Administrative support services	1,042	1,038	705	821	925
Facilities support services	1,527	1,468	1,427	1,417	1,144
Instructional support services	2,920	2,965	2,788	2,671	2,515
Food services	2,860	2,762	2,721	2,712	2,700
Community services	266	247	250	204	197
Total government employees	39,414	39,393	37,921	37,345	35,848

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2006-2007	2008-2009	2009-2010	2010-2011
Number of Schools				
Elementary (A)……………………….	472	474	474	474
Special (C)…………………………..	18	17	13	12
High School………………………….	93	98	109	107
Vocational/Technical (C)………….	12	10	8	8
Charter Schools…………………….	27	67	71	82
Kindergarten to H.S. (K-12) (C)…..	-	-	-	-
Total Schools……………………..	622	666	675	683
School Enrollment (B)				
Elementary (A)……………………….	287,252	274,875	272,308	264,569
Special (C)…………………………..	3,222	2,762	2,073	1,940
High School………………………….	88,487	90,055	91,390	87,061
Vocational/Technical (C)………….	15,313	11,251	9,956	8,833
Charter Schools…………………….	19,420	29,012	33,552	40,278
Kindergarten to H.S. (K-12) (C)…..	-	-	-	-
Total School Enrollment…………	413,694	407,955	409,279	402,681
Number of High School Graduates….	18,235	18,972	22,245	20,131

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.

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
473	468	422	426	425	424	424
12	12	5	-	-	-	-
103	98	109	121	122	118	115
8	8	-	-	-	-	-
87	95	126	131	129	122	121
-	-	5	-	-	-	
683	681	667	678	676	664	660
263,540	261,638	254,864	251,554	247,487	239,606	231,470
1,839	1,961	907	-	-	-	-
85,068	81,735	86,184	88,183	86,208	83,739	82,511
8,226	7,927	-	-	-	-	-
45,478	50,200	54,572	56,946	58,590	58,004	57,401
-	-	4,018	-	-	-	-
404,151	403,461	400,545	396,683	392,285	381,349	371,382
20,914	22,447	22,817	22,825	22,839	22,805	23,230

STATISTICAL SECTION

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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, 2018, 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 23, 2019. Our report includes an emphasis of matter paragraph relative to the adoption of the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are 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.

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 23, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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, 2018. 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.

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, 2018.

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.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
January 23, 2019

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period		Amount of Grant
NATIONAL SECURITY AGENCY							
Direct Funding							
Language Grant Program	Startalk Arabic and Chinese	N/A	12.900	H-98230-17-1-0014	04/19/17-03/31/18	$	89,947
	Language Institute	N/A	12.900	H-98230-18-1-0159	04/12/18-03/31/19		90,000
	TOTAL NATIONAL SECURITY AGENCY					$	**179,947**
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	17-4210-00	09/01/16-09/30/17		N/A
		4210	10.555	18-4210-00	09/01/17-09/30/18		N/A
Food Donation Program	Food Donation Program * Noncash Awards	4290	10.555	18-4290-00	07/01/17-06/30/18		N/A
Summer Food Service Program for Children	Summer Food Service Program	4225	10.559	17-4225-00	10/01/16-09/30/17		N/A
School Breakfast Program	Breakfast Program	4220	10.553	17-4220-00	09/01/16-09/30/17		N/A
		4220	10.553	18-4220-00	09/01/17-09/30/18		N/A
	Total Child Nutrition Cluster					$	-
Passed Through Illinois State Board of Education (ISBE)							
Child and Adult Care Food Program	Child & Adult Care Food Program	4226	10.558	17-4226-00	09/01/16-09/30/17		N/A
		4226	10.558	18-4226-00	09/01/17-09/30/18		N/A
Fresh Fruit and Vegetable Program	Fresh Fruits and Vegetables	4240	10.582	17-4240-16 / 17-4240-17	07/01/16-09/30/17		N/A
		4240	10.582	17-4240-17 / 17-4240-18	07/01/17-09/30/18		N/A
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (not including cluster)					$	-
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (including cluster)					$	-
	TOTAL U.S. DEPARTMENT OF AGRICULTURE					$	-
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	16-4620-00	07/01/15-08/31/16	$	90,119,237
		4620	84.027A	17-4620-00	07/01/16-08/31/17		92,962,285
		4620	84.027A	18-4620-00	08/31/17-08/31/18		93,777,234
	Room and Board	4625	84.027A	17-4625-00	09/01/16-08/31/17		N/A
		4625	84.027A	18-4625-00	09/01/17-08/31/18		N/A
Special Education - Preschool Grants	IDEA - Pre-School Flow Through	4600	84.173A	17-4600-00	07/01/16-08/31/17		1,636,546
		4600	84.173A	18-4600-00	07/01/17-08/31/18		1,277,691
	IDEA - Pre-School Discretionary	4605	84.173A	17-4605-01	07/01/16-08/31/17		508,435
		4605	84.173A	18-4605-01	07/01/17-08/31/18		489,250
	Total Special Education Cluster (IDEA)					$	**280,770,678**
Passed Through Illinois State Board of Education (ISBE)							
Title I Grants to Local Education Agencies	Title I - Low Income	4300	84.010A	16-4300-00	07/01/15-08/31/16	$	323,134,906
		4300	84.010A	17-4300-00	07/01/16-08/31/17		303,328,046
		4300	84.010A	18-4300-00	07/01/17-08/31/18		282,519,959
	ESEA - School Improvement	4331	84.010A	17-4331-SS	07/01/16-06/30/17		3,915,800
		4331	84.010A	18-4331-SS	08/31/17-08/31/18		3,915,800
	ESEA - Title I - Low Income - Neglected Private	4305	84.010A	17-4305-00	07/01/16-08/31/17		684,384
		4305	84.010A	18-4305-00	09/29/17-08/31/18		624,385
	ESEA - Title I - Low Income - Delinquent Private	4306	84.010A	17-4306-00	07/01/16-08/31/17		947,785
		4306	84.010A	18-4306-00	09/29/17-08/31/18		1,332,876
	IL Empower Pilot	4399	84.010A	18-4399-IP	03/28/18-08/31/18		75,000

Accrued (Deferred) Grant Revenue June 30, 2017	Cash Received (Refunded) July 1, 2017 June 30, 2018	Revenue Recognized July 1, 2017 June 30, 2018	Federal Award Expenditures July 1, 2017 June 30, 2018	Pass Through to Subrecipients July 1, 2017 June 30, 2018	Accrued (Deferred) Grant Revenue June 30, 2018	Prior Years' Expenditures Through June 30, 2017	Final Status Cumulative Expenditures Through June 30, 2018
$ -	$ 89,731	$ 89,731	$ 89,731	$ -	$ -	$ -	$ 89,731
-	-	4,224	4,224	-	4,224	-	4,224
$ -	$ 89,731	$ 93,955	$ 93,955	$ -	$ 4,224	$ -	$ 93,955
$ 8,529,226	$ 22,622,029	$ 14,092,803	$ 14,092,803	$ -	$ -	$ 114,178,058	$ 128,270,861
-	105,261,411	113,262,226	113,262,226	-	8,000,815	-	113,262,226
-	12,464,139	12,464,139	12,464,139	-	-	13,673,672	26,137,811
-	2,435,123	2,435,123	2,435,123	-	-	-	2,435,123
3,291,420	8,447,740	5,156,320	5,156,320	-	-	41,999,463	47,155,783
-	38,281,313	41,259,472	41,259,472	-	2,978,159	-	41,259,472
$ 11,820,646	$ 189,511,755	$ 188,670,083	$ 188,670,083	$ -	$ 10,978,974	$ 169,851,193	$ 358,521,276
$ 341,683	$ 630,144	$ 288,461	$ 288,461	$ -	$ -	$ 7,192,622	$ 7,481,083
-	7,090,515	7,536,040	7,536,040	-	445,525	-	7,536,040
349,356	349,356	-	-	-	-	1,698,006	1,698,006
-	1,466,490	1,808,803	1,808,803	-	342,313	-	1,808,803
$ 691,039	$ 9,536,505	$ 9,633,304	$ 9,633,304	$ -	$ 787,838	$ 8,890,628	$ 18,523,932
$ 12,511,685	$ 199,048,260	$ 198,303,387	$ 198,303,387	$ -	$ 11,766,812	$ 178,741,821	$ 377,045,208
$ 12,511,685	$ 199,048,260	$ 198,303,387	$ 198,303,387	$ -	$ 11,766,812	$ 178,741,821	$ 377,045,208
$ -	$ (114,521)	$ (114,521)	$ (114,521)	$ -	$ -	$ 90,103,171	$ 89,988,650
9,154,296	9,682,487	528,191	528,191	-	-	90,619,014	91,147,205
-	68,377,509	87,636,803	87,636,803	-	19,259,294	-	87,636,803
441,129	1,079,161	638,032	638,032	-	-	1,081,476	1,719,508
-	473,162	473,162	473,162	-	-	-	473,162
282,223	284,435	2,212	2,212	-	-	1,268,078	1,270,290
-	733,584	1,163,625	1,163,625	-	430,041	-	1,163,625
180,196	158,454	(21,742)	(21,742)	-	-	443,773	422,031
-	209,882	348,246	348,246	-	138,364	-	348,246
$ 10,057,844	$ 80,884,153	$ 90,654,008	$ 90,654,008	$ -	$ 19,827,699	$ 183,515,512	$ 274,169,520
$ -	$ (419)	$ (419)	$ (419)	$ -	$ -	$ 278,504,266	$ 278,503,847
48,642,976	56,587,327	7,944,351	7,944,351	1,362,746	-	272,374,435	280,318,786
-	184,622,681	250,552,463	250,552,463	38,500,387	65,929,782	-	250,552,463
504,928	626,722	121,794	121,794	-	-	3,793,554	3,915,348
-	2,280,526	3,648,278	3,648,278	-	1,367,752	-	3,648,278
115,394	290,681	175,287	175,287	-	-	409,107	584,394
-	183,014	465,950	465,950	-	282,936	-	465,950
165,738	333,105	167,367	167,367	-	-	599,909	767,276
-	271,789	652,558	652,558	-	380,769	-	652,558
-	-	29,664	29,664	-	29,664	-	29,664

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant
Supporting Effective Instruction	Title IIA - Teacher Quality	4932	84.367A	17-4932-00	07/01/16-08/31/17	47,233,993
State Grants		4932	84.367A	18-4932-00	07/01/17-08/31/18	28,453,545
	Title II - Teacher Quality Leadership	4935	84.367A	17-4935-02	07/01/16-08/31/17	68,763
		4935	84.367A	18-4935-02	08/21/17-08/31/18	34,382
English Language Acquisition Grants	Title III - Lang Inst Prog - Limited	4909	84.365A	17-4909-00	09/01/16-08/31/17	13,425,047
	Eng LIPLEP	4909	84.365A	18-4909-00	09/01/17-08/31/18	11,896,752
	Title III - Immigrant Education Program (IEP)	4905	84.365A	17-4905-00	09/01/16-08/31/17	805,508
		4905	84.365A	18-4905-00	09/01/17-08/31/18	1,035,251
Student Support and Academic Enrichment Program	Title IVA Student Support and Academic Enrichment	4400	84.424A	18-4400-00	07/01/17-08/31/18	3,955,713
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
		4745	84.048A	17-4745-00	07/01/16-08/31/17	6,466,250
		4745	84.048A	18-4745-00	07/01/17-08/31/18	6,240,819
School Improvement Grants	School Improvement - Cohort 4	4339	84.377A	17-4339-14	07/01/16-08/31/17	1,301,738
	School Improvement - Cohort 5	4339	84.377A	17-4339-15	07/01/16-08/31/17	6,248,614
	School Improvement - Cohort 6	4339	84.377A	17-4339-16	07/01/16-08/31/17	2,000,000
	School Improvement - Cohort 5	4339	84.377A	18-4339-15	08/21/17-08/31/18	3,224,471
	School Improvement - Cohort 6	4339	84.377A	18-4339-16	08/21/17-08/31/18	2,140,458
Twenty-First Century Community	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-13	07/01/16-08/31/17	2,362,500
Learning Centers	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-15	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-25	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-35	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-45	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-55	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	17-4421-65	07/01/16-08/31/17	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-13	07/01/17-08/31/18	3,150,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-15	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-25	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-35	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-45	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-55	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-65	07/01/17-08/31/18	540,000
	Title IV- 21st Century Comm Learning Center	4421	84.287	18-4421-75	04/03/18-08/31/18	135,000
Education for Homeless Children	McKinney Education for Homeless Children	4920	84.196A	17-4920-RF	08/15/16-06/30/17	838,706
and Youth		4920	84.196A	18-4920-00	08/21/17-06/30/18	911,213
Preschool Development Grants	Preschool Expansion	4902	84.419B	17-4902-PE	07/01/16-06/30/17	473,561
		4902	84.419B	18-4902-PE	10/03/17-08/31/18	2,999,131
	Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)					**$ 1,078,320,810**
	Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)					**$ 1,359,091,488**
Direct Funding						
TRIO Cluster						
TRIO- Talent Search	Pullman Talent Search	N/A	84.044A	P044A160585	09/01/16-07/31/17	$ 240,000
		N/A	84.044A	P044A160585	09/01/17-08/31/18	261,110
	Total TRIO Cluster					**$ 501,110**
Direct Funding						
Impact Aid	Federal Impact Aid Grant	N/A	84.041	S041B-2016-1446	07/01/16-06/30/17	N/A
		N/A	84.041	S041B-2016-1446	07/01/17-06/30/18	N/A
Indian Education - Grants to Local	Indian Elementary/Secondary School	N/A	84.060A	S060A160666	07/01/16-06/30/17	202,065
Education Agencies	Assistance Program	N/A	84.060A	S060A170666	07/01/17-06/30/18	204,142
Magnet Schools Assistance Program	Magnet Schools Assistance Program	N/A	84.165A	U165A170071	10/01/17-09/30/18	2,672,187
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

STATUTORY REPORTING SECTION

Accrued (Deferred) Grant Revenue June 30, 2017	Cash Received (Refunded) July 1, 2017 June 30, 2018	Revenue Recognized July 1, 2017 June 30, 2018	Federal Award Expenditures July 1, 2017 June 30, 2018	Pass Through to Subrecipients July 1, 2017 June 30, 2018	Accrued (Deferred) Grant Revenue June 30, 2018	Prior Years' Expenditures Through June 30, 2017	Final Status Cumulative Expenditures Through June 30, 2018
5,756,146	7,675,970	1,919,824	1,919,824	832,872	-	39,346,867	41,266,691
-	18,244,245	24,524,518	24,524,518	2,599,263	6,280,273	-	24,524,518
-	20,600	20,600	20,600	-	-	8,300	28,900
-	6,575	12,226	12,226	-	5,651	-	12,226
1,296,508	2,223,240	926,732	926,732	147,737	-	8,119,295	9,046,027
-	6,488,773	8,746,426	8,746,426	650,167	2,257,653	-	8,746,426
160,084	261,297	101,213	101,213	-	-	555,946	657,159
-	-	143,987	143,987	-	143,987	-	143,987
-	690,965	3,297,275	3,297,275	510,704	2,606,310	-	3,297,275
-	(2,550)	(2,550)	(2,550)	-	-	5,620,438	5,617,888
2,018,688	2,612,075	593,387	593,387	-	-	5,832,984	6,426,371
-	3,019,117	5,485,885	5,485,885	-	2,466,768	-	5,485,885
219,712	365,983	146,271	146,271	-	-	707,389	853,660
1,006,511	1,462,200	455,689	455,689	-	-	5,068,454	5,524,143
587,828	577,492	(10,336)	(10,336)	-	-	1,869,878	1,859,542
-	1,542,326	2,536,689	2,536,689	-	994,363	-	2,536,689
-	927,943	1,773,824	1,773,824	-	845,881	-	1,773,824
678,356	902,458	224,102	224,102	-	-	2,118,077	2,342,179
145,447	243,755	98,308	98,308	-	-	404,132	502,440
117,613	222,447	104,834	104,834	-	-	397,341	502,175
138,095	287,389	149,294	149,294	-	-	377,917	527,211
134,405	226,970	92,565	92,565	-	-	440,235	532,800
244,884	329,454	84,570	84,570	-	-	442,215	526,785
99,798	145,066	45,268	45,268	-	-	452,577	497,845
-	1,065,318	2,549,888	2,549,888	-	1,484,570	-	2,549,888
-	205,637	453,443	453,443	-	247,806	-	453,443
-	206,097	393,720	393,720	-	187,623	-	393,720
-	165,010	430,828	430,828	-	265,818	-	430,828
-	210,969	468,219	468,219	-	257,250	-	468,219
-	119,000	397,434	397,434	-	278,434	-	397,434
-	250,391	460,569	460,569	-	210,178	-	460,569
-	-	53,696	53,696	-	53,696	-	53,696
838,706	838,676	(30)	(30)	-	-	838,706	838,676
-	429	911,213	911,213	-	910,784	-	911,213
384,624	383,696	(928)	(928)	-	-	472,002	471,074
-	2,273,917	2,999,131	2,999,131	-	725,214	-	2,999,131
$ 63,256,441	$ 299,388,356	$ 324,345,077	$ 324,345,077	$ 44,603,876	$ 88,213,162	$ 628,754,024	$ 953,099,101
$ 73,314,285	$ 380,272,509	$ 414,999,085	$ 414,999,085	$ 44,603,876	$ 108,040,861	$ 812,269,536	$ 1,227,268,621
$ 31,577	$ 96,471	$ 64,894	$ 64,894	$ -	$ -	$ 159,996	$ 224,890
-	135,894	212,167	212,167	-	76,273	-	212,167
$ 31,577	$ 232,365	$ 277,061	$ 277,061	$ -	$ 76,273	$ 159,996	$ 437,057
$ 15,992	$ 15,992	$ -	$ -	$ -	$ -	$ 87,156	$ 87,156
-	55,674	68,249	68,249	-	12,575	-	68,249
33,980	20,518	521	521	-	13,983	164,206	164,727
-	124,777	183,363	183,363	-	58,586	-	183,363
-	23,407	362,971	362,971	-	339,564	-	362,971
196,113	196,236	123	123	-	-	879,887	880,010

CHICAGO PUBLIC SCHOOLS
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SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Fiscal Year Ended June 30, 2018

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period		Amount of Grant
Start on Success Program	Start on Success Program	N/A	84.215H	U215H150069	10/01/16-09/30/17		447,615
		N/A	84.215H	U215H150069	10/01/17-09/30/18		614,777
Arts in Education	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140052-16	10/01/16-09/30/17		349,639
		N/A	84.351C	U351C140052-16	10/01/17-09/30/18		460,789
Teacher Incentive Fund	Distributed Leadership in Opportunity Schools	N/A	84.374A	U374A170088	10/01/17-09/30/18		1,814,488
Safe and Drug-Free Schools	Healing Trauma Together	N/A	84.184C	S184C160002	10/01/16-09/30/17		1,274,909
and Communities		N/A	84.184C	S184C160002	10/01/17-09/30/18		1,989,718
	Total U.S. Department of Education - Direct Funding (not including cluster)					**$**	**10,945,141**
	Total U.S. Department of Education - Direct Funding (including cluster)					**$**	**11,446,251**
Passed Through Illinois Department of Human Services							
Rehabilitation Grants to States	Secondary Transitional Experience	N/A	84.126	46CVF00155	07/07/16-06/30/17	$	400,000
	Program (STEP)	N/A	84.126	46CWF00155	07/01/17-06/30/18		400,000
	Total U.S. Department of Education Passed Through IDHS					**$**	**800,000**
Passed Through University of Southern California							
Pathways for Success University	Pathways For Success - University						
of Southern California	of Southern California	N/A	84.305A	R305A140281-15/55562128	07/01/16-06/30/17	$	27,846
	Total U.S. Department of Education Passed Through University of Southern California					**$**	**27,846**
Passed Through Northeastern Illinois University							
Readiness for Undergraduate	Gear-Up 4 (Year 6)	N/A	84.334A	P334A100031/ P0044855	10/01/16-09/30/17	$	101,754
Program	Gear Up 5 (Year 6)	N/A	84.334A	P334A110082 / P0044924	09/26/16-09/25/17		947,024
	Gear Up 5 (Year 7)	N/A	84.334A	P334A110082 / P0048086	09/26/17-09/25/18		1,023,250
	Gear Up 6 (Year 3)	N/A	84.334A	P334A140132 / P0044925	09/25/16-09/24/17		1,072,855
	Gear Up 6 (Year 4)	N/A	84.334A	P334A140132 / P0048087	09/25/17-09/24/18		864,212
Twenty-First Century Community	Illinois 21st Century CLC NEIU -	N/A	84.287	PO#0044304	10/24/16-06/30/17		18,504
Learning Centers	Ella Flagg Young	N/A	84.287	PO#0047632	11/01/17-06/30/18		36,692
	Illinois 21st Century CLC NEIU -	N/A	84.287	PO#0044301	10/24/16-06/30/17		16,070
	Duke Ellington	N/A	84.287	P0#0047628	11/01/17-06/30/18		16,232
	Illinois 21st Century CLC NEIU- Michelle Clark	N/A	84.287	PO#0044302	10/24/16-06/30/17		12,806
	Illinois 21st Century CLC NEIU -	N/A	84.287	PO#0044303	10/24/16-06/30/17		7,172
	Frederick A Douglas	N/A	84.287	PO#0047772	12/04/17-06/30/18		4,058
	Total U.S. Department of Education Passed Through Northeastern Illinois University					**$**	**4,120,629**
Passed Through University of Minnesota							
Midwest Expansion of the Child	Midwest Expansion of the Child Parent Center	N/A	84.411B	U411B110098	01/01/15-06/30/16	$	1,564,904
Parent Center Education	Education Program	N/A	84.411B	U411B110098	01/02/16-12/30/16		1,651,843
	Total U.S. Department of Education Passed Through University of Minnesota					**$**	**3,216,747**
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
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation					**$**	**190,000**
	TOTAL U.S. DEPARTMENT OF EDUCATION					**$**	**1,378,892,961**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through Centers for Disease Control							
Substance Abuse and Mental	CDC Strategy 1 Youth Risk Behavior	N/A	93.079	1U87PS004162-04	08/01/16-07/31/17	$	320,000
Health Service	Survey (HIV)	N/A	93.079	1U87PS004162-05	08/01/17-07/31/18		271,672
	CDC Strategy 1 Youth Risk Behavior	N/A	93.079	1U87PS004162-04	08/01/16-07/31/17		50,000
	Survey (YRBS)	N/A	93.079	1U87PS004162-05	08/01/17-07/31/18		61,250
	Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control					**$**	**702,922**

Accrued (Deferred) Grant Revenue June 30, 2017	Cash Received (Refunded) July 1, 2017 June 30, 2018	Revenue Recognized July 1, 2017 June 30, 2018	Federal Award Expenditures July 1, 2017 June 30, 2018	Pass Through to Subrecipients July 1, 2017 June 30, 2018	Accrued (Deferred) Grant Revenue June 30, 2018	Prior Years' Expenditures Through June 30, 2017	Final Status Cumulative Expenditures Through June 30, 2018
43,482	90,793	47,311	47,311	-	-	180,918	228,229
-	181,429	255,209	255,209	-	73,780	-	255,209
109,491	183,903	74,412	74,412	-	-	408,026	482,438
-	100,437	250,481	250,481	-	150,044	-	250,481
-	53,427	448,149	448,149	-	394,722	-	448,149
83,967	227,128	190,852	190,852	-	47,691	194,430	385,282
-	341,848	837,619	837,619	-	495,771	-	837,619
$ 483,025	**$ 1,615,569**	**$ 2,719,260**	**$ 2,719,260**	**$ -**	**$ 1,586,716**	**$ 1,914,623**	**$ 4,633,883**
$ 514,602	**$ 1,847,934**	**$ 2,996,321**	**$ 2,996,321**	**$ -**	**$ 1,662,989**	**$ 2,074,619**	**$ 5,070,940**
$ 173,525	$ 173,525	$ -	$ -	$ -	$ -	$ 373,875	$ 373,875
-	180,150	400,000	400,000	-	219,850	-	400,000
$ 173,525	**$ 353,675**	**$ 400,000**	**$ 400,000**	**$ -**	**$ 219,850**	**$ 373,875**	**$ 773,875**
$ 25,501	$ 25,501	$ -	$ -	$ -	$ -	$ 25,501	$ 25,501
$ 25,501	**$ 25,501**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 25,501**	**$ 25,501**
$ 18,795	$ 33,693	$ 14,898	$ 14,898	$ -	$ -	$ 59,493	$ 74,391
290,795	448,669	157,874	157,874	-	-	569,585	727,459
-	360,482	628,791	628,791	-	268,309	-	628,791
225,172	532,400	307,228	307,228	-	-	549,692	856,920
-	357,322	610,943	610,943	-	253,621	-	610,943
24,989	18,068	(6,921)	(6,921)	-	-	24,989	18,068
-	12,633	20,528	20,528	-	7,895	-	20,528
13,760	13,564	(196)	(196)	-	-	13,760	13,564
-	-	13,581	13,581	-	13,581	-	13,581
11,459	10,737	(722)	(722)	-	-	11,459	10,737
1,132	1,116	(16)	(16)	-	-	1,132	1,116
-	-	6,979	6,979	-	6,979	-	6,979
$ 586,102	**$ 1,788,684**	**$ 1,752,967**	**$ 1,752,967**	**$ -**	**$ 550,385**	**$ 1,230,110**	**$ 2,983,077**
$ -	$ 788,612	$ 788,612	$ 788,612	$ -	$ -	$ 1,486,894	$ 2,275,506
352,754	352,724	(30)	(30)	-	-	352,754	352,724
$ 352,754	**$ 1,141,336**	**$ 788,582**	**$ 788,582**	**$ -**	**$ -**	**$ 1,839,648**	**$ 2,628,230**
$ 99,439	$ 95,000	$ (4,439)	$ (4,439)	$ -	$ -	$ 174,020	$ 169,581
$ 99,439	**$ 95,000**	**$ (4,439)**	**$ (4,439)**	**$ -**	**$ -**	**$ 174,020**	**$ 169,581**
$ 75,066,208	**$ 385,524,639**	**$ 420,932,516**	**$ 420,932,516**	**$ 44,603,876**	**$ 110,474,085**	**$ 817,987,309**	**$ 1,238,919,825**
$ 94,494	$ 154,383	$ 59,889	$ 59,889	$ -	$ -	$ 218,349	$ 278,238
-	177,123	262,418	262,418	-	85,295	-	262,418
12,761	17,269	4,508	4,508	-	-	45,492	50,000
-	14,841	44,766	44,766	-	29,925	-	44,766
$ 107,255	**$ 363,616**	**$ 371,581**	**$ 371,581**	**$ -**	**$ 115,220**	**$ 263,841**	**$ 635,422**

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, 2018

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant
Passed Through City of Chicago Department of Family and Support Services						
Head Start	Head Start - Child Development	N/A	93.600	PO#33360-1	12/01/16-11/30/17	$ 37,619,688
		N/A	93.600	PO#33360-3	12/01/17-11/30/18	35,912,000
	Head Start - Supp DIS SP initiatives	N/A	93.600	IGA	12/01/16-11/30/17	1,132,670
		N/A	93.600	IGA	12/01/17-11/30/18	1,021,990
	Total U.S. Department of Health and Human Services Passed Through City of Chicago Department of Family and Support Services					**$ 75,686,348**
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
	Teen Pregnancy Prevention Grant (MICAH)	N/A	93.297	TP1AH000066-05-00	07/01/16-06/30/17	65,000
	Teen Pregnancy Prevention Grant (MICAH)	N/A	93.297	TP2AH000034-00-00	07/01/17-06/30/18	79,466
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
		N/A	93.767	1Z0CMS331507-02-03	07/01/17-06/30/18	649,936
	Total U.S. Department of Health and Human Services - Direct Funding					**$ 2,210,317**
Passed Through Illinois Department of Human Services						
Refugee and Entrant Assistance	Refugee Children Impact Grant	N/A	93.566	FCSUVK01131	07/01/16-06/30/17	$ 57,525
		N/A	93.566	FCSWK01131	07/01/17-06/30/18	57,525
	Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services					**$ 115,050**
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	07/01/13-06/30/18	N/A
	Total Medicaid Cluster					**$ -**
	Total U.S. Department of Health and Human Services Passed Through IDHFS (including cluster)					**$ -**
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**$ 78,714,637**
U.S. DEPARTMENT OF JUSTICE						
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	01/01/15-12/31/16	$ 737,860
		N/A	16.560	2014-CK-BX-0002	01/01/16-12/31/17	720,009
		N/A	16.560	2014-CK-BX-0002	01/01/18-12/31/18	739,307
	Total U.S. Department of Justice - Direct Funding					**$ 2,197,176**
	TOTAL U.S. DEPARTMENT OF JUSTICE					**$ 2,197,176**
U.S. DEPARTMENT OF LABOR						
Passed Through Manufacturing Renaissance						
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17	07/01/16-06/30/17	$ 186,000
		N/A	17.274	YC-25414-14-60-A-17	07/01/17-06/30/18	73,083
	Total U.S. Department of Labor Passed Through Manufacturing Renaissance					**$ 259,083**
	TOTAL U.S. DEPARTMENT OF LABOR					**$ 259,083**
U.S. DEPARTMENT OF COMMERCE						
Passed through the Illinois Department 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
	Total U.S. Department of Commerce Passed Through Illinois Department of Commerce and Economic Opportunity					**$ 100,000**
	TOTAL U.S. DEPARTMENT OF COMMERCE					**$ 100,000**
U.S. DEPARTMENT OF DEFENSE						
Passed Through City Colleges of Chicago						
Basic and Applied Scientific Research	Critical MASS Year 4	N/A	12.300	17-12-1-0738	04/01/16-03/31/17	420,000
	Critical MASS Year 5	N/A	12.300	18-12-1-0738	04/01/17-03/31/18	410,000
	Total U.S. Department of Defense Passed Through City Colleges of Chicago					**$ 830,000**

Accrued (Deferred) Grant Revenue June 30, 2017	Cash Received (Refunded) July 1, 2017 June 30, 2018	Revenue Recognized July 1, 2017 June 30, 2018	Federal Award Expenditures July 1, 2017 June 30, 2018	Pass Through to Subrecipients July 1, 2017 June 30, 2018	Accrued (Deferred) Grant Revenue June 30, 2018	Prior Years' Expenditures Through June 30, 2017	Final Status Cumulative Expenditures Through June 30, 2018
$ 3,228,984	$ 13,944,048	$ 10,715,064	$ 10,715,064	$ -	$ -	$ 25,335,304	$ 36,050,368
-	13,256,920	22,509,903	22,509,903	-	9,252,983	-	22,509,903
599,434	962,345	362,911	362,911	-	-	599,434	962,345
-	-	631,026	631,026	-	631,026	-	631,026
$ 3,828,418	**$ 28,163,313**	**$ 34,218,904**	**$ 34,218,904**	**$ -**	**$ 9,884,009**	**$ 25,934,738**	**$ 60,153,642**
$ -	$ (237,820)	$ (237,820)	$ (237,820)	$ -	$ -	$ 832,295	$ 594,475
38,385	38,385	-	-	-	-	45,890	45,890
-	40,436	59,681	59,681	-	19,245	-	59,681
104,039	110,956	6,917	6,917	-	-	267,268	274,185
-	338,342	367,834	367,834	-	29,492	-	367,834
$ 142,424	**$ 290,299**	**$ 196,612**	**$ 196,612**	**$ -**	**$ 48,737**	**$ 1,145,453**	**$ 1,342,065**
$ 18,713	$ 18,381	$ (332)	$ (332)	$ -	$ -	$ 56,653	$ 56,321
-	40,181	57,525	57,525	-	17,344	-	57,525
$ 18,713	**$ 58,562**	**$ 57,193**	**$ 57,193**	**$ -**	**$ 17,344**	**$ 56,653**	**$ 113,846**
$ 2,345,573	$ 7,962,222	$ 7,991,372	$ 7,991,372	$ -	$ 2,374,723	$ 41,428,175	$ 49,419,547
$ 2,345,573	**$ 7,962,222**	**$ 7,991,372**	**$ 7,991,372**	**$ -**	**$ 2,374,723**	**$ 41,428,175**	**$ 49,419,547**
$ 2,345,573	**$ 7,962,222**	**$ 7,991,372**	**$ 7,991,372**	**$ -**	**$ 2,374,723**	**$ 41,428,175**	**$ 49,419,547**
$ 6,442,383	**$ 36,838,012**	**$ 42,835,662**	**$ 42,835,662**	**$ -**	**$ 12,440,033**	**$ 68,828,860**	**$ 111,664,522**
$ 20,555	$ 20,555	$ -	$ -	$ -	$ -	$ 533,301	$ 533,301
27,319	115,863	88,544	88,544	-	-	71,114	159,658
-	15,112	534,771	534,771	-	519,659	-	534,771
$ 47,874	**$ 151,530**	**$ 623,315**	**$ 623,315**	**$ -**	**$ 519,659**	**$ 604,415**	**$ 1,227,730**
$ 47,874	**$ 151,530**	**$ 623,315**	**$ 623,315**	**$ -**	**$ 519,659**	**$ 604,415**	**$ 1,227,730**
$ 137,442	$ 120,002	$ (17,440)	$ (17,440)	$ -	$ -	$ 137,442	$ 120,002
-	-	61,627	61,627	-	61,627	-	61,627
$ 137,442	**$ 120,002**	**$ 44,187**	**$ 44,187**	**$ -**	**$ 61,627**	**$ 137,442**	**$ 181,629**
$ 137,442	**$ 120,002**	**$ 44,187**	**$ 44,187**	**$ -**	**$ 61,627**	**$ 137,442**	**$ 181,629**
$ 18,418	$ 18,418	$ -	$ -	$ -	$ -	$ 99,125	$ 99,125
$ 18,418	**$ 18,418**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 99,125**	**$ 99,125**
$ 18,418	**$ 18,418**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 99,125**	**$ 99,125**
-	27,475	27,475	27,475	-	-	393,666	421,141
68,261	215,935	252,198	252,198	-	104,524	68,261	320,459
$ 68,261	**$ 243,410**	**$ 279,673**	**$ 279,673**	**$ -**	**$ 104,524**	**$ 461,927**	**$ 741,600**

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, 2018

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period		Amount of Grant
Direct Funding							
Basic Scientific Research	Accelerated STEM Program of	N/A	12.431	W911NF-15-1-0251	05/15/16-06/30/17	$	883,925
	Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/17-06/30/18		1,031,822
		N/A	12.431	W911NF-15-1-0251	05/15/18-06/30/19		1,084,253
	Total U.S. Department of Defense - Direct Funding					**$**	**3,000,000**
	TOTAL U.S. DEPARTMENT OF DEFENSE					**$**	**3,830,000**
ENVIRONMENTAL PROTECTION AGENCY							
Environmental Education							
Grant Program	CIMBY-EPA	N/A	66.951	NE-83619701-0	04/01/16-09/30/17	$	192,200
	Total Environmental Protection Agency					**$**	**192,200**
NATIONAL SCIENCE FOUNDATION							
Passed Through DePaul University							
Computer and Information Science	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	10/15/15-06/30/16	$	114,346
and Engineering	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	07/01/16-06/30/17		232,138
	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	07/01/17-09/30/19		274,340
	Chicago Alliance For Equity in						
	Computer Science	N/A	47.070	501334SG159	10/15/17-09/30/18		164,334
Education and Human Resources	Advancing High School Computer Science						
	Through Math and Science Integration	N/A	47.076	501313SG151	06/15/17-05/31/18		128,898
	Total National Science Foundation Passed Through DePaul University					**$**	**914,056**
Passed Through The Learning Partnership							
Computer and Information Science	Adapting and Implementing a Geospatial High						
and Engineering	School Course in Career and Technical Education						
	Clusters in Urban Settings	N/A	47.070	LP201801	01/15/17-12/31/18	$	238,068
	Total National Science Foundation Passed Through The Learning Partnership					**$**	**238,068**
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
	Total National Science Foundation Passed University of Massachusetts					**$**	**60,593**
	TOTAL NATIONAL SCIENCE FOUNDATION					**$**	**1,212,717**
	GRAND TOTAL					**$**	**1,465,578,721**

Accrued (Deferred) Grant Revenue June 30, 2017	Cash Received (Refunded) July 1, 2017 June 30, 2018	Revenue Recognized July 1, 2017 June 30, 2018	Federal Award Expenditures July 1, 2017 June 30, 2018	Pass Through to Subrecipients July 1, 2017 June 30, 2018	Accrued (Deferred) Grant Revenue June 30, 2018	Prior Years' Expenditures Through June 30, 2017	Final Status Cumulative Expenditures Through June 30, 2018
$ 245,951	$ 274,167	$ 28,216	$ 28,216	$ -	$ -	$ 727,042	$ 755,258
-	331,325	491,366	491,366	-	160,041	-	491,366
-	-	49,269	49,269	-	49,269	-	49,269
$ 245,951	**$ 605,492**	**$ 568,851**	**$ 568,851**	**$ -**	**$ 209,310**	**$ 727,042**	**$ 1,295,893**
$ 314,212	**$ 848,902**	**$ 848,524**	**$ 848,524**	**$ -**	**$ 313,834**	**$ 1,188,969**	**$ 2,037,493**
$ 18,824	$ 98,129	$ 98,470	$ 98,470	$ -	$ 19,165	$ 70,665	$ 169,135
$ 18,824	**$ 98,129**	**$ 98,470**	**$ 98,470**	**$ -**	**$ 19,165**	**$ 70,665**	**$ 169,135**
$ 24,435	$ (7,659)	$ (7,659)	$ (7,659)	$ -	$ 24,435	$ 50,760	$ 43,101
18,728	-	(18,728)	(18,728)	-	-	18,728	-
-	24,648	43,678	43,678	-	19,030	-	43,678
-	-	5,424	5,424	-	5,424	-	5,424
-	-	4,905	4,905	-	4,905	-	4,905
$ 43,163	**$ 16,989**	**$ 27,620**	**$ 27,620**	**$ -**	**$ 53,794**	**$ 69,488**	**$ 97,108**
$ -	$ -	$ 21,597	$ 21,597	$ -	$ 21,597	$ -	$ 21,597
$ -	**$ -**	**$ 21,597**	**$ 21,597**	**$ -**	**$ 21,597**	**$ -**	**$ 21,597**
$ 19,419	$ 23,212	$ 28,321	$ 28,321	$ -	$ 24,528	$ 19,419	$ 47,740
$ 19,419	**$ 23,212**	**$ 28,321**	**$ 28,321**	**$ -**	**$ 24,528**	**$ 19,419**	**$ 47,740**
$ 62,582	**$ 40,201**	**$ 77,538**	**$ 77,538**	**$ -**	**$ 99,919**	**$ 88,907**	**$ 166,445**
$ 94,619,628	**$ 622,777,824**	**$ 663,857,554**	**$ 663,857,554**	**$ 44,603,876**	**$ 135,699,358**	**$ 1,067,747,513**	**$ 1,731,605,067**

STATUTORY REPORTING SECTION

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, 2018

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total	
School Breakfast Program **(1)**	10.553	$ 46,415,792	$ -	$ -	
National School Lunch Program **(1)**	10.555	139,819,168	-	188,670,083	**(1)**
Child and Adult Care Food Program	10.558	7,824,501	-	-	
Summer Food Service Program for Children **(1)**	10.559	2,435,123	-	-	
Fresh Fruit and Vegetable Program	10.582	1,808,803	-	-	
Basic and Applied Scientific Research	12.300	279,673	-	-	
Basic Scientific Research	12.431	568,851	-	-	
Language Grant Program	12.900	93,955	-	-	
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	623,315	-	-	
Youthbuild	17.274	44,187	-	-	
Computer and Information Science and Engineering	47.070	44,312	-	-	
Broadening Advanced Technological Education Connections	47.076	33,226	-	-	
Environmental Education Grant Program	66.951	98,470	-	-	
Title I Grants to Local Education Agencies	84.010	263,757,293	39,863,133	-	
Special Education Grants to State **(2)**	84.027	89,161,667	-	90,654,008	**(2)**
Impact Aid	84.041	68,249	-	-	
TRIO - Talent Search **(3)**	84.044	277,061	-	277,061	**(3)**
Career and Technical Education	84.048	6,076,722	-	-	
Indian Education - Grants to Local Education Agencies	84.060	183,884	-	-	
Rehabilitation Grants to States	84.126	400,000	-	-	
Magnet Schools Assistance Program	84.165	362,971	-	-	
Special Education - Preschool Grants **(2)**	84.173	1,492,341	-	-	
Safe and Drug-Free Schools and Communities	84.184	1,028,471	-	-	
Education for Homeless Children and Youth	84.196	911,183	-	-	

Program Name	Federal Catalog Number	Federal Award Expenditures	Pass Through to Subrecipients	Cluster Total	
Fund for the Improvement of Education	84.215	302,643	-	-	
Twenty-First Century Community Learning Centers	84.287	6,039,971	-	-	
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	1,719,734	-	-	
Arts in Education	84.351	324,893	-	-	
English Language Acquisition Grants	84.365	9,918,358	797,904	-	
Supporting Effective Instruction State Grants	84.367	26,477,168	3,432,135	-	
Teacher Incentive Fund	84.374	448,149	-	-	
School Improvement Grants	84.377	4,902,137	-	-	
Midwest Expansion of the Child Parent Center Education	84.411	784,143	-	-	
Preschool Expansion	84.419	2,998,203	-	-	
Student Support and Academic Enrichment Program	84.424	3,297,275	510,704	-	
Cooperative Agreements to Promote Adolscent Health through Substance Abuse and Mental Health Services	93.079	371,581	-	-	
Teen Pregnancy Prevention Program	93.297	(178,139)	-	-	
Refugee and Entrant Assistance	93.566	57,193	-	-	
Head Start	93.600	34,218,904	-	-	
Projects of Regional and National Significance Children's Health Insurance Program	93.767	374,751	-	-	
Medical Assistance Program **(4)**	93.778	7,991,372	-	7,991,372	**(4)**
Total		**$663,857,554**	**$ 44,603,876**	**$287,592,524**	

Clusters:
(1) Child Nutrition Cluster
(2) Special Education Cluster (IDEA)
(3) TRIO Cluster
(4) Medicaid Cluster

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SINGLE AUDIT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018, 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, 2018.

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, 2018. 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	$663,857,554
E-Rate program revenues not included in the Schedule	39,123,393
Medicaid Fee for Service Revenue not included in the Schedule	24,429,474
Build America Bonds (BABS) revenue not included in the Schedule	25,002,627
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	9,607,550
Adjustments to record revenue that do not provide current financial resources	5,907,864
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$767,928,462

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, 2018, 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, 2018

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?	_X_ yes ___ no

Identification of major federal programs:

CFDA Number	Name of Federal Program	Amount Expended
10.553	Child Nutrition Cluster: School Breakfast Program	$46,415,792
10.555	Child Nutrition Cluster: National School Lunch Program	139,819,168
10.559	Child Nutrition Cluster: Summer Food Service Program for Children	2,435,123
10.558	Child and Adult Care Food Program	7,824,501
84.287	Twenty-First Century Community Learning Centers	6,039,971
84.424	Student Support and Academic Enrichment Program	3,297,275
		$205,831,830

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.

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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 whollyowned 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.

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 the last 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, 2018, 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.

<u>Tax Levy</u>. There are over 800 units of local government (the **"Units"**) located in whole or in part in the County that have taxing power. There are six major units of local government located in whole or in part within the boundaries of the School District which are: the City; the Chicago Park District; Community College District Number 508; the County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real property taxes, proceedings are adopted by the governing body of each Unit. Typically, real property taxes are levied in one calendar year and collected in the following calendar year. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real property taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the **"County Collector"**).

The Local Government Debt Reform Act (30 ILCS 350/16) (the "**Debt Reform Act**") includes special provisions applicable to tax levies to pay debt service on general obligation bonds, including Alternate Revenue Bonds, such as the Bonds. A governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds, including Alternate Revenue Bonds, at any time prior to March 1 of the calendar year during which the tax will be collected. The County Clerk is required to accept the filing of the ordinance levying such tax notwithstanding that such time is subsequent to the end of the calendar year next preceding the calendar year during which such tax will be collected.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law. Pursuant to the Debt Reform Act, in extending taxes for general obligation bonds, including Alternate Revenue Bonds, such as the Bonds, the County Clerk is required to increase the levy for debt service on such bonds to provide an allowance for loss in collections, in an amount sufficient, in view of all losses and delinquencies in tax collection, to produce tax receipts adequate for the prompt payment of such debt service.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the **"Warrant Books"**) the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the **"Truth in Taxation Law"**) contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service (including debt service on Alternate Revenue Bonds, such as the Bonds), levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the Unit's general obligations bonds and notes (including payment of debt service on Alternate Revenue Bonds, such as the Bonds).

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2008 to 2018; the first installment penalty date has been March 1, 2 or 3 for all years.

Second Installment

Tax Year	Penalty Date
2018	August 1, 2019
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 2018, collectible in 2019, the allowance for uncollectible taxes is approximately 3.5 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 2019A BONDS

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019A 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. 19-0724-RS1, adopted by the Board of Education of the City of Chicago (the "*Board*") on July 24, 2019 being entitled:

> RESOLUTION AUTHORIZING 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 $432,000,000 FOR THE PURPOSE OF PAYING THE COST OF REFUNDING OUTSTANDING BONDS OF SAID BOARD OF EDUCATION

(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 $432,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2019 to 2029, 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 $225,283,872.25 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A (the "*Series 2019A 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 2019A Bonds (the "*Series 2019A Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A 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 2019A Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2019A 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 2019A Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2019A 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 2019A 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 2019A 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 2019A 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 2019A Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of September, 2019.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2019A PLEDGED TAXES

LEVY YEAR	TAX LEVY
2019	$7,839,000
2020	7,839,000
2021	7,839,000
2022	7,839,000
2023	7,839,000
2024	43,579,000
2025	44,444,000
2026	45,344,000
2027	46,309,000
2028	47,300,500
2029	48,357,750

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Trust Indenture, dated as of September 1, 2019 (the "*Series 2019A Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $225,283,872.25 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A, of the Board (the "*Series 2019A Bonds*"), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2019A Bonds described in said Direction and will apply all collections of the Series 2019A Pledged Taxes as provided in the Direction and the Series 2019A 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 September, 2019, 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 2019A, 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 2029, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of September, 2019.

____
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 September, 2019, 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 2019A, 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 2029, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of September, 2019.

____

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 2019B BONDS

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019B 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. 19-0724-RS1, adopted by the Board of Education of the City of Chicago (the "*Board*") on July 24, 2019 being entitled:

> RESOLUTION AUTHORIZING 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 $432,000,000 FOR THE PURPOSE OF PAYING THE COST OF REFUNDING OUTSTANDING BONDS OF SAID BOARD OF EDUCATION

(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 $432,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2019 to 2032, 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 $123,795,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B (the "*Series 2019B 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 2019B Bonds (the "*Series 2019B Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B 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 2019B Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2019B 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 2019B Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2019B 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 2019B 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 2019B 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 2019B 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 2019B Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of September, 2019.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2019B PLEDGED TAXES

LEVY YEAR	TAX LEVY
2019	$ 3,094,875
2020	6,689,750
2021	13,064,750
2022	13,484,750
2023	13,556,500
2024	13,690,500
2025	13,822,500
2026	13,946,250
2027	14,055,750
2028	14,190,250
2029	14,317,000
2030	14,424,750
2031	14,572,750
2032	14,747,250

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Trust Indenture, dated as of September 1, 2019 (the "*Series 2019B Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $123,795,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B, of the Board (the "*Series 2019B Bonds*"), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2019B Bonds described in said Direction and will apply all collections of the Series 2019B Pledged Taxes as provided in the Direction and the Series 2019B 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 September, 2019, 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 2019B, 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 2032, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of September, 2019.

____
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 September, 2019, 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 2019B, 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 2032, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of September, 2019.

____
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, 2018, 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, 2018 (the "2018 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, 2018 (the "Pension Fund 2018 CAFR"), prepared by the Pension Fund's administrative staff and its independent auditors Plante & Moran, PLLC Southfield, MI (the "Pension Fund Auditors"). The 2018 Actuarial Valuation Report and the Pension Fund 2018 CAFR are referred to herein as the "Pension Fund Source Information."

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 has been audited and included as part of the Pension Fund's 2018 CAFR. 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 7.00% 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 $12.9 million and the State's contribution is projected to increase by $12.1 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 2018 CAFR 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 2018 CAFR 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, 2018 and December 31, 2017 (the "Annuity Fund 2018 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, 2018 (the "2018 Annuity Fund Actuarial Valuation" and, together with the Annuity Fund 2018 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 2018 CAFR and the 2018 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 2018 CAFR and the 2018 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 2018 CAFR, as well as the 2018 Actuarial Valuation Report and, together with relevant information in the Pension Fund 2018 CAFR, the "Health Insurance Plan Source Information"). At the time of the preparation of this Disclosure, the Pension Fund 2018 CAFR and the 2018 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, 2018**.**

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 received 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 brought the total amount of pension property tax revenues to approximately $423 million in Fiscal Year 2018. 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 2018 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, 2018, according to the most recently available information, the Pension Fund had 45 participating employers consisting of the primary employer, Chicago Public Schools, 41 charter schools, the Illinois Federation of Teachers, the Chicago Teacher' Union and the Pension Fund itself. The Pension Fund included 66,905 members consisting of 28,549 retirees and beneficiaries currently receiving benefits, 6,062 vested terminated members entitled to benefits but not yet receiving them, 17,065 total active vested current members and 11,893 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 2007-2018."

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, and is expected to be approximately $245 million in FY 2020.

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. The required contributions made based on payroll for Fiscal Year 2019 are expected to be $12,087,000 for the State and $12,887,000 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. 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 2007-2018.

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)**
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
2018	149.6	233.0	551.4	784.4	855.8

Sources: Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2007-2018. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2007-2018.

(1) The figures for Fiscal Years 2007 through 2009 reflect additional payroll contributions received from the State in non-GSA funds as discussed herein under "*State Appropriation Contributions*". FY 2018 includes amounts contributed by the State pursuant to P.A. 100-465 which are in addition to discretionary and payroll contributions.

(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, 2018 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 2018, the Pension Fund had liabilities of $22,922,992,558 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) $10,969,085,523 if valued on an actuarial basis (using the "Asset Smoothing Method" (as described below), or (ii) $11,104,765,514 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $11.95 billion on an actuarial basis (using the Asset Smoothing Method), and $11.82 billion on a market value basis and

Funded Percentages of 47.9% on an actuarial basis (using the Asset Smoothing Method) and 48.4% on a market value basis. The Fiscal Year 2018 Actuarial Liability of $22,922,992,558 represents a net increase of $1,101 million compared to the Actuarial Liability as of June 30, 2017. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2018 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)
06/30/2007	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%
06/30/2018	10,969,085,523	22,922,992,558	11,953,907,035	47.85%	2,180,577,527	548.2%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2007-2018.

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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 2014-2018 (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)
06/30/2014	$10,815,694,614	$20,316,899,952	$9,501,205,338	53.23%	$2,233,280,995	425.40%
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%
06/30/2018	11,104,765,514	24,547,482,873	13,442,717,359	45.24%	2,094,830,446	641.71%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2014-2018.

(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
2019	$190.6	$808.6	$226.8	$12.1	$12.9	$556.8	$23,326.3	$11,058.3	$12,268.0	47.41%
2020	196.3	854.5	245.5	11.9	12.6	584.5	23,737.4	11,378.4	12,359.0	47.93
2021	201.4	877.1	250.4	12.2	13.0	601.6	24,157.2	11,604.9	12,552.3	48.04
2022	206.6	899.6	255.0	12.5	13.3	618.8	24,587.2	11,810.7	12,776.5	48.04
2023	211.9	922.4	259.3	12.8	13.7	636.7	25,026.4	12,026.4	13,000.0	48.05
2024	217.1	945.4	263.1	13.1	14.0	655.2	25,474.7	12,251.4	13,223.3	48.09
2025	222.4	968.2	266.4	13.4	14.3	674.0	25,931.0	12,487.5	13,443.5	48.16
2026	227.6	990.8	269.1	13.8	14.7	693.3	26,394.1	12,734.8	13,659.3	48.25
2027	232.7	1,013.4	271.4	14.1	15.0	712.9	26,863.6	12,993.5	13,870.1	48.37
2028	238.0	1,036.1	273.0	14.4	15.3	733.4	27,336.7	13,262.4	14,074.3	48.51
2029	243.2	1,059.0	273.9	14.7	15.7	754.7	27,824.4	13,553.7	14,270.7	48.71
2030	248.5	1,081.9	274.0	15.0	16.0	776.9	28,314.4	13,856.4	14,458.0	48.94
2031	253.8	1,105.0	273.6	15.3	16.4	799.7	28,805.0	14,170.3	14,634.7	49.19
2032	259.2	1,128.5	272.8	15.7	16.7	823.4	29,295.5	14,496.1	14,799.4	49.48
2033	264.7	1,152.4	271.3	16.0	17.1	848.0	29,783.3	14,833.1	14,950.2	49.80
2034	270.2	1,176.4	267.4	16.3	17.4	875.2	30,267.1	15,183.6	15,083.5	50.17
2035	275.7	1,200.5	262.7	16.7	17.8	903.4	30,744.6	15,547.4	15,197.2	50.57
2036	281.2	1,224.4	257.2	17.0	18.1	932.2	31,214.4	15,925.2	15,289.2	51.02
2037	286.7	1,248.5	250.8	17.3	18.5	961.9	31,674.5	16,317.3	15,357.2	51.52
2038	292.3	1,272.6	243.8	17.7	18.8	992.3	32,122.7	16,724.1	15,398.6	52.06

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2018.

(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, 2018 actuarial valuation, including the 7.00% 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	$297.9	$1,296.9	$236.2	$18.0	$19.2	$1,023.5	$32,556.4	$17,145.5	$15,410.9	52.66%
2040	303.6	1,321.7	228.3	18.3	19.6	1,055.5	32,974.1	17,582.8	15,391.3	53.32
2041	309.4	1,347.2	219.8	18.7	19.9	1,088.8	33,372.4	18,036.5	15,335.9	54.05
2042	315.3	1,373.0	211.0	19.1	20.3	1,122.7	33,749.2	18,507.1	15,242.1	54.84
2043	321.5	1,399.8	202.5	19.4	20.7	1,157.1	34,104.4	18,998.0	15,106.4	55.71
2044	328.0	1,428.2	194.6	19.8	21.1	1,192.6	34,438.8	19,514.1	14,924.7	56.66
2045	334.8	1,457.9	187.9	20.2	21.6	1,228.2	34,754.3	20,060.7	14,693.6	57.72
2046	342.1	1,489.4	182.5	20.7	22.0	1,264.2	35,054.8	20,645.5	14,409.3	58.89
2047	349.6	1,522.4	178.7	21.1	22.5	1,300.0	35,343.8	21,275.6	14,068.2	60.20
2048	357.5	1,556.8	176.6	21.6	23.0	1,335.5	35,626.6	21,960.1	13,666.5	61.64
2049	365.7	1,592.2	175.7	22.1	23.6	1,370.8	35,907.2	22,707.0	13,200.2	63.24
2050	373.9	1,628.1	175.6	22.6	24.1	1,405.7	36,188.0	23,522.8	12,665.2	65.00
2051	382.2	1,664.3	176.4	23.1	24.6	1,440.2	36,471.0	24,414.1	12,056.9	66.94
2052	390.6	1,700.9	177.6	23.6	25.2	1,474.5	36,755.8	25,385.2	11,370.6	69.06
2053	399.1	1,737.7	179.4	24.1	25.7	1,508.5	37,041.9	26,441.0	10,600.9	71.38
2054	407.7	1,775.4	181.9	24.6	26.3	1,542.6	37,328.5	27,586.5	9,742.0	73.90
2055	416.5	1,813.6	184.8	25.2	26.8	1,576.8	37,612.8	28,825.3	8,787.5	76.64
2056	425.4	1,852.4	188.1	25.7	27.4	1,611.2	37,892.6	30,162.3	7,730.3	79.60
2057	434.5	1,891.7	191.9	26.3	28.0	1,645.5	38,166.9	31,603.4	6,563.5	82.80
2058	443.6	1,931.3	196.0	26.8	28.6	1,679.8	38,436.9	33,157.6	5,279.3	86.27
2059	452.7	1,971.2	200.3	27.4	29.2	1,714.3	38,705.1	34,835.7	3,869.4	90.00

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Year ended June 30, 2018.

(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, 2018 actuarial valuation, including the 7.00% 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 2018), 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 2018 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 2018 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund of 7.00%. The investment return assumption was reduced from 7.75% to 7.25% for the 2017 Actuarial Valuation Report and then to $7.00% in the 2018 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, 2018, was 5.84%. Since the 5.84% actual return on an actuarial basis was less than the 7.00% assumed return tht was assumed for the year ending June 30, 2018, the Pension Fund experienced an actuarial loss with regard to its investments during the year ended June 30, 2018. The following table summarizes the actuarial and market investment returns on the assets in the Pension Fund for its Fiscal Years 2009-2018.

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Table 5

Investment Returns for Past 10 Years

Fiscal Year	Market Value	Actuarial Value
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%
2018	8.5%	5.8%
Average Returns Last 10 years:	6.3%	5.4%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for Fiscal Years ended June 30, 2018

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 2018 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 $66.3 million for FY 2018.

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 31,285 active members as of December 31, 2018) 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, 2018, the Annuity Fund had 73,854 total members including 25,577 retirees and beneficiaries, 17,575 inactive members entitled to benefits and 31,285 active members (of which 15,320 were vested and 15,602 were non-vested). As of December 31, 2018, the most recently available information, CPS employees comprised about 55% 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. Starting with 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").

Funded Status of Annuity Fund. As of the end of its' Fiscal Year 2018, based on the New Assumptions, the Annuity Fund had actuarial accrued liabilities of $16,808,614,316, compared to $16,282,396,195as of the end of Fiscal Year 2017, and assets of: (i) $4,195,644,172 as of the end of

Fiscal Year 2018, compared to $4,456,771,744 as of the end of Fiscal Year 2017, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) $3,914,180,476 as of the end of Fiscal Year 2018, compared to $4,554,018,287 as of the end of Fiscal Year 2017, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $12,612,970,144 as of the end of Fiscal Year 2018, compared to $11,825,624,451 as of the end of Fiscal Year 2017, on an actuarial basis (using the Asset Smoothing Method), and $12,894,433,840 as of the end of Fiscal Year 2018, compared to $11,728,377,908 as of the end of Fiscal Year 2017, on a market value basis; and Funded Percentages of 24.96% as of the end of Fiscal Year 2018 compared to 27.37% as of the end of Fiscal Year 2017, on an actuarial basis (using the Asset Smoothing Method) and 23.29% as of the end of Fiscal Year 2018 compared to 27.97% as of the end of Fiscal Year 2017, 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 2018 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, 2018, the Board had $272,526,000 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 11 of the Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

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 4,665 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

FORM OF SPECIAL REVENUES OPINION RELATING TO THE BONDS

September 12, 2019

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 2019A and Series 2019B – 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 (i) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A in the aggregate principal amount of $225,283,872.25 (the "2019A Bonds"), issued pursuant to that certain Trust Indenture, dated as of September 1, 2019 (the "2019A Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee"), and (ii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B in the aggregate principal amount of $123,795,000.00 (the "2019B Bonds" and together with the 2019A Bonds, the "Bonds"), issued pursuant to that certain Trust Indenture, dated as of September 1, 2019 (the "2019B Indenture" and together with the 2019A Indenture, each an "Indenture" and collectively the "Indentures"), by and between the Board, as issuer, and the Trustee.

Capitalized terms used but not defined herein have the meanings assigned to them in the Indentures.

The Board is issuing the 2019A Bonds and the 2019B Bonds pursuant to Resolution No. 19-0724-RS1, adopted by the Board on July 24, 2019, authorizing the issuance, from time to time, of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), in an aggregate principal amount of not to exceed $432,000,000 for the purpose of refunding certain outstanding Alternate Bonds of the Board (the "Bond Resolution"). The Board's issuance of the Bonds pursuant to the Indentures and the Bond Resolution is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the Indentures, the Bond Resolution, the Tax Exemption Certificates and Agreements, by and between the Board and the Trustee, dated September 12, 2019 (the "TECAs"), those certain Directions Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of each of the 2019A Bonds and the 2019B Bonds issued prior to the date hereof (each a "Deposit Direction" and collectively, the "Deposit Directions"), the Tender Agreement (as defined below) and applicable statutes of the State of Illinois and the United States, as referenced herein. The Indentures, the Bond Resolution, the TECAs, the Deposit Directions and the Tender Agreement are referred to herein, collectively, as the "Documents."

The proceeds of the Bonds will be used to (i) purchase and 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 2019B Bonds and (iii) pay the costs of issuance of the Bonds. Specifically, the 2019A Bonds will be used to purchase and refund all of the Board's outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A (the "Series

2008A Bonds"). The 2019B Bonds will be used to purchase and refund all of the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008B (the "Series 2008B Bonds"). Dexia Credit Local, acting through its New York branch, is the beneficial owner of the outstanding principal amount of the Series 2008A Bonds and the Series 2008B Bonds and has tendered those bonds for purchase by the Board at aggregate prices of $262,785,000.00 and $139,170,300.00, respectively, pursuant to a Bond Tender and Purchase Agreement dated August 9, 2019 for both series (the "Tender Agreement").

Payment of the 2019A Bonds is secured by, *inter alia,* a pledge of and lien on (i) Intergovernmental Agreement Revenues payable to the Board pursuant to the Intergovernmental Agreement dated October 1, 1997 between the City of Chicago and the Board, as amended and supplemented from time to time (the "Pledged IGA Revenues"), (ii) Personal Property Replacement Tax Revenues consisting of amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State of Illinois pursuant to Section 12 of the State Revenue Sharing Act, or from such successor or replacement fund or act as may be enacted in the future, in the amounts specified in the 2019A Indenture (the "Pledged PPRT Revenues") and (iii) *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 2019A Bonds (the "Series 2019A Pledged Taxes").

Payment of the 2019B Bonds is secured by, *inter alia*, the Board's pledge of and lien on (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 2019B 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, without limitation as to rate or amount in favor of the Trustee for the benefit of the holders of the 2019B Bonds (the "Series 2019B Pledged Taxes", and together with the Series 2019A Pledged Taxes, the "Pledged Taxes")).

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 respective Pledged Taxes by the Trustee to the payment of the respective Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) the respective 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 Indentures.

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 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 each of the Series 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 Bond Resolution, the Bonds will be issued as statutory refunding bonds pursuant to Section 15(e) of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

The Bond Resolution reflects the Board's determination that is in the best interest of the Board to restructure its indebtedness by purchasing and 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 each Original Project Bond Indentures, 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 2019A Bonds are payable from and secured by a valid lien on and pledge of the Pledged IGA Revenues, the Pledged PPRT Revenues and the Series 2019A Pledged Taxes. The 2019B Bonds are payable from and secured by a valid lien on and pledge of the Pledged State Aid Revenues and the Series 2019B Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes for each series of Bonds upon all of the taxable property within the School District, in the years for which such series of Bonds will be 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 each series of 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 each series of Bonds 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 2032. 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 applicable Indenture as an escrow agent designated by the Board in order to secure the payment of the Bonds. Prior to the date hereof, an authorized representative of the Board issued the Deposit Directions 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 each of the Indentures. Section 504(B) of the 2019A Indenture and Section 5.4(B) of the 2019B Indenture, in turn, each 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 such Indenture due during the calendar year in which said Pledged Taxes are collected.

Section 706(A) of the 2019A Indenture and Section 7.6(A) of the 2019B Indenture each provides that, as long as any of the Bonds under such 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 December 1, 2019 and semiannually thereafter on June 1 and December 1 of each year. The Series 2019A Bonds mature on December 1 in each of 2025 through 2030, inclusive. The Series 2019B Bonds mature on December 1 in each of 2021 through 2033, inclusive.

Pursuant to Section 504(A) of the 2019A Indenture and Section 5.4(A) of the 2019B Indenture, on or before February 15th of each year or such earlier date as may be necessary to permit the lawful abatement of the Series 2019A Pledged Taxes and Series 2019B Pledged Taxes as provided in Sections 504(A) and 706(B) of the 2019A Indenture and Sections 5.4(A) and 7.6(B) of the 2019B Indenture, respectively (the "Deposit Date"), the Board is required to deposit (i) with respect to the 2019A Bonds, Pledged PPRT Revenues into the Deposit Sub-Account (as defined in the 2019A Indenture) maintained by the Trustee in an amount necessary to satisfy the Net Annual Debt Service Requirement (as defined in the 2019A Indenture) for the Bond Year in which the Deposit Date occurs, and (ii) with respect to the 2019B Bonds, the Pledged State Aid Revenues into the Pledged State Aid Revenues Sub-Account (as defined in the 2019B Indenture) maintained by the Trustee in an amount necessary to satisfy the Annual Debt Service Requirement (as defined in the 2019B Indenture) for the Bond Year in which the Deposit Date occurs.[1] In any given year, provided that the Board and/or Escrow Agent has timely deposited the required amount of Pledged PPRT Revenues into the Deposit Sub-Account with respect to the 2019A Bonds, and Pledged State Aid Revenues into the Pledged State Aid Revenues Sub-Accounts with respect to the 2019B Bonds, then pursuant to Section 504(A) and 706(B) of the 2019A Indenture and Sections 5.4(A) and 7.6(B) of the 2019B Indenture, as the case may be, the Board is required to file a notice with each of the County Clerks and County Collectors directing the abatement of the respective Pledged Taxes levied for the preceding calendar year, which would otherwise be extended and collected during such calendar year that the Pledged PPRT Revenues (in respect of the 2019A Bonds) and the Pledged State Aid Revenues (in respect of the 2019B Bonds) are deposited with the Trustee. If, by the Deposit Date, the amount of Pledged PPRT Revenues deposited in the Deposit Sub-Account (in respect of the 2019A Bonds) or the amount of Pledged State Aid Revenues deposited into the State Aid Revenues Sub-Account (in respect of the 2019B Bonds) is insufficient to pay the Net Annual Debt Service Requirement with respect to the 2019A Bonds or the Annual Debt Service Requirement with respect to the 2019B Bonds during the current Bond Year, as the case may be (any such insufficiency, a "Shortfall"), under the terms of the Bond Resolution, the respective Indentures and the Deposit Directions, the Series 2019A Pledged Taxes and the Series 2019B 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 make up the Shortfall. Accordingly, under the terms of the Documents, the Series 2019A Pledged Taxes and the Series 2019B 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.

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1 "Bond Year" is defined in each of the Indentures as each annual period beginning on December 2nd of a calendar year to and including December 1st of the next succeeding calendar year.

As discussed above, Section 504(B) of the 2019A Indenture and Section 5.4(B) of the 2019B 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.

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 501, 502, 503, 504, 705 and 706 of the 2019A Indenture, and (ii) Article III and Sections 5.1, 5.2, 5.3, 5.4, 7.5, and 7.6 of the 2019B 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 Directions with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Directions;

(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 Indentures shall be the valid, binding and legal general obligations of the Board, and: (i) the 2019A 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 2019A Bonds on the Pledged PPRT Revenues and Pledged IGA Revenues and the Series 2019A Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2019A Bonds; and (ii) the 2019B 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 2019B Bonds on the Pledged State Aid Revenues and the Series 2019B Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2019B 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 a series of 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.

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.

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[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).

Each 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 *Richard Levin and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2019).

In one of only three 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.*

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."

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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.

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 ("PROMESA"). In *In re: The Financial Oversight and Management Board for Puerto Rico (Assured Guaranty Corp., et al. v. The Financial Oversight and Management Board for Puerto Rico as Representative for the Commonwealth of Puerto Rico, et al.)*, 919 F.3d 121 (1st Cir. 2019) ("Assured Guaranty"), plaintiffs/appellants 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 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. *Id.* at 125. The plaintiffs brought an action to compel payment of the bonds from pledged revenues and sought turnover of the revenues in the reserve account. *Id.* at 126. The plaintiffs/appellants 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.* The United States Court of Appeals for the First Circuit, affirmed the decision of the district court overseeing the PROMESA case (the "Title III Court"),[6] holding 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, *id.* at 132-33, and Sections 928(a) and 922(d) do 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 131. The plaintiffs/appellants 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 127 n.5. Although the lower court rejected these arguments on various grounds, 582 B.R. at 597, the First Circuit concluded that it need not address the appellants' reserve account claims because they failed to develop on appeal any argument on the PRHTA bondholders' property interest in the reserve account funds. 919 F.3d. at 127 n.5.

The First Circuit subsequently held that Section 305 of PROMESA bars the Title III Court from preventing the Commonwealth from diverting certain Commonwealth revenues for the payment of general-obligation debt. *See Aurelius Capital Master, Ltd. v. Puerto Rico,* 919 F.3d 638, 648-49 (1st Cir. 2019). *See also Ass'n of Retired Emps. of Stockton v. City of Stockton (In re City of Stockton)*, 478 B.R.

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5 If a creditor is oversecured and the debtor therefore has equity in the surplus collateral, the "equity cushion" itself may constitute adequate protection.

6 *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) *aff'd* 919 F.3d 121 (1st Cir. 2019).

8, 20-22 (Bankr. E.D. Cal. 2012) (Bankruptcy Code Section 904 precludes enjoining the city from reducing retiree health benefits); *Collier*, ¶ 904.01 at 904-3 ("The question is only whether the order improperly interferes with the political or governmental affairs or property of the debtor. If it does, then no matter what authority is used to support it, the order runs afoul of [S]ection 904.").

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] The First Circuit held that although Section 305 of PROMESA prohibits a Title III court from "directly interfering with the . . . powers and properties" of the government or its agencies, "it does not bar a Title III court from granting a reprieve from the automatic stay . . . to allow another court, pursuant to Commonwealth law, to place a Commonwealth entity into receivership." *See Financial Oversight and Management Board for Puerto Rico v. Ad Hoc Group of Puerto Rico Electric Power Authority Bondholders*, 899 F.3d 13, 19 (1st Cir. 2018).

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 been provided with adequate protection are entitled to a priority claim that must be paid in full pursuant to

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7 Because the lien granted on collateral under bond indentures 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.

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 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. 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 each of the Indentures 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 each year such series of Bonds is 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 various 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 Indentures, 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 in the case of the 2019B Bonds, and personal property replacement taxes and moneys to be received by the Board from the City of Chicago pursuant to an intergovernmental agreement in the case of the 2019A Bonds) 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 2019A Indenture, the 2019A Bonds are payable and secured by the Pledged PPRT Revenues, the Pledged IGA Revenues and the Series 2019A Pledged Taxes. Pursuant to the 2019B Indenture, the 2019B Bonds are payable and secured by the Series 2019B Pledged State Aid Revenues and the Series 2019B 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 a reasonable basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the various Indentures. *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 Indentures. Consistent with the requirements of Section 15(e) of the Act, Section 504(B) of the 2019A Indenture and Section 5.4(B) of the 2019B Indenture require 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 Indentures require 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 each of the Indentures, 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 a series of Bonds for any year in which the amount levied is greater than the amount required to pay such series of Bonds, after taking into account the Pledged State Aid Revenues.

Based on the foregoing, the Board 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 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 Directions and the Indentures, 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. *See Assured Guaranty, supra*. 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 Indentures 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. 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 Series 2019A Pledged Taxes to the payment of the 2019A Bonds and the Series 2019B Pledged Taxes to the payment of the 2019B Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii)

13 To the extent that Pledged State Aid Revenues, Pledged PPRT Revenues or Pledged IGA Revenues are deposited by the Board (or by the Escrow Agent with respect to Pledged PPRT Revenues and Pledged IGA Revenues) 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, Pledged PPRT Revenues or Pledged IGA Revenues, as the case may be, to the extent in the Trustee's possession. We reach this conclusion because, under such facts, the Pledged State Aid Revenues, Pledged PPRT Revenues or Pledged IGA Revenues, as applicable, 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, Pledged PPRT Revenues or Pledged IGA Revenues, as applicable, 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, Pledged PPRT Revenues or Pledged IGA Revenues, as applicable. We do not conclude, however, that the Pledged State Aid Revenues, Pledged PPRT Revenues or Pledged IGA 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, Pledged PPRT Revenues or Pledged IGA Revenues, as applicable, to payment of the Bonds or regarding the ability of the Board to use such Pledged State Aid Revenues, Pledged PPRT Revenues or Pledged IGA Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee and bondholders.

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 Indentures.

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, 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 2019A Bonds and the 2019B 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

SCHEDULE I

Tracing of Outstanding Bonds to Original Project Bonds

Series of Outstanding Bonds	**Series of Original Project Bonds and Each Series of Refunding Alternate Bonds**
Series 2008A	Series 2007A, Series 1997A
Series 2008B	Series 2003D

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APPENDIX J

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 4.8 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 1.86 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 79,852 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 28th in the United States. [7] According to the Chicago Department of Aviation, O'Hare and Midway had 24.9 and 6.1 million in total passenger volume in 2019 as of April 2019, respectively. O'Hare supports substantial

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1 U.S. Census Bureau (2017). 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 – May 2019," 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, December 2018," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

5 City Colleges of Chicago, "Fiscal Year 2018 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx

6 U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, June 5, 2019," 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 2017 and 2018 is set forth below.

Population[12]
1980—2018

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
2017 Estimate	325,719,178	12,802,023	5,211,263	2,716,450
2018 Estimate	327,167,434	12,741,080	5,180,493	2,705,994

37.5% of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 30.9%.[13]

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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 July 10, 2019).

11 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed July 10, 2019)

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 July 10, 2019)

13 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed July 10, 2019)

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	59,238	58,315

Chicago's 2017 median household income is $52,497, compared to $61,229 in Illinois and $57,652 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 July 10, 2019)

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 July 10, 2019)

16 World Business Chicago, "Demographics" http://www.worldbusinesschicago.com/research-data/demographics/ (accessed July 10, 2019)

Employment

Total employment for the State of Illinois, Cook County, the Chicago MSA, and the City for the years 2008 through 2018 is set forth below.

Employment (in thousands)[17,18]
2008—2018

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	6,063	2,572	4,700	1,288
2018	6,117	2,625	4,745	1,288*

* May 2019 data.

17 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/bls/employment.htm (accessed July 10, 2019)
18 US Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://beta.bls.gov/dataViewer/view/timeseries/LAUCT171400000000005 (accessed July 10, 2019)

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for May 2019 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
May 2019*[19]

Sector	United States	State of Illinois	Chicago MSA
Trade, transportation, and utilities	18.27%	19.80%	19.65%
Education and health services	15.97%	15.37%	16.81%
Government	15.07%	13.44%	11.02%
Professional and business services	14.11%	15.60%	18.74%
Leisure and hospitality	11.19%	10.19%	10.60%
Manufacturing	8.45%	9.59%	7.60%
Financial activities	5.70%	6.54%	7.06%
Construction	4.98%	3.70%	3.46%
Other services	3.93%	4.20%	4.24%
Information	1.84%	1.46%	1.69%
Mining and logging	0.50%	0.12%	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 July 11, 2019)

The City's average annual unemployment rate decreased from 11.2% in 2010 to 4.2% in 2018, while statewide, Illinois' unemployment rate dropped from 10.4% in 2010 to 4.3% in 2018.[20] In 2018, the Chicago MSA's annual unemployment rate was 4.0%.[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 2018.

Annual Unemployment Rates [22]
2008—2018

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
2018	3.9	4.3	4.0	4.0	4.2

20 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://data.bls.gov/pdq/SurveyOutputServlet (accessed July 11, 2019)

21 Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CHIC917URN (accessed July 11, 2019)

22 Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/ILCOOK1URN (accessed July 11, 2019)

Employers

The principal non-governmental employers in the Chicago MSA for 2017 are set forth below.

Principal Chicago MSA Non-Governmental Employers[23]

2017

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	19,049	1.48%
Northwestern Memorial Healthcare	16,667	1.29
University of Chicago	16,583	1.29
J.P. Morgan Chase & Co.	15,701	1.22
Amazon.com Inc.	13,240	1.30
United Continental Holdings Inc.	12,994	1.01
Walgreens Boots Alliance Inc.	12,751	0.99
Northwestern University	10,847	0.84
Presence Health	10,225	0.79
Walmart Stores Inc	10,220	0.79

[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, 2018, http://cps.edu/About_CPS/Financial_information/Documents/FY18_CAFR.pdf

Top Taxpayers

The top property taxpayers in Chicago in 2018 based on 2018 EAV are shown in the following table.

Top Ten Property Taxpayers 2018[24]
($ in thousands)

Rank	Property	2016 EAV	% of Total EAV
1	Willis Tower	$ 429,591	0.56%
2	Blue Cross Blue Shield Tower	264,940	0.35
3	AON Building	263,985	0.34
4	Prudential Plaza	248,867	0.34
5	Water Tower Place	239,238	0.31
6	300 N. LaSalle	217,175	0.28
7	Franklin Center	215,948	0.28
8	Chase Plaza	214,683	0.28
9	Three First National Plaza	202,646	0.26
10	Citadel Center	184,853	0.24
	Total	$2,482,466	3.22%

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, 2018, http://cps.edu/About_CPS/Financial_information/Documents/FY18_CAFR.pdf

APPENDIX K

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX K-1

FORM OF OPINIONS OF CO-BOND COUNSEL RELATED TO THE SERIES 2019A BONDS

September 12, 2019

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 $225,283,872.25 original principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019A (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 19-0724-RS1, adopted by the Chicago Board of Education on July 24, 2019 (the "Bond Resolution") and a Trust Indenture dated as of September 1, 2019 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 consist of $61,503,872.25 original principal amount of Capital Appreciation Bonds and $163,780,000 principal amount of Current Interest Bonds. The Bonds are issuable in the form of fully registered bonds. The Bonds delivered on original issuance are dated September 12, 2019.

The Capital Appreciation Bonds are issuable in the maturity amount denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Capital Appreciation Bonds mature (without option of prior redemption) on December 1 of the following years, are issued in the following original principal amounts and mature in the following maturity amounts:

Year	Original Principal Amount	Maturity Amount
2025	$29,898,654.40	$35,740,000
2026	29,650,416.05	36,605,000
2027	1,954,801.80	2,505,000

The Current Interest Bonds are issuable in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Current Interest Bonds bear interest from their date payable on December 1, 2019 and semiannually thereafter on June 1 and December 1 in each year. The Current Interest 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 and the Current Interest Bonds maturing in each such year bear interest at the rate per annum set forth opposite each such year:

Year	Principal Amount	Interest Rate
2027	$35,000,000	4.00%
2028	39,870,000	5.00
2029	42,855,000	5.00
2030	46,055,000	5.00

The Current Interest Bonds maturing on December 1, 2030 are subject to redemption prior to maturity at the option of the Board, in such principal amounts as the Board shall determine and in part by lot, on December 1, 2029 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:

1. The Board had and has the right and power to adopt the Bond Resolution, to enter into the Indenture and to authorize the Bonds.

2. The Bond Resolution has been duly adopted, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

3. 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.

4. 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.

5. 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.

6. The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Intergovernmental Agreement 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.

7. 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.

8. 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 K-2

FORM OF OPINIONS OF CO-BOND COUNSEL RELATED TO THE SERIES 2019B BONDS

September 12, 2019

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 $123,795,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2019B (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 19-0724-RS1 adopted by the Chicago Board of Education on July 24, 2019 (the "Bond Resolution") and a Trust Indenture dated as of September 1, 2019 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 September 12, 2019. The Bonds bear interest from their date at the rate of five percent (5.00%) per annum, payable on June 1, 2020 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
2021	$ 500,000
2022	6,900,000
2023	7,665,000
2024	8,120,000
2025	8,660,000
2026	9,225,000
2027	9,810,000
2028	10,410,000
2029	11,065,000
2030	11,745,000
2031	12,440,000
2032	13,210,000
2033	14,045,000

The Bonds maturing on or after December 1, 2030 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, 2029 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:

1. The Board had and has the right and power to adopt the Bond Resolution, to enter into the Indenture and to authorize the Bonds.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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

1997 INTERGOVERNMENTAL AGREEMENT

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INTERGOVERNMENTAL AGREEMENT

BETWEEN

CITY OF CHICAGO

AND

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES OF THE
BOARD OF EDUCATION
OF THE CITY OF CHICAGO, ILLINOIS

Dated as of October 1, 1997

INTERGOVERNMENTAL AGREEMENT

THIS INTERGOVERNMENTAL AGREEMENT, dated as of October 1, 1997, between the City of Chicago (the *"City"*), and the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois (the *"School Board"*), but actually executed and delivered on the date set forth below;

WITNESSETH:

WHEREAS, the City is a home rule unit of local government under Section 6 of Article VII of the Illinois Constitution of 1970, and as such may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, Section 10 of Article VII of the Illinois Constitution of 1970 authorizes units of local government to contract among themselves in any manner not prohibited by law or ordinance and to use their credit, revenues and other resources to pay costs and to service debt related to intergovernmental activities; and

WHEREAS, the Intergovernmental Cooperation Act of the State of Illinois, as amended, authorizes public agencies to exercise any power or powers, privileges or authority which may be exercised by such public agency individually to be exercised and enjoyed jointly with any other public agency in the State of Illinois; and

WHEREAS, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended, the City constitutes one school district providing elementary and secondary education and other services to the inhabitants of the City, which school district is a body politic and corporate by the name of "Board of Education of the City of Chicago, Illinois" (the *"School District"*), governed by the School Board; and

WHEREAS, the School Board proposes to issue its general obligation alternate bonds from time to time pursuant to the Local Government Debt Reform Act of the State of Illinois, as amended (which alternate bonds, together with any obligations issued to refund or refinance said alternate bonds, shall be referred to herein as the *"School Building and Improvement Bonds"*), in order to provide funds to (i) construct, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the School District for the benefit of the inhabitants of the School District and the City, (ii) pay the cost of funding obligations or purchasing related investments of the School Board, (iii) refund obligations issued by or on behalf of the School Board, (iv) pay certain interest to accrue on the School Building and Improvement Bonds, (v) fund any necessary reserves in connection with the School Building and Improvement Bonds and (vi) pay costs of issuance thereof (collectively, the *"School Building and Improvement Project"*); and

WHEREAS, the provision of educational services and facilities to the inhabitants of the City pertains to the government and affairs of the City and is a lawful exercise of the home rule powers of the City; and

WHEREAS, it is necessary and in the best interests of the City to enter into this Intergovernmental Agreement with the School Board, pursuant to which the City will assist the School Board in the financing of the School Building and Improvement Project by assisting in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds; and

WHEREAS, pursuant to an Ordinance adopted by the City Council of the City on October 1, 1997 (the *"Ordinance"*), the City has authorized and provided for the execution and delivery of this Intergovernmental Agreement by the Chief Financial Officer of the City appointed by the Mayor or, if there is no such officer then holding said office, the City Comptroller (each such officer being referred to herein as the *"Chief Financial Officer"*), and has levied a direct annual tax to provide funds for the making of the payments required hereunder; and

WHEREAS, pursuant to Resolution No. 97-1022-RS12 adopted by the School Board on October 22, 1997, the School Board has authorized the execution and delivery of this Intergovernmental Agreement by its Chairman or Chief Fiscal Officer; and

WHEREAS, the purpose of this Intergovernmental Agreement is to provide in detail the obligation of the City to assist in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds and to set forth fully certain purposes, powers, rights, objectives and responsibilities of the City and the School Board in connection with the financing by the School Board of the School Building and Improvement Project;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and fc. other good and valuable consideration, the parties hereto agree as follows:

Section 1. School Building and Improvement Taxes; Obligation of City to Make Payments. Pursuant to the Ordinance, the City has levied a direct annual tax for each of the years 2002, 2003 and 2005 to 2030, inclusive, for the purpose of providing funds to the School Board to assist in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds. On the date of execution and delivery of this Intergovernmental Agreement, such taxes have been levied for the years and in the amounts as follows (the *"School Building and Improvement Taxes"*):

For The Year	A Tax Sufficient To Produce The Sum Of:
2002	$ 13,400,000
2003	13,400,000
2004	-0-
2005	18,200,000
2006	18,100,000
2007	18,800,000
2008	91,000,000
2009	91,000,000
2010	91,000,000
2011	91,000,000
2012	91,000,000
2013	91,000,000
2014	91,000,000
2015	91,000,000
2016	91,000,000
2017	91,000,000
2018	112,500,000
2019	142,300,000
2020	142,300,000
2021	142,300,000
2022	142,300,000
2023	142,300,000
2024	142,300,000
2025	142,300,000
2026	142,300,000
2027	142,300,000
2028	142,300,000
2029	142,300,000
2030	142,300,000

Pursuant to authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended, the City has caused a written direction to be filed with the County Collectors of The Counties of Cook and DuPage, Illinois (the *"County Collectors"*), directing the County Collectors to deposit all collections of the School Building and Improvement Taxes directly with such escrow agent or trustee as shall be appointed by the School Board, with the approval of the Chief Financial Officer, in connection with the issuance of any of the School

Building and Improvement Bonds (the *"Escrow Agent"*), in order to provide security for the payment of the principal of and interest on the School Building and Improvement Bonds. The Board hereby covenants and agrees to provide the City with all information relating to the Escrow Agent from time to time necessary to permit the City to cause the deposit of the School Building and Improvement Taxes directly with the Escrow Agent when collected.

In connection with the distribution of collections of all property taxes levied by the City in each year in which the School Building and Improvement Taxes are extended for collection, the City hereby covenants and agrees to deliver, prior to the receipt of the first distribution of collections of property taxes in such year, to each of the County Collectors and to the Board, a Segregation Order (the *"Segregation Order"*) specifying the percentage of each distribution to be received during such year which is attributable to the School Building and Improvement Taxes and directing that such percentage of each such distribution be segregated and paid to the Escrow Agent. The Segregation Order will also require the County Collectors promptly, upon receipt of such property taxes for distribution, to segregate and pay directly to the Escrow Agent an amount equal to the amount of each such distribution multiplied by the percentage specified in the Segregation Order for the then-current year.

In the event that for any reason the collections of the School Building and Improvement Taxes are paid by the County Collectors directly to the City and are not deposited with the Escrow Agent as described in the preceding paragraph, such School Building and Improvement Taxes shall be promptly deposited by the City with the Escrow Agent or, if at any such time there shall be no Escrow Agent, paid by the City to the Treasurer of the School Board.

The obligations of the City to make payments hereunder are limited to and are payable solely and only from the amount of School Building and Improvement Taxes actually collected by the County Collectors on behalf of the City and deposited with the Escrow Agent or paid to the Treasurer of the School Board, as provided in the two preceding paragraphs.

The City agrees that it will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the School Building and Improvement Taxes, other than to make abatements of School Building and Improvement Taxes authorized and permitted by this Intergovernmental Agreement.

Section 2. Application of Moneys Received by the School Board. The School Board hereby covenants and agrees that all School Building and Improvement Taxes received by the School Board pursuant to this Intergovernmental Agreement will be applied by the School Board solely and only to pay debt service on the School Building and Improvement Bonds.

Section 3. Agreements Regarding School Building and Improvement Project. (a) The City and the School Board hereby agree that the payments to be made hereunder by the City are being made solely to facilitate the provision of school, administrative and other educational facilities for the use and benefit of the inhabitants of the City through the completion of the School Building and Improvement Project and that the City shall acquire no title to or interest in the School Building and Improvement Project by virtue of such payments.

(b) The City and the School Board hereby understand and agree that the City is obligating itself to make payments hereunder in anticipation of the construction, acquisition and equipping by the School Board of the School Building and Improvement Project and that the financing of the School Building and Improvement Project by the School Board would not be economically feasible absent the payments due hereunder from the City to the School Board.

(c) The School Board hereby agrees to maintain complete and adequate books and records of the progress of the School Building and Improvement Project and the expenditure of all amounts received from the City pursuant to this Intergovernmental Agreement and to make such books and records available for review and examination by the City upon reasonable request.

Section 4. Agreements Regarding School Building and Improvement Bonds. (a) At the time of issuance by the School Board of any series of School Building and Improvement Bonds, the School Board shall deliver to the Chief Financial Officer a written notification of issuance of said series of School Building and Improvement Bonds setting forth the following information:

(i) whether the proceeds of said series of School Building and Improvement Bonds will be used to pay costs of the School Building and Improvement Project, to refund or refinance outstanding School Building and Improvement Bonds or a combination thereof;

(ii) the maturity schedule (including any mandatory sinking fund schedule) and interest rates for said series of School Building and Improvement Bonds;

(iii) a debt service schedule for said series of School Building and Improvement Bonds;

(iv) an aggregate debt service schedule for all School Building and Improvement Bonds then outstanding, giving effect to (A) the issuance of said series of School Building and Improvement Bonds and (B) the refunding or refinancing of any previously outstanding School Building and Improvement Bonds; and

(v) the identity of the Escrow Agent, if any, for said series of School Building and Improvement Bonds.

(b) The City and the School Board hereby agree that the City shall not in any manner be deemed to be an obligor on the School Building and Improvement Bonds or any credit enhancement thereof by virtue of its execution and delivery of this Intergovernmental Agreement.

(c) No owner, holder or credit enhancer of the School Building and Improvement Bonds shall be deemed to be a third party beneficiary of this Intergovernmental Agreement, nor shall any such owner, holder or credit enhancer of School Building and Improvement Bonds have any rights to enforce the provisions of this Intergovernmental Agreement against the City.

Section 5. *Abatement of School Building and Improvement Taxes.* (a) Not later than December 15 of each year (each such year being the *"Current Levy Year"*), the School Board shall file a written notification with the Chief Financial Officer setting forth the following:

(i) the School Building and Improvement Taxes levied by the City for the Current Levy Year as described in Section 1 of this Intergovernmental Agreement (the *"Current Levy"*);

(ii) the aggregate debt service payable on the School Building and Improvement Bonds during the one-year period beginning on the next succeeding January 2 (the *"Current Debt Service"*);

(iii) the amount of any funds (other than moneys on deposit with the Escrow Agent or any trustee for any of the School Building and Improvement Bonds) determined by the School Board to be on hand and available to the School Board to pay the debt service described in the preceding clause (ii) (the *"Available Funds"*);

(iv) the amount by which the School Building and Improvement Taxes levied for the Current Levy Year are to be abated (the *"Abatement Amount"*), which Abatement Amount shall equal the sum of (A) the Current Levy minus the Current Debt Service, plus (B) the Available Funds; and

(v) the amount of School Building and Improvement Taxes to be extended for the Current Levy Year, which shall be equal to the Current Levy minus the Abatement Amount.

(b) Upon receipt of the written notification described in paragraph (a), above, the Chief Financial Officer shall cause the abatement of the School Building and Improvement Taxes as described in Section 4(c) of the Ordinance.

(c) The Chief Financial Officer shall deliver to the School Board a copy of any certificate of tax abatement filed with The County Clerks of Cook and DuPage Counties, Illinois pursuant to Section 4(c) of the Ordinance.

(d) The School Board reserves the right to apply School Building and Improvement Taxes made available as a result of refunding outstanding School Building and Improvement Bonds to the payment of additional School Building and Improvement Bonds issued upon or subsequent to such refunding.

Section 6. Effective Date. This Intergovernmental Agreement shall become effective only upon the issuance by the School Board of any of the School Building and Improvement Bonds. If no School Building and Improvement Bonds are issued on or before June 30, 1999, this Agreement shall become null and void.

Section 7. Absolute and Irrevocable Conditions. All terms and conditions contained herein are intended to be absolute and irrevocable conditions hereof and are agreed to by the parties. It is hereby intended that no change in law or regulation subsequent to the date hereof shall affect any of the terms or provisions of this Intergovernmental Agreement. The City shall have no right to terminate, cancel or rescind this Intergovernmental Agreement, no right to withhold from the School Board payments due or to become due under this Intergovernmental Agreement, no right to recover from the School Board amounts previously paid under this Intergovernmental Agreement unless paid in error or contrary to the provisions of this Intergovernmental Agreement or law, no right of reduction or set-off against the amounts due or to become due under this Intergovernmental Agreement, and no lien on any amounts in any fund established by the School Board for any reason or on account of the existence or occurrence of any event, condition or contingency, whether foreseen or unforeseen or foreseeable or unforeseeable by the City or the School Board or any other person; it being the intent hereof that the City shall be absolutely and unconditionally obligated to make payments hereunder, subject to the limitations of Section 1 hereof.

Section 8. Indemnity. To the extent permitted by law, the School Board agrees to indemnify and hold the City harmless from and against, and to pay promptly after demand, any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever that the City may incur or suffer by reason of or in connection with the execution and delivery of this Intergovernmental Agreement or any other documents which may be delivered in connection herewith; except and only if and to the extent that any such claim, damage, loss, liability, cost or expense shall be caused by the willful misconduct or gross negligence of the City in performing its obligations under this Intergovernmental Agreement. The School Board, within 30 days after demand by the City, shall reimburse the City for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is due to the City's willful misconduct or gross negligence. The City shall promptly notify the School Board of its receipt of notice of the commencement, or threatened commencement, of any action subject to the indemnities contained in this Section; provided, however, that the failure of the City to so notify the School Board will not affect the obligation of the School Board to indemnify the City with respect to such action or any other action pursuant to this Section. The obligations of the School Board under this Section shall survive any expiration or termination of this Intergovernmental Agreement.

Section 9. Assignment. This Intergovernmental Agreement is made solely between the parties hereto, and may not be assigned.

Section 10. Severability. In the event any provision of this Intergovernmental Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Intergovernmental Agreement to be given to, delivered to or filed with the City, the Chief Financial Officer or the School Board shall be deemed to have been sufficiently given, delivered or filed for all purposes of this Intergovernmental Agreement if and when sent by registered mail, return receipt requested:

To the City or the Chief Financial Officer, if addressed to:	City of Chicago City Hall 121 North LaSalle Street Chicago, Illinois 60602 Attention: Chief Financial Officer
To the School Board, if addressed to:	Chicago School Reform Board of Trustees of the City of Chicago 1819 West Pershing Road Chicago, Illinois 60609 Attention: Chief Fiscal Officer

or at such other address as either party may furnish in writing to the other.

Section 12. Counterparts. This Intergovernmental Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City has caused this Intergovernmental Agreement to be executed by its Chief Financial Officer, and the School Board has caused this Intergovernmental Agreement to be executed by its Chief Fiscal Officer and this executed Intergovernmental Agreement to be delivered by the parties hereto on the 3rd day of December, 1997.

CITY OF CHICAGO

By ______________________________
Chief Financial Officer

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE
CITY OF CHICAGO, ILLINOIS

By ______________________________
Chief Fiscal Officer

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APPENDIX M

ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2019A BONDS

The Series 2019A Bonds are payable from multiple sources of Pledged Revenues as described in the Official Statement. The Series 2019A Bonds are secured by a pledge of Pledged IGA Revenues and Pledged PPRT Revenues. Each source of Pledged Revenues is allocated under the Series 2019A Indenture to the funding of specified debt service obligations on the Series 2019A Bonds. The Pledged IGA Revenues are pledged to the payment of debt service on the Series 2019A Bonds. The Pledged PPRT Revenues are pledged to providing the additional 25% of debt service coverage for the Series 2019A Bonds required under the Debt Reform Act. For further discussion of the Pledged Revenues securing the Bonds, including the Series 2019A 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 2019A Bonds under the Series 2019A Indenture. Interest on the Series 2019A Bonds due and payable through and including December 1, 2019 will be paid from funds on deposit under the Series 2019A Indenture.

Bond Year Ending December 1	Pledged PPRT Revenues (Coverage)	Pledged IGA Revenues (Debt Service)
2020	$ 979,875.00	$ 7,839,000.00
2021	1,959,750.00	7,839,000.00
2022	1,959,750.00	7,839,000.00
2023	1,959,750.00	7,839,000.00
2024	1,959,750.00	7,839,000.00
2025	10,894,750.00	43,579,000.00
2026	11,111,000.00	44,444,000.00
2027	11,336,000.00	45,344,000.00
2028	11,577,250.00	46,309,000.00
2029	11,825,125.00	47,300,500.00
2030	12,089,437.50	48,357,750.00

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APPENDIX N

TABLE OF ACCRETED VALUES FOR SERIES 2019A CAPITAL APPRECIATION BONDS

Date	Capital Appreciation Bonds Due December 1, 2025 Yield 2.89%	Capital Appreciation Bonds Due December 1, 2026 Yield 2.94%	Capital Appreciation Bonds Due December 1, 2027 Yield 3.04%
September 12, 2019	$4,182.80	$4,050.05	$3,901.80
December 1, 2019	4,209.20	4,076.05	3,927.75
June 1, 2020	4,270.00	4,135.95	3,987.45
December 1, 2020	4,331.75	4,196.75	4,048.05
June 1, 2021	4,394.30	4,258.45	4,109.55
December 1, 2021	4,457.80	4,321.05	4,172.05
June 1, 2022	4,522.25	4,384.60	4,235.45
December, 2022	4,587.60	4,449.05	4,299.85
June 1, 2023	4,653.85	4,514.45	4,365.20
December 1, 2023	4,721.10	4,580.80	4,431.55
June 1, 2024	4,789.35	4,648.15	4,498.90
December 1, 2024	4,858.55	4,716.45	4,567.30
June 1, 2025	4,928.75	4,785.80	4,636.70
December 1, 2025	5,000.00	4,856.15	4,707.20
June 1, 2026		4,927.55	4,778.75
December 1, 2026		5,000.00	4,851.35
June 1, 2027			4,925.10
December 1, 2027			5,000.00

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BOARD OF EDUCATION OF THE CITY OF CHICAGO • UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2019A AND SERIES 2019B

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Schools

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