SUPPLEMENT DATED DECEMBER 8, 2016
TO PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 6, 2016
RELATING TO

BOARD OF EDUCATION OF THE CITY OF CHICAGO DEDICATED CAPITAL IMPROVEMENT TAX BONDS SERIES 2016

The Preliminary Official Statement dated December 6, 2016 (the "**Preliminary Official Statement**") with respect to the above-captioned Bonds is being supplemented in order to provide information regarding the issuance of ratings on the 2016 Bonds which had not been received prior to the printing of the Preliminary Official Statement. The information set forth in the Preliminary Official Statement referred to in the Attachment to this Supplement is hereby supplemented and or restated as specifically provided in such Attachment to this Supplement.

This Supplement should be read in conjunction with the Preliminary Official Statement. Terms used in this Supplement have the meaning set forth in the Preliminary Official Statement.

The date of this Supplement is December 8, 2016.

ATTACHMENT TO
SUPPLEMENT DATED DECEMBER 8, 2016
TO PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 6, 2016

The information in the Preliminary Official Statement under the caption "RATINGS" is hereby restated in its entirety as follows:

RATINGS

The 2016 Bonds have been assigned the ratings of "A" (stable outlook) by Fitch Ratings and "BBB" (negative outlook) by Kroll Bond Rating Agency, Inc. The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the 2016 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 2016 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the heading captioned "CONTINUING DISCLOSURE UNDERTAKING," neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the 2016 Bonds any proposed revision or withdrawal of the ratings of the 2016 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 2016 Bonds.

The Board previously engaged Moody's Investors Service and S&P Global Ratings, to assign ratings for prior bond issues. The Board has elected not to obtain a rating from such rating agencies for the 2016 Bonds.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 6, 2016

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

In the respective opinions of Katten Muchin Rosenman LLP and Pugh, Jones & Johnson, 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 2016 Bonds will not be includable in gross income for federal income tax purposes. Interest on the 2016 Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2016 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the 2016 Bonds is not exempt from Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$500,000,000*
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2016

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

The Dedicated Capital Improvement Tax Bonds, Series 2016 will be issued by the Board of Education of the City of Chicago (the **"Board"** or **"CPS"**) in the aggregate principal amount of $500,000,000* (the **"2016 Bonds"**). The 2016 Bonds will be issued under a Master Trust Indenture dated as of December 1, 2016 (the **"Master Trust Indenture"**), as supplemented by a First Supplemental Indenture dated as of December 1, 2016 (the **"First Supplemental Indenture;"** the Master Trust Indenture as amended and supplemented from time to time, including as supplemented by the First Supplemental Indenture, being referred to as the **"Indenture"**), by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"Trustee"**). The proceeds of the 2016 Bonds will be used as described herein. See "PLAN OF FINANCE."

The 2016 Bonds will be issued as fully registered bonds in denominations of $100,000 and any multiple of $5,000 in excess of $100,000. The 2016 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 2016 Bonds. Purchasers of the 2016 Bonds will not receive certificates representing their interests in the 2016 Bonds purchased. Principal of and interest on the 2016 Bonds will be paid by the Trustee under the Indenture to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursal to the beneficial owners of the 2016 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2016 Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See APPENDIX I – "BOOK-ENTRY ONLY SYSTEM."

The 2016 Bonds are limited obligations of the Board payable from, and secured under the Indenture by a pledge of and lien on, the Trust Estate (as defined herein), including the Capital Improvement Taxes (as defined herein) and amounts on deposit in the Consolidated Debt Service Reserve Fund (as defined herein) established under the Indenture on a parity with any Additional Bonds issued under the Indenture as Consolidated Reserve Fund Bonds. The 2016 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2016 Bonds under the Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of debt service on the 2016 Bonds. See "SECURITY FOR THE 2016 BONDS."

The maturity dates, principal amounts, interest rates, yields, prices, and CUSIP numbers of the 2016 Bonds are set forth on the inside cover. The 2016 Bonds are subject to redemption prior to maturity as described herein. See "THE 2016 BONDS – Redemption Provisions."

INVESTMENT IN THE 2016 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 2016 BONDS. THE 2016 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 2016 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2016 BONDS. See **"BONDHOLDERS' RISKS"** and **"RATINGS."**

This cover page contains information for quick reference only and is not a summary of the 2016 Bonds. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2016 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 2016 Bonds, certain legal matters will be passed upon for the Board by its General Counsel, Ronald Marmer, by its special co-counsel, Foley & Lardner LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co-Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, McDermott Will & Emery LLP, New York, New York.

Delivery of the 2016 Bonds is expected to be made through the facilities of DTC in New York, New York, on or about ___________.

Barclays **J.P. Morgan**

Loop Capital Markets

BofA Merrill Lynch **Cabrera Capital Markets, LLC** **IFS Securities, Inc.**
PNC Capital Markets LLC **Siebert Cisneros Shank & Co., L.L.C.** **Valdés & Moreno, Inc.**

Dated: _____, 2016

* Preliminary, subject to change

$500,000,000*
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2016

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS

Interest is payable on April 1 and October 1 of each year, commencing April 1, 2017
Base CUSIP† 167505

$104,085,000* ____% Term Bonds due April 1, 2036,* Yield _____%, Price _____%, CUSIP† _____
$395,915,000* ____% Term Bonds due April 1, 2046,* Yield _____%, Price _____%, CUSIP† _____

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2016 CUSIP Global Services, All rights reserved. CUSIP® data used herein is provided by CUSIP Global Services. The CUSIP numbers listed are being provided solely for the convenience of the Bondholders only at the time of issuance of the 2016 Bonds and neither the Board nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity 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 2016 Bonds.

* Preliminary, subject to change.

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 2016 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 2016 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 2016 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 2016 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture for the 2016 Bonds. Copies of the Indenture are available for inspection at the offices of the Board and the Trustee. The information contained herein is provided as of the date hereof and is subject to change.

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

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

IN CONNECTION WITH THE OFFERING OF THE 2016 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2016 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 2016 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

MEMBERS

Frank M. Clark
President

Jaime Guzman
Vice President

Mark F. Furlong
Reverend Michael J. Garanzini, S.J.
Mahalia A. Hines
Dominique Jordan Turner
Gail D. Ward

MANAGEMENT

Forrest Claypool
Chief Executive Officer

Jose Alfonso de Hoyos-Acosta
Chief Administrative Officer

Ronald DeNard
Senior Vice President of Finance

Ronald Marmer
General Counsel

Jennie Huang Bennett
Chief Financial Officer

Katten Muchin Rosenman LLP
Pugh, Jones & Johnson, P.C.
Co-Bond Counsel

Foley & Lardner LLP
Cotillas and Associates
Special Co-Counsel to the Board

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

PFM Financial Advisors LLC
Acacia Financial Group, Inc.
Mohanty Gargiulo LLC
Financial Advisor

TABLE OF CONTENTS

PAGE

APPENDICES

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

$500,000,000*
BOARD OF EDUCATION OF THE CITY OF CHICAGO
DEDICATED CAPITAL IMPROVEMENT TAX BONDS
SERIES 2016

INTRODUCTION

General

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices hereto, is to set forth information in connection with the offering and sale by the Board of Education of the City of Chicago (the **"Board"** or **"CPS"**) of its $500,000,000* principal amount of Dedicated Capital Improvement Tax Bonds, Series 2016 (the **"2016 Bonds"**). The 2016 Bonds, together with any Additional Bonds and any Refunding Bonds issued under and pursuant to the Indenture (as defined herein) are collectively referred to herein as the "**Bonds**." A summary of certain provisions of the Indenture and definitions of certain capitalized terms used in this Official Statement and not otherwise defined in the body of this Official Statement are set forth in APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE."

The Board

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

Authorization

The 2016 Bonds are authorized to be issued pursuant to Section 34-53.5 of the School Code (the "**CIT Act**") and the Local Government Debt Reform Act (30 Illinois Compiled Statutes 350) (the "**Debt Reform Act**"). Under the CIT Act the Board is authorized to impose an annual *ad valorem* property tax (the "**Capital Improvement Tax**") in specific annual amounts for the purpose of providing a source of revenue for capital improvement purposes permitted under the CIT Act (the "**Permitted Projects**") and for the purpose of providing security for the payment of bonds (including the 2016 Bonds) issued pursuant to the Debt Reform Act to finance the costs of Permitted Projects. See "PLAN OF FINANCE – Overview" and "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

The 2016 Bonds are further issued pursuant to a resolution adopted by the Board on October 26, 2016, as supplemented by a resolution to be adopted by the Board on December 7, 2016 (collectively, the **"2016 Authorizing Resolution"**), authorizing the issuance of Dedicated Capital Improvement Tax Bonds payable from the Capital Improvement Taxes (as defined herein) in an amount not to exceed

---

* Preliminary, subject to change.

$840,000,000. No bonds have been issued pursuant to the 2016 Authorizing Resolution, and the 2016 Bonds represent the first issuance of Bonds payable from the Capital Improvement Tax.

The 2016 Bonds and Use of Proceeds

The proceeds of the 2016 Bonds will be used to (i) finance the Permitted Projects, (ii) make a deposit to the Consolidated Debt Service Reserve Fund (as defined herein) in an amount equal to the Consolidated Reserve Requirement (as defined herein), (iii) fund capitalized interest on the 2016 Bonds through April 1, 2018, and (iv) pay costs of issuance of the 2016 Bonds. See "PLAN OF FINANCE."

Security for the 2016 Bonds

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

The 2016 Bonds are limited obligations of the Board payable from and secured by a pledge of, lien on, and security interest in the Trust Estate created by the Master Trust Indenture, consisting primarily of the revenues derived and to be derived by the Board from the levy of the Capital Improvement Tax, including but not limited to, regular tax receipts and late payment interest and penalties (the **"Capital Improvement Taxes"**). See "CAPITAL IMPROVEMENT TAX." The 2016 Authorizing Resolution pledges the Capital Improvement Taxes to the payment of debt service on the 2016 Bonds. The Board has levied the Capital Improvement Tax in the amount of debt service on the 2016 Bonds for each year that the 2016 Bonds are outstanding (the "**Bond Resolution Series Levy**"). Since the Capital Improvement Tax has been levied in the 2016 Authorizing Resolution authorizing the 2016 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2016 Bonds. See "CAPITAL IMPROVEMENT TAX."

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

The 2016 Bonds are also payable from amounts on deposit in the Consolidated Debt Service Reserve Fund established under the Indenture (the "**Consolidated Debt Service Reserve Fund**") on a parity with any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See "SECURITY FOR THE 2016 BONDS – Consolidated Debt Service Reserve Fund" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Consolidated Debt Service Reserve Fund." The 2016 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts established as security for such Bonds pursuant to the Indenture (each as defined in the Indenture). See “SECURITY FOR THE 2016 BONDS – Sources of Payment for the 2016 Bonds.”

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

Additional Bonds and Refunding Bonds

Pursuant to the Indenture and after the issuance of the 2016 Bonds, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding Outstanding Bonds, in each case payable on a parity basis with the 2016 Bonds from all or any portion of the Capital Improvement Taxes. See “SECURITY FOR THE 2016 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes.”

Subordinated Indebtedness and Tax Anticipation Notes Payable From Capital Improvement Taxes

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

The Board is permitted under the Indenture to issue Tax Anticipation Notes (as defined in Appendix A) in anticipation of the collection of Capital Improvement Taxes to be collected in the current Tax Collection Year (as defined herein) or the next ensuing Tax Collection Year. Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes shall be junior and subordinate in all respects to any and all Bonds issued and outstanding under the Indenture, are not payable from the Debt Service Fund, and are not entitled to any of the benefits or security of the Indenture. For a discussion of provisions relating to the issuance of Tax Anticipation Notes issued in anticipation of the collection of Capital Improvement Taxes see APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Tax Anticipation Notes.”

Limited Obligations

The 2016 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2016 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal of or interest on the 2016 Bonds.

Bondholders’ Risks and Suitability of Investment

INVESTMENT IN THE 2016 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 2016 BONDS. THE 2016 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 2016 BONDS BEFORE CONSIDERING A PURCHASE OF THE 2016 BONDS. See "BONDHOLDERS' RISKS" and "RATINGS."

Certain References

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

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of owners of the 2016 Bonds (the **"Bondholders"**). There is no assurance that such information will be maintained or updated on such websites in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the Underwriters (as defined herein) take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

CAPITAL IMPROVEMENT TAX

Statutory Authority and City Council and Board Approval

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

Capital Improvements

The CIT Act authorizes the imposition of the Capital Improvement Tax for the limited purpose of providing a source of revenue for Permitted Projects or as security for the payment of bonds (including the 2016 Bonds) issued to fund Permitted Projects in accordance with the Debt Reform Act. The Permitted Projects to be funded under the CIT Act include the construction and equipping of new school buildings, additions to existing school buildings, the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, and the rehabilitation, renovation, and equipping of existing school buildings.

CIT Act Authorized Amount of Levy and Historical Levy and Collection

The CIT Act establishes maximum authorized amounts of the Capital Improvement Tax that can be levied in each calendar year as follows:

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

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

Pursuant to this authority, in calendar year 2015 the Board levied a Capital Improvement Tax to produce, when extended, an amount not to exceed $45 million and such levy was due in two installments in 2016, with the second installment due August 1, 2016. The portion of such levy extended for collection in Cook County was $44.995 million and as of November 29, 2016 more than 96% of such levy had been collected by Cook County. See "– Illinois Real Property Tax System Overview and Tax Collection."

In calendar year 2016, the Board levied a Capital Improvement Tax to produce, when extended, an amount not to exceed $47.898 million and such levy will be collected in calendar year 2017.

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

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

Capital Improvement Tax Not Limited by PTELL

In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in CPI during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. **PTELL does not limit the rate or amount of the Capital Improvement Tax levy.** See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

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

Capital Improvement Tax Levy Components

The 2016 Bonds are issued under the CIT Act and the Debt Reform Act. The Board adopted the 2016 Authorizing Resolution that authorizes the issuance of the 2016 Bonds payable from, and secured by, the Capital Improvement Taxes. The 2016 Authorizing Resolution pledges the Capital Improvement Taxes to the payment of debt service on the 2016 Bonds and the Indenture provides for the direct deposit of the Capital Improvement Tax in the Escrow Fund (as defined herein) held by the Trustee under the Indenture. See "– Direct Deposit of Capital Improvement Taxes with the Trustee."

Pursuant to the 2016 Authorizing Resolution, the Board has levied the Bond Resolution Series Levy of the Capital Improvement Tax in the amount of debt service on the 2016 Bonds for each year that the 2016 Bonds are outstanding. Since the Bond Resolution Series Levy of the Capital Improvement Tax has been levied in the 2016 Authorizing Resolution authorizing the 2016 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy of the Capital Improvement Tax to pay the 2016 Bonds.

Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy. See "SECURITY FOR THE 2016 BONDS – Levy of the Capital Improvement Tax" and "BONDHOLDERS' RISKS – Adverse Change in Laws." All collections of the Annual Coverage CIT Tax Levy will be collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

Pursuant to the CIT Act, the Board is authorized to and may impose an additional annual levy of the Capital Improvement Tax to the full amount authorized by the CIT Act (the **"Annual Additional CIT Tax Levy"**). See "– CIT Act Authorized Amount of Levy and Historical Levy and Collection." Such levy of the Capital Improvement Tax is in addition to the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy described above. The imposition of the Annual Additional CIT Tax Levy is subject to the annual authorization by the Board. If imposed by the Board, all collections of the Annual Additional CIT Tax Levy would be pledged to secure the Bonds, deposited into the Escrow Fund and collected, deposited and applied in the same manner as all other Capital Improvement Taxes.

Illinois Real Property Tax System Overview and Tax Collection

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

Property taxes are collected by the County Collectors, who remit to each unit of government its share of the collections. As described under the subheading "– Direct Deposit of Capital Improvement Taxes with the Trustee" the CIT Tax Revenues will be remitted directly to the Trustee pursuant to the Deposit Directions (as defined herein). In Illinois, property taxes levied for a calendar year (the "**Tax**

Year") are extended by the County for collection and are billed to property owners in the following calendar year (the "**Tax Collection Year**"). Currently, taxes are due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date (the **"Second Installment Penalty Date"** for the tax years 2006 to 2015; the first installment penalty date has been the first business day in March for all years.

	Second Installment
Tax Year	**Penalty Date**
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
2007	November 3, 2008
2006	December 3, 2007

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

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

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

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

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 **"Tax Collection Year"**). Pursuant to the Indenture, Capital Improvement Taxes collected in a Tax Collection Year will be applied to pay principal and interest on the 2016 Bonds in the Bond Year commencing on April 2 of the Tax Collection Year. An overview of this three year cycle consisting of the Tax Year, Tax Collection Year and Bond Year is described below.

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

Year 2 – Tax Collection Year: The County extends the taxes levied for a Tax Year for collection in the following calendar year, referred to as the Tax Collection Year. Property taxes, including the Capital Improvement Tax, are currently due and payable by property owners in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second installment tax bills in each Tax Collection Year. The first installment is an estimated bill calculated at 55% of the prior year's tax extension and the second installment is for the balance of the current year's tax extension. The Capital Improvement Tax revenues collected will be deposited directly by the County Collectors with the Trustee pursuant to the Deposit Directions and the Trustee will deposit such funds in the Escrow Fund under the Indenture as described under the heading "SECURITY FOR THE 2016 BONDS – Escrow Fund."

Year 3 – Bond Year: The revenues from the Capital Improvement Tax held by the Trustee will be applied to payment of debt service due and payable on the 2016 Bonds on October 1 of the Tax Collection Year and April 1 of the next calendar year.

Direct Deposit of Capital Improvement Taxes with the Trustee

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

Pursuant to the Indenture, the Board covenants that as long as any of the 2016 Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year. A violation of this covenant constitutes an Event of Default under the Indenture, for which there is no cure period, although the Board has the right to remedy such a violation and to be restored to the former position. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes" and "– Events of Default."

DEBT SERVICE SCHEDULE AND COVERAGE

2016 Bond Debt Service Schedule and Coverage

The following table sets forth the debt service requirements on the 2016 Bonds and the debt service coverage provided by the existing Bond Resolution Series Levy and the Annual Coverage CIT

Tax Levy (when imposed) of the Capital Improvement Tax. Pursuant to the 2016 Authorizing Resolution, the Board has imposed the Bond Resolution Series Levy in the amount of debt service on the 2016 Bonds for each year that the 2016 Bonds are outstanding. Pursuant to the Indenture, the Board has covenanted to annually impose the Annual Coverage CIT Tax Levy for collection in each year that the Bonds are outstanding. See "SECURITY FOR THE 2016 BONDS – Indenture Covenants and Representations – Annual Levy Amount," "BONDHOLDERS' RISKS – Availability of Capital Improvement Taxes," "– Adverse Change in Laws," and "– Collection of Capital Improvement Tax."

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

Tax Year	Tax Collection Year	Bond Year	Annual Debt Service on the 2016 Bonds	Bond Resolution Series Levy	Debt Service Coverage (x)	Total of Bond Resolution Series Levy and Annual Coverage CIT Tax Levy	Debt Service Coverage (x)
2016	2017	2018			1.00		1.10
2017	2018	2019			1.00		1.10
2018	2019	2020			1.00		1.10
2019	2020	2021			1.00		1.10
2020	2021	2022			1.00		1.10
2021	2022	2023			1.00		1.10
2022	2023	2024			1.00		1.10
2023	2024	2025			1.00		1.10
2024	2025	2026			1.00		1.10
2025	2026	2027			1.00		1.10
2026	2027	2028			1.00		1.10
2027	2028	2029			1.00		1.10
2028	2029	2030			1.00		1.10
2029	2030	2031			1.00		1.10
2030	2031	2032			1.00		1.10
2031	2032	2033			1.00		1.10
2032	2033	2034			1.00		1.10
2033	2034	2035			1.00		1.10
2034	2035	2036			1.00		1.10
2035	2036	2037			1.00		1.10
2036	2037	2038			1.00		1.10
2037	2038	2039			1.00		1.10
2038	2039	2040			1.00		1.10
2039	2040	2041			1.00		1.10
2040	2041	2042			1.00		1.10
2041	2042	2043			1.00		1.10
2042	2043	2044			1.00		1.10
2043	2044	2045			1.00		1.10
2044	2045	2046			1.00		1.10

Annual Additional CIT Tax Levy and Cap on Capital Improvement Tax Levy

The Board is authorized to annually impose the Annual Additional CIT Tax Levy for authorized purposes under the CIT Act, in addition to the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy described above. The imposition of the Annual Additional CIT Tax Levy is subject to the annual authorization by the Board. The Board is not required by the Indenture or otherwise to annually impose the Annual Additional CIT Tax Levy in any amount in any year. The imposition of the Annual Additional CIT Tax Levy is subject to the Illinois Truth in Taxation Law. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM – Real Property Assessment, Tax Levy and Collection Procedures –

Tax Levy." The maximum amount of the Capital Improvement Tax levy that can be imposed is dependent on the statutory cap on the amount of such levy imposed by the CIT Act. See "CAPITAL IMPROVEMENT TAX – CIT Act Authorized Amount of Levy and Historical Levy and Collection" and "– Capital Improvement Tax Levy Components," The amount of the cap for each Tax Year is established based on the amount of the Capital Improvement Tax levied for the preceding Tax Year increased by the annual growth in CPI. The table below shows two pro forma scenarios for calculation of the cap on the Capital Improvement Tax that is authorized to be imposed under the CIT Act, as follows: (1) collections assuming the annual levy and collection of the Capital Improvement Tax in each year based on the amount levied in Tax Year 2016 assuming no increase in CPI, and (2) collections assuming annual levy and collection of the Capital Improvement Tax assuming an annual growth in CPI based on the 10-year average growth of 1.7522% calculated from the monthly CPI-All Urban Consumers Data, January 2007 to September 2016, published by the Bureau of Labor Statistics. The amounts in the table below include the total amount of Capital Improvement Tax that can be levied under the CIT Act based on the scenarios presented, and the totals include the amount of the Bond Resolution Series Levy imposed pursuant to the Bond Resolution Series Levy and the amount of the Annual Coverage CIT Tax Levy that the Board has covenanted to annually impose pursuant to the Indenture, both as set forth in the table above under the subheading "– 2016 Bond Debt Service Schedule and Coverage." The table below and the scenarios presented are for illustrative purposes only as described herein and the information presented in such table is not a projection by the Board of the future growth in CPI, the amount of the cap on the Capital Improvement Tax, or the amount of the Annual Additional CIT Tax Levy that the Board will impose in any Tax Year.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Pro Forma Cap on Amount of Capital Improvement Tax

Tax Year	Tax Collection Year	Bond Year	Cap on Capital Improvement Tax Levy Assuming 0% Annual CPI Growth	Cap on Capital Improvement Tax Levy Assuming 1.75% Annual CPI Growth[1]
2016	2017	2018	$ 47,898,000	$ 47,898,000
2017	2018	2019	47,898,000	51,234,154
2018	2019	2020	47,898,000	54,628,764
2019	2020	2021	47,898,000	58,082,854
2020	2021	2022	47,898,000	61,597,467
2021	2022	2023	47,898,000	65,173,662
2022	2023	2024	47,898,000	68,812,520
2023	2024	2025	47,898,000	72,515,138
2024	2025	2026	47,898,000	76,282,634
2025	2026	2027	47,898,000	80,116,143
2026	2027	2028	47,898,000	84,016,823
2027	2028	2029	47,898,000	87,985,851
2028	2029	2030	47,898,000	92,024,424
2029	2030	2031	47,898,000	96,133,761
2030	2031	2032	47,898,000	100,315,101
2031	2032	2033	190,398,000	247,069,708
2032	2033	2034	190,398,000	251,398,863
2033	2034	2035	190,398,000	255,803,874
2034	2035	2036	190,398,000	260,286,069
2035	2036	2037	190,398,000	264,846,802
2036	2037	2038	190,398,000	269,487,448
2037	2038	2039	190,398,000	274,209,407
2038	2039	2040	190,398,000	279,014,104
2039	2040	2041	190,398,000	283,902,989
2040	2041	2042	190,398,000	288,877,537
2041	2042	2043	190,398,000	293,939,249
2042	2043	2044	190,398,000	299,089,653
2043	2044	2045	190,398,000	304,330,302
2044	2045	2046	190,398,000	309,662,777

[1] CPI 10-year average growth of 1.7522% calculated from monthly CPI-All Urban Consumers Data, January 2007 to September 2016, published by the Bureau of Labor Statistics.

[Remainder of Page Intentionally Left Blank]

SECURITY FOR THE 2016 BONDS

Limited Obligations

The 2016 Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with the Indenture. The 2016 Bonds are not general obligations of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of principal of or interest on the 2016 Bonds.

Sources of Payment for the 2016 Bonds

The 2016 Bonds are payable from, and secured under, the Indenture by a pledge of, lien on, and security interest in the Trust Estate, including the Capital Improvement Taxes to be levied and collected. See "– Levy of the Capital Improvement Tax" and "INTRODUCTION – Authorization" and "– Security for the 2016 Bonds." The 2016 Bonds are also payable from amounts on deposit in the Consolidated Debt Service Reserve Fund on a parity with any Additional Bonds and Refunding Bonds issued under the Indenture as Consolidated Reserve Fund Bonds (as defined in the Indenture). See "– Consolidated Debt Service Reserve Fund" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE "– Consolidated Debt Service Reserve Fund." The 2016 Bonds are also payable from all Funds, Sub-Funds, Accounts and Sub-Accounts pledged as security for the payment of the 2016 Bonds under the Indenture. See "– Flow of Capital Improvement Taxes Under the Indenture." For a discussion of the debt structure of the Board and property tax rates and levies of the Board and the Overlapping Taxing Districts (as defined herein) see "DEBT STRUCTURE" and "FINANCIAL INFORMATION – Property Tax Revenues." For a discussion of certain risks related to the Capital Improvement Taxes, see "BONDHOLDERS' RISKS – Limited Source of Payment and Security," "– Availability of Capital Improvement Taxes," "– Adverse Change in Laws," and "– Collection of Capital Improvement Tax."

Levy of the Capital Improvement Tax

Pursuant to the 2016 Authorizing Resolution, the Board has levied the Bond Resolution Series Levy for each year that the 2016 Bonds are outstanding, in amounts which, if collected in full and not delinquent, will be equal to the amount of debt service on the 2016 Bonds. Since the Bond Resolution Series Levy has been levied in the 2016 Authorizing Resolution authorizing the 2016 Bonds, no further action of the Board is required to implement the extension and collection of the Bond Resolution Series Levy to pay debt service on the 2016 Bonds in any year.

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

In addition, the Board may, but is not required to, annually impose the Annual Additional CIT Tax Levy in an amount up to the maximum amount of Capital Improvement Tax authorized under the CIT Act.

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

Escrow Fund

The Escrow Fund is established with the Trustee pursuant to the provisions of the Property Tax Code, the School Code, the 2016 Authorizing Resolution and the Indenture, as an account separate and segregated from all other funds and accounts of the Board. The Escrow Fund is established for the purpose of providing the funds required to pay the principal of, and interest on, the 2016 Bonds when due and for the payment of Capital Expenditures that are Permitted Expenditures as defined and provided in the Indenture.

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

Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the Bonds, including the 2016 Bonds, and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders a first lien on, and security interest in, the Capital Improvement Taxes and the monies, securities and funds held from time to time in the Escrow Fund, on a parity basis with any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

Operation of the Escrow Fund

The Indenture provides that on each Business Day, the Trustee shall first allocate all of the moneys in the Escrow Fund to the payment of debt service on the 2016 Bonds, any Additional Bonds and any Refunding Bonds. The Indenture provides for the operation of the Escrow Fund as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Allocation of Escrow Fund."

Debt Service Fund and Series 2016 Dedicated Sub-Fund

The Indenture also establishes with the Trustee a debt service fund for deposit of funds to provide for payment of the Bonds, including the 2016 Bonds (the **"Debt Service Fund"**) and a separate, segregated and dedicated sub-fund within the Debt Service Fund for the 2016 Bonds (the "**Series 2016 Dedicated Sub-Fund**"). The Indenture provides for the establishment of separate dedicated sub-funds for any Series of Additional Bonds and Refunding Bonds issued under the Indenture, and in each case for the deposit of Capital Improvement Taxes for the payment of debt service on the applicable Series of Bonds. Moneys on deposit in the Series 2016 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2016 Bonds and shall not be used or available for the payment of any other Bonds, except as expressly provided in the Indenture.

Further, the Indenture establishes with the Trustee separate Accounts within the Series 2016 Dedicated Sub-Fund, designated as follows: (1) 2016 Capitalized Interest Account, (2) 2016 Project Account, (3) 2016 Principal Account, and (4) 2016 Interest Account.

The Indenture provides that on each Business Day, commencing on February 1, 2018 (each such date referred to herein as the "**Deposit Date**") there shall be withdrawn from the Debt Service Fund and deposited into the Series 2016 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2016 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth below (such aggregate amount with respect to any Deposit Date being referred to herein as the **"Series 2016 Deposit Requirement"**). On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2016 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

First: for deposit into the 2016 Interest Account, an amount equal to the amount required so that the sum held in the 2016 Interest Account, when added to the interest payable from the 2016 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2016 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and

Second: commencing on February 1, 2018, for deposit into the 2016 Principal Account, the amount required so that the sum then held in the 2016 Principal Account will equal the sum of the unpaid Principal due on the 2016 Bonds on the first day of April of the next calendar year.

2016 Project Account

The Indenture provides for disbursements of moneys in the 2016 Project Account as described below.

(A) The Trustee shall make payment of the Costs of Construction of the 2016 Project that are both Capital Expenditures and Permitted Expenditures from the 2016 Project Account. Before any such payment shall be made, the Board shall file with the Trustee:

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

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2016 Project, and that each item thereof (i) is a proper charge against the 2016 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed from moneys in the 2016 Project Account or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

Upon receipt of each such requisition and accompanying Certificates the Trustee shall transfer from the 2016 Project Account to the credit of a special account in the name of the Board, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts in such special account to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. If for any reason the Board should decide prior to the payment of any item in a requisition to stop payment of such item, an Authorized Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the 2016 Project Account.

The Trustee shall withdraw from the 2016 Project Account and pay to the Board any balance in the 2016 Project Account on filing by the Board with the Trustee the Board's Certificate certifying: (1) that the 2016 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such 2016 Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2016 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2016 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2016 Project Account. Moneys so withdrawn from the 2016 Project Account (i) may be applied for the payment, purchase or redemption of 2016 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by the CIT Act and will not adversely affect the exclusion from gross income under the Code of interest on the 2016 Bonds.

(B) The Trustee shall, during construction of the 2016 Project, pay from the 2016 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than $5,000,000, exclusive of and in addition to reimbursements as described in Paragraph (A), such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid as otherwise described in Paragraph (A) above. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2016 Project Account upon requisitions of the Board accompanied by its Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures. Each transfer to the revolving fund maintained by the Board may not exceed the aggregate amount of the vendor invoices to be paid or reimbursed with respect to the revolving fund, and may only be made after a careful review by the Board to confirm that all transfers to the revolving fund match invoiced amounts for Capital Expenditures that are Permitted Expenditures.

Consolidated Debt Service Reserve Fund

The Indenture establishes a Consolidated Debt Service Reserve Fund, which secures the payment of debt service on all Bonds issued pursuant to the Indenture which are designated as "Consolidated Reserve Fund Bonds" thereunder, including the 2016 Bonds. Under the Indenture, the Consolidated Debt Service Reserve Fund is required to be funded in an amount equal to fourteen percent (14%) of the largest Annual Debt Service Requirement on all Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year (the **"Consolidated Reserve Requirement"**). On the date of issuance of the 2016 Bonds, $_________ from the proceeds of the 2016 Bonds, which amount is equal to the Consolidated Reserve Requirement as of such date, will be deposited in the Consolidated Debt Service Reserve Fund. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Consolidated Debt Service Reserve Fund."

Direct Deposit with Trustee

Pursuant to the Indenture, the Board has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Capital Improvement Taxes in each year directly with the Trustee for application in accordance with the provisions of the Indenture (each a **"Deposit Direction"**). See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Covenants Regarding Pledged Capital Improvement Taxes." The forms of Deposit Directions executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX F. The Board has covenanted that as long as any of the 2016 Bonds remain Outstanding, the Board will not agree, and will not attempt to, and will not amend, modify, terminate or revoke any Deposit Direction, except for such modifications or amendments as may be (i) necessitated by changes in State law and applicable rules or regulations thereunder or (ii) necessary in connection with the issuance of Additional Bonds or Refunding Bonds; provided, that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Capital Improvement Taxes to be paid to the Board during any Tax Collection Year.

Indenture Covenants and Representations

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

<u>Authority for Indenture</u>. The Indenture is executed and delivered by the Board by virtue of and pursuant to the CIT Act, the Debt Reform Act and the 2016 Authorizing Resolution. The Board has ascertained, determined and declared that the execution and delivery of the Indenture is necessary to meet the public purposes and obligations of the Board, that each and every act, matter, thing or course of conduct as to which provision is made in the Indenture is necessary or convenient in order to carry out and effectuate such purposes of the Board and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement contained in the Indenture and

made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the Board.

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

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

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

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

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

Power to Issue Bonds and Pledge Trust Estate. The Board is duly authorized under all applicable laws to issue the Bonds and to execute and deliver the Indenture and to pledge the Trust Estate pledged by the Indenture and to grant the lien granted by the Indenture thereon in the manner and to the extent provided in the Indenture. The Trust Estate, so pledged and subject to the lien of the Indenture, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Board to that end has been and will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of the Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The Board covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State and the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under the Indenture, the rights of the Board to levy the Capital Improvement Tax and to apply the Capital Improvement Taxes in accordance with the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

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

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

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

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

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

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

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

Pledge and Lien Under the Debt Reform Act

The 2016 Bonds are entitled to the benefits and security of the Debt Reform Act. Pursuant to the Debt Reform Act, the Capital Improvement Taxes deposited or to be deposited into the Escrow Fund are pledged as security for the payment of the principal of, and interest on, the 2016 Bonds and such Capital Improvement Taxes and the moneys held in the Escrow Fund shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice thereof. Pursuant to the Indenture, the Board has granted to the Trustee for the benefit of the Bondholders a first lien on, and security interest in, the Capital Improvement Taxes and the monies, securities and funds held from time to time in the Escrow Fund, on a parity basis with any Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

Flow of Capital Improvement Taxes Under the Indenture

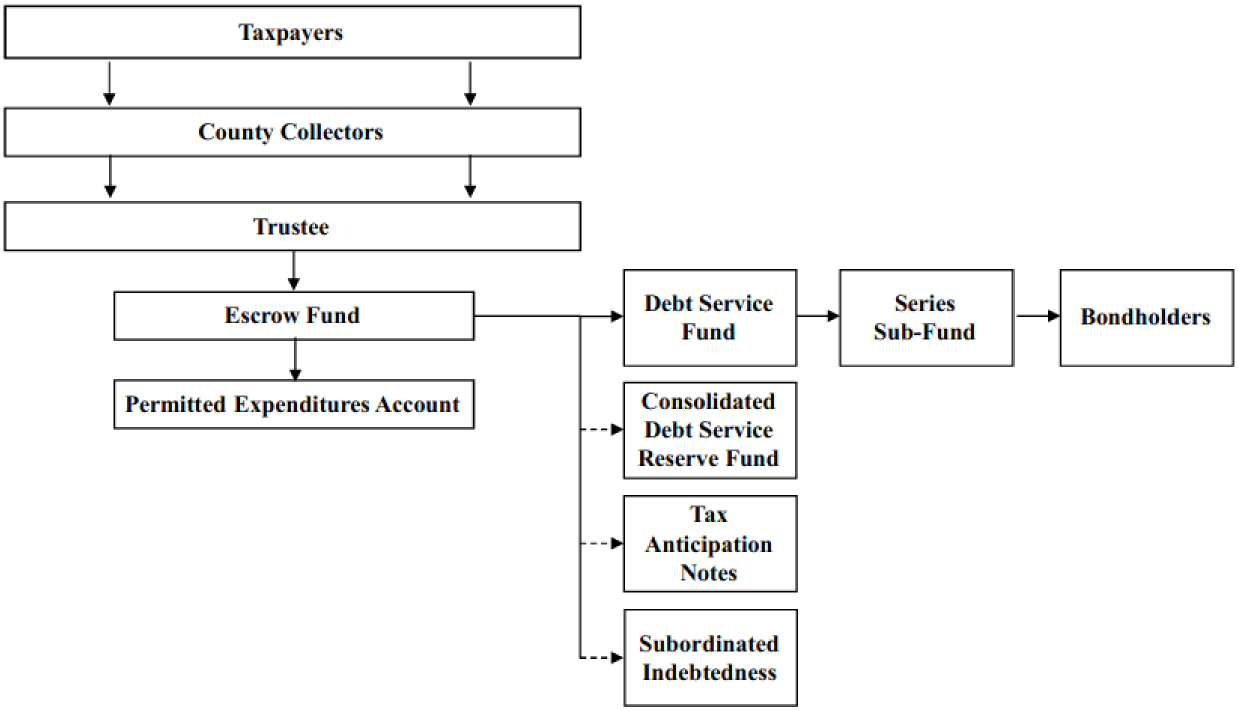
Indenture Debt Service Funds and Accounts. As described under the headings "SECURITY FOR THE 2016 BONDS – Escrow Fund" and "CAPITAL IMPROVEMENT TAX – Direct Deposit of Capital Improvement Taxes with the Trustee" herein, Capital Improvement Taxes as collected will be deposited directly with the Trustee in the Escrow Fund pursuant to the Indenture and the Deposit Directions. Pursuant to the Indenture, Capital Improvement Taxes on deposit in the Escrow Fund will be transferred to the Debt Service Fund (as defined and described below) for application as described below. See "CAPITAL IMPROVEMENT TAX" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Required Deposit of Capital Improvement Tax Receipts," "– Allocation of Escrow Fund," and "– Deposits into Series 2016 Dedicated Sub-Fund and Accounts."

The Indenture establishes the Debt Service Fund for deposit of funds to provide for payment of the Bonds, including the 2016 Bonds. The Indenture also establishes the Series 2016 Dedicated Sub-Fund within the Debt Service Fund for the 2016 Bonds and provides for the establishment of separate dedicated sub-funds for any Series of Additional Bonds and Refunding Bonds issued under the Indenture, and in each case for the deposit of Capital Improvement Taxes for the payment of debt service on the applicable Series of Bonds.

Moneys in the Debt Service Fund shall be disbursed and applied by the Trustee as required to make the following deposits on the dates and in the amounts provided: (1) on any date required by the provisions of the Indenture, the Trustee shall segregate within the Debt Service Fund and credit to the Series 2016 Dedicated Sub-Fund therein such amounts as may be required to be so credited under the provisions of the Indenture to pay the principal of and interest on the 2016 Bonds; and (2) on any date required by the provisions of the Indenture for any other purpose, the Trustee shall segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as are specified in such the Indenture the amounts required so to be withdrawn and deposited by the provisions of the Indenture.

Application of Capital Improvement Taxes and Flow of Funds Diagram. The Capital Improvement Taxes received by the Trustee from the Board will be applied to the payment of debt service on the Bonds, including the 2016 Bonds in accordance with the procedures set forth in the Indenture. The diagram below describes the collection, deposit and application of Capital Improvement Taxes under the Indenture:

Flow of Capital Improvement Taxes Under the Indenture



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

Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes

Pursuant to the Indenture and after the issuance of the 2016 Bonds, the Board may issue from time to time Additional Bonds for the purpose of financing the costs of Permitted Projects and Refunding Bonds for the purpose of refunding Outstanding Bonds payable on a parity basis with the 2016 Bonds from all or any portion of the Capital Improvement Taxes.

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

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

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

Bankruptcy

General. Units of local government, such as the Board, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. However, from time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois units of local government to be a debtor in bankruptcy under the U.S. Bankruptcy Code, and Governor Rauner has proposed legislation to allow for municipal bankruptcy, and legislation has been introduced in the General Assembly to that effect. The Board cannot predict whether the Illinois General Assembly may adopt any such legislation that would permit units of local government, such as the Board, to be a debtor in bankruptcy and the form and terms of any such proceeding. See "RECENT DEVELOPMENTS – Proposed State Legislation Relating to Bankruptcy of the Board" **"–** Proposed State Legislation to Provide for an Elected Board,**"** and "– Proposed State Legislation Relating to State Takeover of the Board and Powers of Illinois State Board of Education."

Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2016 Bonds could be stayed during the proceeding, and that the terms of the 2016 Bonds, the 2016 Authorizing Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with requirements of the U.S. Bankruptcy Code.

As discussed under the subheading "BONDHOLDERS' RISKS – No Acceleration and Uncertainty of Enforcement Remedies," various of the legal opinions delivered in connection with the issuance of the 2016 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles.

Counsel Opinions Regarding Certain Bankruptcy-Related Matters. Katten Muchin Rosenman LLP ("**Katten**"), as special bankruptcy counsel to the Board, and McDermott Will & Emery LLP ("**McDermott**"), as counsel to Barclays Capital, Inc., as representative of the Underwriters (the "**Representative**"), have each prepared an opinion letter for the 2016 Bonds (the "**Special Revenues Opinions**"), which sets forth the bases of Katten's and McDermott's respective opinions that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2016 Bonds are "special revenues" as that term is defined in Section 902(2)(E) of the U.S. Bankruptcy Code. Consequently, (i) application of the Capital Improvement Taxes by the Trustee to the payment of the 2016 Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture.

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

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

BONDHOLDERS' RISKS

Investment in the 2016 Bonds involves certain risks. In evaluating an investment in the 2016 Bonds, prospective purchasers should carefully consider the risk factors set forth under this heading "BONDHOLDERS' RISKS" regarding a purchase of the 2016 Bonds, as well as all other information contained in or incorporated by reference into this Official Statement, including the appendices hereto and additional information in the form of the complete documents summarized herein and in the appendices hereto, copies of which are available as described herein. For the definitions of certain words and terms, see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE" and definitions set forth elsewhere in this Official Statement.

There follows under this heading a discussion, in no particular order of importance or priority, of some, but not necessarily all, of the possible risks and investment considerations that should be carefully evaluated prior to purchasing any of the 2016 Bonds. There may be other risk factors and investment considerations that may be material or may become material in the future to a prospective purchaser's investment decision regarding purchasing or holding any 2016 Bonds, or that may *materially and adversely affect the financial condition of the Board and its ability to repay the 2016 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 2016 Bonds.*

Suitability of Investment

The 2016 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 2016 Bonds before considering a purchase of the 2016 Bonds.

Limited Source of Payment and Security

The 2016 Bonds are limited obligations of the Board, a single revenue credit and a new source of credit for the Board and are payable solely from, and secured solely by, the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the other Funds, Sub-Funds, Accounts and Sub-Accounts established pursuant to the Indenture. The 2016 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 2016 Bonds. No other source of security is pledged to, or otherwise available for, the payment of the 2016 Bonds and no other funds of the Board, the City or the State are pledged for the payment of the 2016 Bonds other than the Capital Improvement Taxes, the Consolidated Debt Service Reserve Fund and the funds and accounts established pursuant to the Indenture. No debt has been issued payable from the Capital Improvement Taxes prior to the issuance of 2016 Bonds.

Availability of Capital Improvement Taxes

The availability of property tax revenues, including Capital Improvement Taxes, in amounts sufficient to pay the annual debt service on the 2016 Bonds, and the Board's general obligation bonds and to support the ongoing operating costs of the Board is dependent on the tax base of real property within the School District and the ability of this tax base to support the tax burden imposed in any year by the Board and the Overlapping Taxing Districts (as defined herein) for operations, debt service and other payment obligations, including pensions and other post-employment retirement benefits. The availability of *ad valorem* property tax revenues, is also dependent on the administration of the assessment, levy and tax collection procedures by the County Collectors. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." See "DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin." In addition, litigation is pending in State and federal court raising certain State and federal constitutional challenges relating to the selection of the Board by appointment of the Mayor and, request, among other remedies, the collection of property taxes levied by the Board be conditioned on the Illinois General Assembly putting in place or substituting an elected school board. The Board makes no assurances or predictions as to when the courts will rule on either litigation, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the 2016 Bonds. See "LITIGATION."

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

In addition, the Board and certain of the Overlapping Taxing Districts have levied taxes to pay Alternate Revenue Bonds and certain other general obligation bonds and such taxes are currently not extended for collection and are not reflected in the current tax rates of the Board and the Overlapping Taxing Districts. Such debt service taxes could be extended in the future resulting in an increase in the tax burden of property owners within the boundaries of the School District. Such increased burden could potentially be harmful to the local economy and may impact the value of property in the region and lead to population migration, delayed payments of taxes, lower tax collection rates and other factors that may result in a decrease in the rate and amount of tax collections received by the Board. As described above and in "SECURITY FOR THE 2016 BONDS – Levy of the Capital Improvement Tax," several factors impact whether Capital Improvement Taxes will be collected in amounts sufficient to make timely debt service payments on the 2016 Bonds.

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. See "DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin."

Adverse Change in Laws

As discussed under the heading "CAPITAL IMPROVEMENT TAX," the Board has imposed the Bond Resolution Series Levy of the Capital Improvement Tax in the amount of debt service on the 2016 Bonds for each year that the 2016 Bonds are outstanding. In addition, pursuant to the Indenture the Board has covenanted, to the fullest extent permitted by applicable law, to provide for the annual levy of the Capital Improvement Tax such that the Annual Levy Amount for each year, and the amount of Capital Improvement Tax extended for collection in the corresponding Tax Collection Year, will each be in an amount not less than 110% of the Annual Debt Service Requirement for the Applicable Bond Year. See "CAPITAL IMPROVEMENT TAX – Capital Improvement Tax Levy Components." The imposition of the Annual Coverage CIT Tax Levy is subject to the annual authorization by the Board. The Debt Reform Act provides that the Board can pledge as security to Bondholders "amounts sufficient to provide for the prompt payment of debt service and to provide an additional amount of money as coverage computed as a percentage of the amount of debt service scheduled to be payable in any given year."

Changes in law relating to the Capital Improvement Tax, including the authorized amount of the levy of the Capital Improvement Tax, collection and authorized uses of such tax; changes in the Debt Reform Act, including without limitation changes in the authorization of additional coverage or the amount thereof; changes or repeal of the ad valorem property tax system of the State generally, including the levy and collection of such taxes, could impact the amount of the Capital Improvement Tax levy, the amount and timing of the receipt of Capital Improvement Taxes, and the collection of Capital Improvement Taxes in each year that the 2016 Bonds are Outstanding in amounts sufficient to pay debt service on the 2016 Bonds when due.

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the Board's ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, change in the interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, change in interpretation, or addition may have a material adverse effect, either directly or indirectly, on the Board or the taxing authority of the Board, which could materially adversely affect the Board's operations or financial condition. In addition, since there is no contractual relationship between any Bondholder and the State and there is no contractual promise from the State not to alter the Debt Reform Act, the Property Tax Code and/or the School Code including without limitation the CIT Act in ways that may be adverse to the interests of the Bondholders, the State may amend the Debt Reform Act, the Property Tax Code and/or the School Code including without limitation the CIT Act at any time and such action may have a material adverse effect on the Bondholders. See "SECURITY FOR THE 2016 BONDS – Levy of the Capital Improvement Tax."

Collection of Capital Improvement Tax

In the event that there is a decline in the amount of the Capital Improvement Tax collected, the Capital Improvement Taxes collected may be insufficient to pay the principal of and interest due on the 2016 Bonds. Notwithstanding the foregoing, the 2016 Bonds also have the benefit of the amounts in the Consolidated Debt Service Reserve Fund. However, if there is a material decline in the amount of the Capital Improvement Tax collected the amounts in the Consolidated Debt Service Reserve Fund may be insufficient to pay the principal of and interest due on the 2016 Bonds.

In addition, although the Second Installment Penalty Date established by Cook County has been August 1-3 for Tax Collection Years 2013-2016, in Tax Collection Years 2007 through 2012, and in some prior years, the Second Installment Penalty Date has been delayed as late as December 13. See "CAPITAL IMPROVEMENT TAX – Illinois Real Property Tax System Overview and Tax Collection" and APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." Delays in the Second Installment Penalty Date impact the timing of receipt of Capital Improvement Taxes to pay debt service on the 2016 Bonds. Notwithstanding the foregoing, the risk that the Board does not have Capital Improvement Taxes on hand to make timely payments on the 2016 Bonds, including delays in the Second Installment Penalty Date, has been mitigated by setting the related interest payment date on the 2016 Bonds in April, eight months after the expected Second Installment Penalty Date. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

Non-Compliance with Continuing Disclosure Obligations

The Board filed its Annual Financial Information later than 210 days after the last day of the Board's 2013 and 2014 Fiscal Years as required by its undertakings. In each case such late filing was due to the fact that its Annual Financial Statements were not yet available. Although the Board has implemented certain procedures to ensure timely compliance going forward with its continuing disclosure obligations, there is no assurance that these procedures will be effective in ensuring timely compliance. Moreover, the Board's failure to comply with its continuing disclosure obligations on a timely basis could limit its access to the capital markets because underwriters for the Board's bonds must be able to reasonably determine that the Board will comply with its continuing disclosure obligations before underwriting any future offerings of Board debt. Moreover, a failure by the Board to comply with its continuing disclosure obligations must also be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2016 Bonds in the secondary market. Any failure to comply with its continuing disclosure obligations could, therefore, affect the transferability and liquidity of the 2016 Bonds and their market price. See "CONTINUING DISCLOSURE UNDERTAKING."

No Acceleration and Uncertainty of Enforcement Remedies

The maturity of the 2016 Bonds cannot be accelerated in the event that the Board defaults in the payment of any installment of principal of or interest due on the 2016 Bonds, or otherwise fails to comply with any covenant set forth in the 2016 Bonds, the Indenture or any other agreement.

The opinions of Co-Bond Counsel and the Board's General Counsel as to the enforceability of the Board's obligations pursuant to the Indenture and to make payments on the 2016 Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See "SECURITY FOR THE 2016 BONDS – Bankruptcy," "RECENT DEVELOPMENTS – Proposed State Legislation Relating to Bankruptcy of the Board" and "– Proposed State Legislation Relating to State Takeover of the Board and Powers of Illinois State Board of Education," and "BONDHOLDERS' RISKS – Bankruptcy of the Board."

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

Credit Ratings of 2016 Bonds; Limited Nature of Ratings; Reduction, Suspension or Withdrawal of Credit Ratings

As discussed herein, the 2016 Bonds are limited obligations of the Board secured by the Capital Improvement Taxes and certain funds held under the Indenture. Kroll Bond Rating Agency, Inc. and Fitch Ratings have each provided ratings with respect to the 2016 Bonds. For a description of such ratings, see "RATINGS" herein.

Each rating of the 2016 Bonds does not constitute a recommendation to purchase, hold or sell the 2016 Bonds and such rating does not address the marketability of the 2016 Bonds, any market price or suitability for a particular investor. There is no assurance that any such rating will remain for any given period of time or that any such rating will not be downgraded, suspended or withdrawn entirely by the respective Rating Agency if, in such Rating Agency's judgment, circumstances so warrant based on factors prevailing at the time. Any such downgrade, suspension or withdrawal of any such rating, if it were to occur, could adversely affect the existence of a market or the market price of the 2016 Bonds.

Credit Rating Downgrades

Beginning in March 2015, the Board's credit ratings were downgraded pursuant to various rating actions from investment grade to below investment grade by each of Moody's Investors Service, S&P Global Ratings (formerly known as Standard & Poor's Ratings Services), and Fitch Ratings. Kroll Bond Rating Agency, Inc. first rated the Board's credit at this same time in 2015 and assigned an investment grade rating. Later in 2015 and in 2016, Kroll Bond Rating Agency, Inc. assigned its two lowest investment grade ratings to the Board's long-term debt, and Moody's Investors Service, S&P Global Ratings and Fitch Ratings issued additional rating downgrades of the Board's long-term debt to further below investment grade. See "RECENT DEVELOPMENTS – Rating Agency Actions." The Board remains on credit watch or negative outlook with one or more of the rating agencies, and additional downgrades of the Board's credit ratings are possible. For a description of the ratings of S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency, Inc. of the Bonds, see "RATINGS" herein.

The interest rates the Board pays on new issuances of long and short-term debt are highly dependent on the Board's credit ratings, and downward changes in the Board's ratings have resulted and may continue to result in higher interest rates payable by the Board on new bond issuances and other borrowings. In addition, such credit ratings impact the Board's market access including the ability of the Board to borrow needed long and short-term debt for operating liquidity and capital needs. See the discussion under the subheading "FINANCIAL INFORMATION – Board's Cash Flow and Liquidity."

Credit Ratings, Investment Illiquidity and Market Prices

The liquidity and market price of the 2016 Bonds may be affected by downgrades to the credit ratings of the 2016 Bonds or additional downgrades to the debt of the Board other than the 2016 Bonds (much of which is rated below investment grade) or by any deterioration of the Board's financial condition. Also, there is no assurance that the secondary market for the 2016 Bonds will provide the Bondholders with sufficient liquidity for their investment or that such secondary market will continue through the final maturity of the 2016 Bonds. The Underwriters are not obligated under the Bond Purchase Agreement with the Board or otherwise to make a market for the 2016 Bonds. Such market-making by the Underwriters, if any, may be discontinued at any time at the sole discretion of the Underwriters. See "– Credit Ratings of 2016 Bonds; Limited Nature of Ratings; Reduction, Suspension or Withdrawal of Credit Ratings."

The secondary market for the 2016 Bonds may be limited and the market prices of the 2016 Bonds will be determined by factors including relative supply of, and demand for, the 2016 Bonds and other debt obligations of the Board, general market and economic conditions in the City, the Overlapping Taxing Districts, the State, the United States and globally, and other factors beyond the Board's control.

Bankruptcy of the Board

As described herein, the 2016 Bonds are secured by a new *ad valorem* property tax, the Capital Improvement Tax. Units of local government, such as the Board, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Capital Improvement Taxes to pay the 2016 Bonds could be stayed during the proceeding, and that the terms of the 2016 Bonds, the 2016 Authorizing Resolution, or the Indenture (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the U.S. Bankruptcy Code. While the Special Revenues Opinions set forth reasoned opinions that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Capital Improvement Taxes securing the 2016 Bonds are "special revenues" as that term is defined in the U.S. Bankruptcy Code and, consequently, (i) application of the Capital Improvement Taxes by the Trustee to the payment of the 2016 Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Capital Improvement Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the Indenture, there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in the Special Revenues Opinions and the opinions expressed in the Special Revenues Opinions are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions. See "SECURITY FOR THE 2016 BONDS -- Bankruptcy."

The Board has experienced budget deficits, rating declines and borrowings for cash flow and liquidity. Set forth below, in no particular order of importance or priority, are some, but not necessarily all, of the possible factors that may impact the Board's financial condition and could lead to a bankruptcy of the Board. See also APPENDIX E – "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS," "FINANCIAL INFORMATION – Board's Cash Flow and Liquidity," and "RECENT DEVELOPMENTS."

Structural Deficit, Cash Flow and Liquidity. The Board has experienced operating deficits with expenditures exceeding revenues and requiring funding from the Board's operating reserves in Fiscal Years 2013-2016. The Fiscal Year 2017 budget, as approved by the Board, presents a balanced budget if all the projected components of the budget are realized. In Fiscal Year 2016, the Board made material expenditure reductions and the State enacted legislation providing for meaningful additional funding to the Board for Fiscal Year 2017 which helped address the budget deficit in Fiscal Year 2017; however, subsequent Fiscal Year deficits may persist. See the discussion under the various headings in "RECENT DEVELOPMENTS – State Legislation Authorizing Board Property Tax for Pension Fund" and "– Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board," Note 17 to the Board's Comprehensive Annual Financial Report for Fiscal Year 2015 attached to this Official Statement as APPENDIX B, and "FINANCIAL INFORMATION –

Historical Financial Performance and Structural Deficit (Fiscal Years 2013-2016)," and "– Overview of Historical Structural Deficit and Board's Plan to Address." Certain factors that control a substantial portion of the operating revenues and the operating expenses of the Board are largely outside of its control, limiting the ability of the Board to adjust its expenses in relation to its revenues. The liquidity position of the Board's operating funds has also deteriorated during recent Fiscal Years primarily as a result of operating expenses consistently exceeding operating revenues and the Board's use of its operating reserve funds to fund the budget shortfalls. The Board's available revenues to address its current structural budget deficit are largely dependent on additional State funding and operating expense reductions, and, to the extent such actions are not sufficient, additional borrowing. State Aid Revenues, which is subject to appropriation, and federal revenues, which are revenues received by the Board in the form of grants dedicated to specific purposes, make up a substantial portion of the available operating revenues of the Board and are largely outside of its control. See "FINANCIAL INFORMATION – Overview of Historical Structural Deficit and Board's Plan to Address."

Unfunded Pensions and Required Statutory Contributions. Pension payments have been and will continue to be a significant budget pressure for the Board. For a discussion of the Board's pension and other post-employment obligations and definitions of certain capitalized terms in this Official Statement related thereto, see APPENDIX E – "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS." As of June 30, 2015 the Funded Ratio of the Pension Fund was 51.9% and the Unfunded Actuarial Accrued Liability was approximately $9.6 billion. To the extent that the funded ratio of the Pension Fund continues to decline, this will 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). It is likely that, without additional State funding or changes to the Pension Code to reduce the Board's required Statutory Contribution or an increase in certain revenues, the Board will have to implement further reductions in operating expenses, administrative expenses and programmatic expenses, as well as reductions in teacher positions and other services that impact the classroom in order to resolve its structural budget deficit. See "FINANCIAL INFORMATION – Overview of Historical Structural Deficit and Board's Plan to Address."

From time to time over the past several years, legislation has been proposed in the Illinois General Assembly to revise the Pension Act to address unfunded liabilities of various pension systems including the Pension Fund and the Annuity Fund (as defined herein). In addition, State judicial decisions related to State pension funds may impact the Board's and other Statewide pension reform efforts. The Board cannot predict if legislation modifying benefits or contribution levels of the Pension Fund and the Annuity Fund may be proposed and enacted in the future or whether such legislation, if enacted, will withstand legal challenges. Similarly, the Board cannot predict how recent judicial decisions may impact future pension reform legislation. See "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board."

Local, City and State Economy. The financial health of the Board is in part dependent on the strength of the local economy, which in turn is a component of the City and State economy. Many factors affect all of the economies, including rates of employment and economic growth and the level of residential and commercial development. Actions of local governments, the City and the State may also have an economic impact to the extent such actions foster or impede economic growth and development. The City reported a structural budget deficit in its Fiscal Year 2016 budget, which it addressed through a mixture of savings and revenue enhancements but it has indicated that it expects structural budget deficits to widen in future years. The City has adopted a substantial increase in property taxes that is to occur over the next three years as part of its process to address such ongoing structural budget deficits. 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. See APPENDIX D – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

Forward-Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (I) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (II) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (III) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, USERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, IT IS LIKELY THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE INACCURATE.

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

PLAN OF FINANCE

Overview

The proceeds of the 2016 Bonds will be used for the purposes described below and in the table entitled **"Sources and Uses of Funds."** A portion of the proceeds will be used to pay for Permitted Projects in accordance with the provisions of the 2016 Authorizing Resolution and the CIT Act. In addition, the proceeds of the 2016 Bonds will also be used to make a deposit to the Consolidated Debt Service Reserve Fund in an amount equal to the Consolidated Reserve Requirement, to fund capitalized interest on the 2016 Bonds through and including April 1, 2018, and to pay costs of issuance of the 2016 Bonds.

Sources and Uses of Funds

The following table shows the sources and uses of funds in connection with the issuance of the 2016 Bonds:

SOURCES:	
Principal Amount	$500,000,000*
Less: Net Original Issue Discount	
Total Sources of Funds	
USES:	
Deposit to 2016 Project Account	
Deposit to Consolidated Debt Service Reserve Fund	
Deposit to Capitalized Interest Account(1)	
Pay Costs of Issuance(2)	
Total Uses of Funds	

(1) Capitalized interest on the 2016 Bonds through and including April 1, 2018.
(2) Includes Underwriters' fees and expenses.

Future Financings

The Board has authorized the issuance of not to exceed $1.550 billion of 2016 TANs (as defined herein), payable from its *ad valorem* property tax revenues to be received in 2017, to fund a portion of its cash flow needs. The Board has issued and has outstanding $950 million of 2016 TANS, with additional tranches in the total amount of approximately $600 million expected to be issued in Fiscal Year 2017 in accordance with the Board's cash flow needs. See "DEBT STRUCTURE – Tax Anticipation Notes."

The Board expects to issue refunding bonds in Fiscal Year 2017 to issue fixed rate obligations to replace obligations that currently bear interest at a variable rate. The Board expects to structure such bonds as a "statutory refunding" pursuant to the Debt Reform Act that requires the term of the refunding bonds not be longer than the term of the refunded bonds and that the debt service payable in any year on the refunding bonds not exceed the debt service payable in such year on the refunded bonds. No further Board approvals are required to issue such refunding bonds.

On August 24, 2016, the Board adopted a resolution (the **"2016 Authorization"**), authorizing the issuance of Alternate Revenue Bonds for multiple purposes in a principal amount not to exceed $945 million. No Alternate Revenue Bonds have yet been issued under the 2016 Authorization and the full authorized principal amount remains available for issuance thereunder.

On July 22, 2015 the Board adopted a resolution (the "**2015 Authorization"**), along with a resolution adopted by the Board on August 26, 2015, as amended and restated by a resolution of the Board adopted December 16, 2015, authorizing the issuance of Alternate Revenue Bonds in a principal amount not to exceed $1.160 billion. The Board has issued $875 million in bonds pursuant to the 2015 Authorization and has $285 million of authorization remaining. The Board expects to issue bonds in Fiscal Year 2017 under the remaining authorization to reimburse the Board for certain termination payments on the Board's prior swap agreements and provide funds for the continued implementation of the Board's capital improvement program.

* Preliminary, subject to change.

The Board may also issue additional short-term and long-term obligations, from time to time, to address its structural deficit in Fiscal Year 2017 and beyond, to address its liquidity needs, to refinance debt service for budgetary relief or convert variable rate bonds to a fixed rate, and to provide funding for capital projects. See "DEBT STRUCTURE – Board's Variable Rate Bonds" and " – Tax Anticipation Notes," "FINANCIAL INFORMATION – Overview of Historical Structural Deficit and Board's Plan to Address," and "– Board's Cash Flow and Liquidity," "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity," and "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

THE 2016 BONDS

General

The 2016 Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York (**"DTC"**). Details of payments of the 2016 Bonds and the book-entry only system are described in APPENDIX I – "BOOK-ENTRY ONLY SYSTEM." Except as described APPENDIX I – "BOOK-ENTRY ONLY SYSTEM," beneficial owners of the 2016 Bonds will not receive or have the right to receive physical delivery of the 2016 Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC "*Participant*" (as defined in APPENDIX I), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal, redemption price of, premium, if any, and interest on the 2016 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 2016 Bonds. So long as DTC or its nominee is the registered owner of the 2016 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 2016 Bonds shall be issued only in fully registered form without coupons and shall be dated the date of issuance. The 2016 Bonds shall mature on the dates and in the principal amounts shown on the inside cover page hereof. The 2016 Bonds shall be issued in the denomination of $100,000 and any integral multiple of $5,000 in excess of $100,000 (the **"Authorized Denominations"**), but no single Bond shall represent principal maturing on more than one date. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE."

Interest on the 2016 Bonds

The 2016 Bonds shall bear interest at the respective rates shown on the inside cover page hereof. Each 2016 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 2016 Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2017. Interest on each Bond will be payable on each Interest Payment Date to the person in whose name the Bond is registered at the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date. Interest on the 2016 Bonds is computed on the basis of a 360-day year consisting of 12 months of 30 days each.

Redemption Provisions

Optional Redemption. The 2016 Bonds maturing on or after April 1, 20__ are subject to redemption prior to maturity at the option of the Board, as a whole, or in part (and if in part, in an Authorized Denomination), and within any maturity by lot, and upon notice as provided in the Indenture, on April 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of the

2016 Bonds to be redeemed, plus accrued interest on the 2016 Bonds being redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2016 Bonds maturing on April 1, 2036* and April 1, 2046* are term bonds subject to mandatory redemption prior to maturity, in part and selected as described below under "– Redemption Provisions – Redemption Procedures – *Selection of Bonds for Redemption*," at a redemption price equal to the principal amount thereof, plus accrued interest, on April 1 of the years and in the aggregate principal amounts set forth in the following table:

Term Bonds Maturing April 1, 2036*		Term Bonds Maturing April 1, 2046*	
Redemption Dates April 1*	Principal Amount*	Redemption Dates April 1*	Principal Amount*
2033	$23,795,000	2037	$30,040,000
2034	25,220,000	2038	31,840,000
2035	26,735,000	2039	33,750,000
2036†	28,335,000	2040	35,775,000
		2041	37,920,000
		2042	40,195,000
		2043	42,610,000
		2044	45,165,000
		2045	47,875,000
		2046†	50,745,000

†Final Maturity

Purchase of 2016 Bonds In Lieu of Mandatory Sinking Fund Redemption. Amounts deposited to the credit of the 2016 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on or prior to the 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2016 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund redemption price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2016 Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2016 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes in a Certificate signed by an Authorized Officer and delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

* Preliminary, subject to change.

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

Redemption Procedures.

General. In the case of any redemption of 2016 Bonds at the election or direction of the Board, the Board shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts and interest rates of the 2016 Bonds of each maturity to be redeemed. Such notice shall be given at least 35 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the Indenture, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the 2016 Bonds to be redeemed on the specified redemption date at their redemption price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the 2016 Bonds so called for redemption.

Whenever by the terms of the Indenture the Trustee is required or authorized to redeem 2016 Bonds otherwise than at the election or direction of the Board, the Trustee shall select the 2016 Bonds to be redeemed in accordance with the Indenture, give the notice of redemption and pay the redemption price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of the Indenture, without further direction from the Board.

Selection of Bonds for Redemption. If less than all the 2016 Bonds of the same maturity are called for redemption, the particular 2016 Bonds or portion of 2016 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any 2016 Bond of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such 2016 Bonds for redemption, the Trustee shall treat each such 2016 Bond as representing that number of 2016 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such 2016 Bond to be redeemed in part by said minimum Authorized Denomination. If all 2016 Bonds are held in book-entry only form, the particular 2016 Bonds or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine, provided, however, that in no event shall any redemption result in unrefunded 2016 Bonds of a denomination less than $100,000.

Notice of Redemption. For a description of the giving of notices while the 2016 Bonds are in the book-entry only system, see APPENDIX I – "BOOK-ENTRY ONLY SYSTEM." When the Trustee shall receive notice from the Board of its election or direction to redeem 2016 Bonds pursuant to the Indenture, and when redemption of 2016 Bonds is authorized or required pursuant to the Indenture, the Trustee shall give notice, in the name of the Board, of the redemption of such 2016 Bonds, which notice shall specify the maturities and interest rates of the 2016 Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the 2016 Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such 2016 Bonds so to be redeemed, and, in the case of 2016 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the redemption price of each 2016 Bond to be redeemed, or the redemption price of the specified portions of the principal thereof in the case of 2016 Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 30 days before the date fixed for redemption, to the Owners of the 2016 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 2016 Bonds. If the Trustee mails notices of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any 2016 Bonds, unless moneys sufficient to pay the redemption price of, and interest on the 2016 Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Board, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Board shall not redeem such 2016 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such 2016 Bonds will not be redeemed.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond of either Series while in the book-entry only system, see APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.” Subject to the limitations described below, the 2016 Bonds are transferable upon the registration books of the Board, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Subject to the limitations described below, any Bond may be exchanged upon surrender at the corporate trust office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of fully registered Bonds of the same Series, maturity, and interest rate and tenor of any other Authorized Denominations. The Trustee and the Board may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Bond.

Defeasance

The 2016 Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the Indenture and the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Board thereunder shall be discharged and satisfied with respect to such 2016 Bonds if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said 2016 Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any 2016 Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or redemption price, if applicable, and interest due and to become due on said 2016 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said 2016 Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said 2016 Bonds a notice that such deposit has been made with the Trustee and that said 2016 Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, of said 2016 Bonds, (v) if any of said 2016 Bonds are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or redemption price, if applicable, and interest due and to become due on said 2016 Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said 2016 Bonds are no longer Outstanding under the Indenture. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Defeasance."

BOARD OF EDUCATION OF THE CITY OF CHICAGO

General

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

The School District has boundaries coterminous with the boundaries of the City. Chicago is the third largest city in the United States with a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, is the commercial and cultural center of a large and diverse regional economy that produced a gross domestic product of $610 billion in 2014. Trade, professional and business services, real estate, finance and insurance, and education services and health care are among the Chicago region's largest industry sectors. The City's transportation and distribution network includes Chicago O'Hare International Airport, ranked seventh worldwide and third in the United States in 2014 in terms of total passengers, rail traffic interchanges for the country's six largest freight railroad companies, and two ports capable of handling ocean–going ships and barges. Tourism and business travel to Chicago accounted for an estimated 50 million domestic tourists in 2015. See APPENDIX D – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

Governing Body

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

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

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

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

Jaime Guzman was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016. Mr. Guzman was elected Vice President of the Board on January 27, 2016. Mr. Guzman is the Director of Local Programs at My Brother's Keeper Alliance (MBKA). MBKA is an independent, nonpartisan 501(c)(3) born out of President Obama's call to action to ensure all of our nation's young people have the opportunity to live up to their full potential. MBKA is leading a collaborative, cross–sectoral movement to break down barriers to success that boys and young men of color (BYMOC) disproportionately face along the life path. He has more than 15 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

Mark F. Furlong was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007–2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

Father Michael J. Garanzini, S.J., was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving July 1, 2015. After 14 years of leadership (2001–2015), Father Michael J. Garanzini, stepped down from his position as the 23rd president of Loyola University Chicago and assumed the role of chancellor on July 1, 2015. A seasoned university administrator, tenured professor, author, and scholar, Father Garanzini has spent the majority of his career working in higher education. Father Garanzini's impressive academic credentials combine with a rare blend of experience in teaching, research, service, and administrative leadership at some of the nation's leading Jesuit institutions of higher learning, including Georgetown, Fordham, Saint Louis, and Rockhurst universities, as well as Gregorian University in Rome. In June 2011, Father Garanzini was appointed to serve as the secretary for higher education for the Society of Jesus, to serve as the organization's secretary for higher education. In this role, Father Garanzini assists the Father General on a part–time basis, coordinating and championing Jesuit higher–education issues around the world. Prior to leading Loyola, Father Garanzini was a full professor of psychology at Georgetown University in Washington, DC, where he had been special assistant to the president for two years. Before joining Georgetown, Father Garanzini was a visiting professor at Fordham University in New York. Much of Father Garanzini's academic and administrative experience comes from his years at Saint Louis University, where he held several academic and administrative posts. A St. Louis native, Father Garanzini received a bachelor's of arts in psychology from Saint Louis University in 1971, the same year he entered the Society of Jesus. From 1984 to 1988, he divided his academic responsibilities between the University of San Francisco and Gregorian University in Rome. He received a doctorate in psychology and religion from the Graduate Theological Union/University of California, Berkeley, in 1986. In 1988, he returned to Saint Louis University as an associate professor of counseling and family therapy. He then served as assistant academic vice president from 1992 to 1994. He was appointed academic vice president in 1994, a post he held until 1998. In 2008, he was awarded an honorary doctorate of public service from Carthage College in Kenosha, Wisconsin. Father Garanzini serves on the following boards of trustees: the Association of Catholic Colleges and Universities (ACCU); the Federation of Independent Illinois Colleges and Universities; the Archdiocese of Chicago, Board of Catholic Schools; the Flannery O'Connor–Andalusia Foundation; and LIFT–Chicago. He serves on investment committees for the ACCU, the Society of Jesus, and other organizations, and he is chairman of the Cuneo Scholarship Foundation. Active in community service, Father Garanzini is known for his work on behalf of children and families. He is a frequent speaker and has published many books and articles on issues such as child and family therapy, moral development, and Catholic education.

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

Dominique Jordan Turner was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Ms. Jordan Turner is currently the President and CEO of Chicago Scholars, an organization that trains and mentor academically ambitious students from under–resourced communities, giving them the tools they need to complete college and become the next generation of leaders in our city. Ms. Jordan Turner is passionate about creating equal education opportunities for underserved youth. She believes that education is not a merit of socioeconomic status, but a valuable resource to pull marginalized youth out of poverty and into leadership positions that positively influence their communities. Ms. Jordan Turner has spent the majority of her career creating high–quality educational opportunities for first–generation, and underserved student across Chicago. She began her career as a Management Consultant at Deloitte, where she focused on process reengineering and building customer relationships. Previously she was a Peace Corps volunteer in the Republic of Panama. Ms. Jordan Turner has been selected for several prestigious leadership programs, including Leadership Greater Chicago, IMPACT through the Chicago Urban League and the University of Chicago, the Trinity Fellowship in Urban Leadership, New York University's Lead the Way Fellowship, and the Broad Residency in Urban Education. She also initiated the Chicago College and Career Collaborative (C4) and Black Girls Lead, a supportive network for African American women leading nonprofits in Chicago. Ms. Jordan Turner is fluent in Spanish and holds a B.A. in Business Administration from Clark Atlanta University and a M.B.A. from Marquette University.

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

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

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Reverend Michael J. Garanzini, S.J.	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Dominique Jordan Turner	June 30, 2019
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 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 2012 through 2016. Enrollment has declined from 2012, with one driver of this enrollment change being a decades-long decline in the number of children born in the City. The Board's Fall 2016 (occurring in Fiscal Year 2017) school enrollment was 381,349 students and reflects a 10,936 student decrease (approximately negative 2.8%) from the Fall enrollment for 2015 and was 5,674 students less than Board projections based on numerous factors in addition to the birth rate, including migration of students to private schools and suburban districts. The Board cannot project enrollment beyond Fiscal Year 2017 and declines in enrollment may continue and may be greater than historical trends. See "RECENT DEVELOPMENTS – Enrollment Declines."

Chicago Board of Education
Number of Schools and School Enrollment

Number of Schools	**Fiscal Year 2012**	**Fiscal Year 2013**	**Fiscal Year 2014**	**Fiscal Year 2015**	**Fiscal Year 2016**[1]
Elementary [2]	473	468	422	426	422
Special [5]	12	12	5	–	–
High School	103	98	109	121	110
Vocational/Technical [5]	8	8	–	–	–
Charter Schools	87	95	126	131	141
Kindergarten to H.S. [4] [5]	–	–	5	–	–
Total Schools	683	681	667	678	673
School Enrollment [3]					
Elementary [2]	263,540	261,638	254,864	251,554	246,611
Special [5]	1,839	1,961	907	–	–
High School	85,068	81,735	86,184	88,183	83,854
Vocational/Technical [5]	8,226	7,927	–	–	–
Charter Schools	45,478	50,200	54,572	56,946	61,820
Kindergarten to H.S. [4] [5]	–	–	4,018	–	–
Total School Enrollment	404,151	403,461	400,545	396,683	392,285

Source Fiscal Year 2012–2015: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2015. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015." Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs).
[1] Unaudited. Includes 13 Alternative Learning Opportunities Programs (ALOPs).
[2] Elementary schools include the traditional classification of middle schools.
[3] Includes the number of students in each type of school regardless of the students' grades.
[4] The Kindergarten to High School (K–12) school is a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in past years.
[5] 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.................................. Forrest Claypool
Chief Administrative Officer........................... Jose Alfonso de Hoyos–Acosta
Senior Vice President of Finance .... Ronald DeNard
General Counsel .... Ronald Marmer
Chief Financial Officer.................................... Jennie Huang Bennett

Chief Executive Officer. **Forrest Claypool** was appointed CEO of Chicago Public Schools in July 2015. Before joining CPS, Mr. Claypool served briefly as Mayor Rahm Emanuel's chief of staff, and previously served two stints as Chief of Staff to Mayor Richard M. Daley. Prior to joining Mayor Emanuel's leadership team at City Hall, Mr. Claypool served as President of the Chicago Transit

Authority (CTA) from 2011–2015, where he closed a $308 million budget gap, negotiated a historic new labor agreement, and launched the most ambitious infrastructure modernization campaign in CTA history, all while improving bus and rail service throughout Chicago. Mr. Claypool served as Superintendent of the Chicago Park District in the 1990s, eliminating serious budget deficits while rehabbing long neglected facilities and making unprecedented investments in neighborhood parks. He was twice elected to the Cook County Board of Commissioners, where he helped expand public–private partnerships for health care for low–income citizens and passed anti–corruption legislation. Mr. Claypool is a graduate of Southern Illinois University and the University of Illinois College of Law, where he was editor–in–chief of the law review.

Chief Administrative Officer. **Jose Alfonso de Hoyos–Acosta** was appointed Chief Administrative Officer (CAO) of Chicago Public Schools in October 2015. Before joining CPS, Mr. de Hoyos–Acosta worked at KPMG as a Managing Director focused on analyzing operations costs and efficiency performance, as well as managing mergers and divestitures. Mr. de Hoyos–Acosta has extensive experience with efficiency identification/capture, operations organizational redesign, and process optimization. As a part of KPMG, Mr. de Hoyos–Acosta supported Mr. Claypool and the Chicago Transit Authority (CTA) from 2013–2015, where he assisted in the implementation and stabilization of the new fare system. Mr. de Hoyos–Acosta also led transformation efforts at multiple organizations to implement more effective operations models. In this capacity he led analyses to define new organizational structures, governance frameworks as well as the detailed process workflows & RACI charts for all processes. Mr. de Hoyos–Acosta is a graduate of Northwestern University and J.L. Kellogg Graduate School of Management, where he was the President of the Evening Management Association.

Senior Vice President of Finance. **Ronald DeNard** is the Senior Vice President of Finance of the Board and oversees treasury management, budget, payroll, 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'Oreal USA. Prior to that he was the Chief Financial Officer of the Chicago Park District where he led the financial team to a rating agency upgrade from A to AA. He also held various positions at the Aluminum Company of America in accounting, cash management, corporate finance and credit and collections. Mr. DeNard holds a Bachelor of Science in Accounting from Florida A&M University and an MBA – Finance from the University of Chicago. Additionally, he has passed the U.S. Certified Public Accountants (CPA) exam.

General Counsel. **Ronald Marmer** is General Counsel of the Board, appointed on November 2, 2015. Mr. Marmer was a partner in the Chicago office of Jenner & Block LLP until starting his own law firm in January 2014. He is a past Chair of the American Bar Association Section of Litigation, a member of the American Law Institute, and is licensed to practice law in Illinois and New York. Mr. Marmer is a graduate of Northwestern University, where he received a Bachelor of Science and Master of Arts in Communication Studies. He also is a graduate of the University of Virginia School of Law, where he was a member of the Virginia Law Review and the Order of the Coif.

Chief Financial Officer. **Jennie Huang Bennett** is Chief Financial Officer of the Board and has oversight over Treasury management, budget, shared services and risk management. She was appointed on September 28, 2016. She has also been the Treasurer of the Board since December 2012 and manages the District's debt and investment portfolio, cash forecasting and operations as well as banking accounts of all the schools. Previous to CPS, she was an Executive Director at Morgan Stanley. She has over 16 years of municipal finance experience and has structured and executed over $8.5 billion of financings for municipal issuers across the country. She has also served on the board of directors for a number of non–

profit organizations. She holds a Bachelor of Arts in Economics and Political Science from the University of Pennsylvania.

Capital Improvement Program

The **"Capital Budget"** is assembled as part of the Board's Five–Year Capital Plan and Ten–Year Master Education Facility Plan pursuant to State law. Further information regarding the Board's Capital Budget is available on its website.

An approximately $338 million Capital Budget for Fiscal Year 2017 was approved by the Board that includes funding for various projects including school rehabilitation, improvement, modernization and overcrowding relief. The $338 million in capital projects include (i) $117 million for building repairs and modernization, including facility needs, air conditioning, IT and other projects as well $20 million for contingencies for emergency repairs that may arise throughout the course of the year, (ii) $24 million in programmatic investments, (iii) $173 million in relieving overcrowding, and (iv) $24 million in other capital expenditures including program management and Legal/Regulatory requirements.

The Fiscal Year 2017 Capital Budget is expected to be funded by approximately $266 million from proceeds of the 2016 Bonds, $18 million from federal grants, and $54 million from Tax Increment Financing district revenues.

The Board has also released plans for a Fiscal Year 2017 Supplemental Capital Budget, which includes up to $600 million in additional capital projects for a total of $938 million of proposed Fiscal Year 2017 capital projects. These additional projects include roof, renovations, mechanical upgrades, annexes, modulars, potential new school buildings, programmatic investments and various site improvements. The Board anticipates the majority of the plan will be funded with proceeds of the 2016 Bonds.

2016–2017 School Year Proposed School Actions

In the 2016–2017 school year, the Board will reduce its school count by eight schools from the school count for the 2015-2016 school year. This reduction is the net result of consolidating several Board–operated schools that were located in the same building as other Board–operated schools, closing two Board–operated schools, the closure of several charter schools, and the anticipated opening of new schools, primarily in areas of overcrowding. This school count does not include locations for the Board's Alternative Learning Opportunity Programs.

A State–mandated process governs the annual timing for school action proposals, including co–locations, re–assignment boundary changes, consolidations and closures. Pursuant to this process, the Board creates Guidelines for School Actions (**"Guidelines"**) that outline the academic and non–academic criteria for a school action. The Board released final Guidelines November 23, 2016. All proposed school actions to be taken at the close of the current academic year must be consistent with the Guidelines and must be announced by December 1, 2016. These proposals would then be 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.

On December 1, 2016, the Board announced its intention to close three additional schools during the 2017-18 academic year that currently have no enrollment. One such closure of a middle school would result from transitioning such students to a nearby high school.

Educational Results

The Board has recently experienced improved academic results on multiple measures and across multiple age categories including the following:

- *Elementary school performance*: Elementary school students outpaced the academic growth of their national and State peers in both math and reading, according to the results of the 2015 National Assessment of Educational Progress (NAEP), known at the *"Nation's Report Card."*

- *Fourth grade performance*: According to NAEP, in reading, fourth grade students achieved the third highest growth in the nation among their urban peers, and the improvement since 2003 has been the second best growth in the nation among urban districts. In math, students achieved the highest growth in the nation among their urban peers in 2013 and increased their score again in 2014.

- *Eighth grade performance*: According to NAEP, since 2003 eighth grade students have achieved the highest growth in the nation among their urban peers in math and the second highest growth rate in reading.

- *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 Board began tracking the freshman on–track to graduate rate in 2008 and achieved its highest measure on record of 84.1% in the 2014–15 school year.

- *ACT scores*: The average ACT score of CPS students has improved over the past five years and was the highest measure on record for the Board in the 2014–15 school year with an 18.2 composite score.

- *First Day of School Attendance:* On September 6, 2016, the 2016–17 school year recorded first day attendance at 93.9 %, the second highest on record and just short of Fall 2015's record 94.8%.

- *Graduation rates*: The current five–year cohort graduation rate is the highest on record for the Board at 73.5% for the 2015–16 school year, which has improved by more than 16% since 2011.

- *Student Suspensions:* Student out of school suspensions have been reduced by 65% over the past two school years.

- *College enrollment*. For the 2014-15 academic year, 42 percent of CPS graduates enrolled in a 4-year college or university, which percentage is near the national average college enrollment rate of 44 percent.

CPS School Rankings

Several Board high schools are locally and nationally ranked by US News and World Report, recognizing academic performance on state assessments and student preparation for college as measured by Advanced Placement tests. In 2015, out of the 116 Board high schools analyzed in the report, 32 received a gold, silver or bronze achievement level, and six Board schools were ranked among the "Top 10" schools in the State. Also in 2015, out of more than 21,000 high schools nationally surveyed, the Board's Northside College Prep, Walter Payton College Prep and Jones College Prep were ranked among the "Top 100" schools nationally, with Northside College Prep ranked 15th in US News and World Report's ranking of the best high schools in the country.

Educational Reform Initiatives

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

- Expansion of kindergarten from half–day to full day in every public school.

- Schools and community–based provider locations were funded to provide high–quality early–learning programs with the ability to serve approximately 44,600 children 5 years of age or younger.

- Funding of pre–K education over four years through innovative financing under a $16 million Social Impact Bond issued by the City that provides early childhood education through a half–day Child–Parent Center (CPC) model, a program that works with both students and their parents to improve educational outcomes.

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

- More than $10 million in City funding for arts education for the 2015–2016 school year.

- The Board is refining its recognition platform for top performers in school leadership and teacher quality, tying rewards and recognition to performance, and empowering great leaders with autonomy to innovate and a platform to share best practices School District–wide.

- 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.

Chicago Teachers Union and Other Employee Groups

The Board currently employs approximately 36,004 persons. Approximately 93.0% of the Board's employees are represented by eight unions that engage in collective bargaining with the Board. As of August 1, 2016, approximately 66.6% of the Board's employees were represented by CTU and approximately 26.4% were represented by seven other unions (SEIU Local 73, UNITE–HERE Local 1, SEIU Local 1, IUOE Local 143, IUOE Local 143B, IB of T Local 700 and IBEW Local 134).

The effective dates of the Board's most recent collective bargaining agreements are as follows:

Labor Organization	Start Date	End Date
CTU	July 1, 2012	June 30, 2015
IUOE Local 143	July 1, 2012	June 30, 2016
IUOE Local 143B	July 1, 2012	June 30, 2016
SEIU Local 1	July 1, 2012	June 30, 2016
UNITE–HERE Local 1	July 1, 2012	June 30, 2017
IB of T Local 700	July 1, 2012	June 30, 2017
IBEW Local 134	July 1, 2012	June 30, 2017
SEIU Local 73	July 1, 2015	June 30, 2018

The Board's agreement with SEIU Local 73 became effective July 1, 2015. In that agreement the Board agreed to provide the employees a 2% salary increase each year, but in two of those years the increases are contingent on the Board's ability to balance its budget. The Board also agreed to maintain the same staffing level of public custodians and agreed not to subcontract certain bargaining unit work. In exchange the SEIU Local 73 agreed to either make employee health plan design changes or increase employee contributions to health plans by up to 1.8% of salary, and agreed to reduce paid time off for custodians and bus aides. The Board notified SEIU Local 73 that it will not pay the 2% salary increase in Fiscal Year 2017.

The Board's agreement with CTU expired on June 30, 2015. The Board and CTU began bargaining in November 2014 pursuant to the provisions of the Illinois Educational Labor Relations Act (115 Illinois Compiled Statutes 5) that provide for impasse resolution and the possibility of a strike if the Board and CTU failed to reach a new agreement. The Board and the CTU reached a tentative agreement (the **"CTU Tentative Agreement"**) on all issues subject to collective bargaining on October 10, 2016 that averted a threatened teachers' strike by CTU members. The CTU Tentative Agreement was ratified by CTU's House of Delegates and, subsequently, by the CTU's full membership on November 1, 2016 and will become a final agreement upon approval by the Board. The Board expects to vote on and approve the CTU Tentative Agreement and a revised Fiscal Year 2017 Budget at its meeting scheduled for December 7, 2016. The Board expects the CTU Tentative Agreement to increase costs by approximately $55 million above the amounts budgeted for Fiscal Year 2017. The revised Fiscal Year 2017 Budget will provide funding for the increased costs from additional revenues provided from surplus tax increment financing revenues that the City of Chicago has announced it will distribute to the Board in Fiscal Year 2017.

Upon approval of the CTU Tentative Agreement by the Board, the threat of a strike will be eliminated and CTU will be barred from striking during the term of the agreement through June 30, 2019. For a discussion of the Board's Fiscal Year 2017 budget and related proposed lay–offs of teachers and non–teaching staff see "RECENT DEVELOPMENTS – Chicago Teachers Union Tentative Agreement." For a discussion of certain risks related to such matters see "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

The Board's agreements with the IUOE Local 143, IUOE Local 143B and SEIU Local 1 expired on June 30, 2016. The successor agreements are currently under negotiation.

Pensions and Other Post–Employment Obligations

For a discussion of the Board's employee retirement funds and plans, including specifically the Board's Pension Fund, Annuity Fund and other post–employment obligations, see APPENDIX E – "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS."

RECENT DEVELOPMENTS

Enrollment Declines

Enrollment at Board schools has declined over the last five year from 404,151 students enrolled for the Fall of 2012 to 381,349 students enrolled for the Fall of 2016. The Fall 2016 enrollment reflects a 10,936 student decrease from the Fall enrollment for 2015 and this decreased enrollment was greater than that projected by the Board. See "CHICAGO PUBLIC SCHOOLS – School System and Enrollment." The Board's funding for schools is allocated through "student–based budgeting" and money is set aside for each school based on an enrollment estimate made before the beginning of the school year and budgets at schools are then adjusted on the 10th day of classes. As a result of the Fall 2016 enrollment decline, approximately 300 schools will lose a total of $45 million in funding which is projected to result in approximately 253 layoffs including approximately 147 teachers and approximately 106 support staff among those losing jobs. Approximately 195 schools with higher–than–projected enrollment will receive an additional approximately $20 million in funding. For a discussion of "student–based budgeting" see "FINANCIAL INFORMATION – Overview of Board's Budget Process."

Additional state and federal aid is tied to a school's enrollment, in particular 20^{th} day of enrollment, when each year's official enrollment census is taken. In Fiscal Year 2017, General State Aid funding was held harmless to Fiscal Year 2016. As a result, there will be no adjustment to General State Aid funding in Fiscal Year 2017 due to Fall 2016 enrollment declines. For a discussion of certain factors relating to the calculation of State Aid see "FINANCIAL INFORMATION – State Aid Revenues" and "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

Chicago Teachers Union Tentative Agreement

The Board and the CTU reached a tentative agreement on all issues subject to collective bargaining on October 10, 2016 that averted a threatened teachers' strike by CTU members. The Board's agreement with CTU expired on June 30, 2015. For a further discussion see "CHICAGO PUBLIC SCHOOLS – Chicago Teachers Union and Other Employee Groups."

For a discussion of certain key terms and potential financial impact of the CTU Tentative Agreement, see "FINANCIAL INFORMATION–CTU Tentative Agreement." See "CHICAGO PUBLIC SCHOOLS – Chicago Teachers Union and Other Employee Groups." See "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

In the event that the CTU Tentative Agreement is not approved and there is a teachers' strike during the school year, State Aid Revenues could be impacted. Applicable State Aid formulas are based upon a school year of not less than 176 days of pupil attendance and the Board's Statutory Claim for State Aid would be reduced by 1/176 for each school day missed. See "FINANCIAL INFORMATION – State Aid Revenues – State Aid Payments and Legislative Standards for Receipt of State Aid." Further, the Board cannot predict the financial or operational impact on the Board of a teachers' strike. The Board is currently scheduled to hold 176 days of pupil attendance for purposes of General State Aid funding.

Rating Agency Actions

For information relating to the credit ratings assigned to the 2016 Bonds, see "RATINGS" herein.

As more fully described in the annual financial statements of the Board for Fiscal Year 2015, the credit ratings assigned to general obligations of the Board, including the Board's Alternate Revenue Bonds, declined in Fiscal Year 2015. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015." In addition, the credit ratings assigned to general obligations of the Board, including the Board's Alternate Revenue Bonds, further declined in Fiscal Years 2016 and 2017. As more fully described elsewhere herein, general obligations of the Board, including the Board's Alternate Revenue Bonds, are payable from a different source of funds than the Bonds.

Currently, the Board has no interest rate swap agreements, lines of credit, loans, variable rate debt and letters of credit that include defaults or termination events that would be triggered by ratings actions, including downgrades, relating to general obligations of the Board, including the Board's Alternate Revenue Bonds. From time to time, the Board enters into agreements, including the 2016 TANs, that provide for certain interest rate step–ups that would be triggered by rating downgrades. See "DEBT STRUCTURE – Swap Terminations" for more detailed information related to the termination of the Board's interest rate swap agreements.

See "BONDHOLDERS' RISKS – Credit Rating Downgrades" and "– Credit Ratings of 2016 Bonds, Limited Nature of Ratings; Reduction, Suspension or Withdrawal of Credit Ratings."

State Financial Condition, Budget Impasse and Board Receipt of State Funds

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. The Illinois General Assembly did not adopt a complete budget for the State for Fiscal Year 2016 and has not adopted and Governor Rauner has not signed a complete budget for the State for Fiscal

Year 2017, which began July 1, 2016. The State is experiencing cash flow issues and has a multi-billion dollar backlog of unpaid bills. On November 8, 2016, Illinois voters adopted an amendment to the Illinois Constitution known as the "Transportation Taxes and Fees Lockbox Amendment" that prohibits the diversion of transportation related taxes and fees from being used by the State for non-transportation purposes. This amendment may impact the State's ability to use such revenues to address its cash flow needs. Continued budget problems of the State may result in decreased or delayed State appropriations to the Board and could impact the level and timing of payments of State Aid and other State revenues, including State block grants received by the Board. See "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

The Illinois General Assembly has adopted and Governor Rauner has signed a stop– gap budget for 6 months of Fiscal Year 2017 which provides continued appropriation for certain State functions. The General Assembly has also authorized and Governor Rauner has signed into law the appropriations to fund State Aid as well as State block grants for Fiscal Years 2016 and 2017. For a discussion of the State Aid appropriated for the Board for Fiscal Year 2017 see "FINANCIAL INFORMATION – State Aid Revenues – Fiscal Year 2017 Appropriation and Projected State Aid Revenue for Fiscal Year 2017." The Board is currently receiving and expects to receive in Fiscal Year 2017, State Aid payments on a timely basis twice a month as prescribed in the School Code. The Board expects to receive the full appropriation of State block grants as outlined in the Board's Fiscal Year 2017 Budget. For a discussion of the Board's expectations regarding timing of receipt of State block grant payments see "FINANCIAL INFORMATION –State Block Grant Revenues and Proposed State Pension Funding."

State Legislation Authorizing Board Property Tax for Pension Fund

In 2016, the Illinois General Assembly adopted and Governor Rauner signed, Public Act 099–0521 that 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%. The proceeds from this additional tax are expected to be approximately $250 million in Fiscal Year 2017 and will be paid directly to the Pension Fund to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. Public Act 099–0521 becomes effective June 1, 2017 and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of $250 million with the second property tax installment payment expected to be due August 1, 2017. The Board's Fiscal Year 2017 budget reflects that this $250 million in revenue will be credited to its required Statutory Contribution to the Pension Fund due in June 2017; however, agreement on this credit has not been finalized with the Pension Fund and the Board cannot predict whether the Pension Fund will apply the credit to the June 2017 required Statutory Contribution.

Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board

The Board's Fiscal Year 2017 Budget assumes that new State funding of a portion of the Board's required contribution to the Pension Fund for Fiscal Year 2017 in the amount of $215.2 million will be provided by the State for Fiscal Year 2017. Senate Bill 2822 was forwarded to Governor Rauner for signature on November 7, 2016 and was vetoed by the Governor on December 1, 2016. Pursuant to provisions of the Illinois Constitution, the bill was returned to the Senate following the Governor's veto, and the Senate voted to override the Governor's veto by the required affirmative vote of at least three-fifths of the members of the Senate. On December 1, 2016 the bill was forwarded to the House and awaits the override vote of the House which must occur within 15 days. The House is currently in recess until January, 2017, although it may be called back into session. If the House votes to override the Governor's veto by the required affirmative vote of at least three-fifths of the members of the House, the bill becomes law. The Board cannot predict if the House will vote to override the Governor's veto and Senate Bill 2822 will become law or if new State funding similar to that described in Senate Bill 2822 will be authorized or appropriated by State statute. See "FINANCIAL INFORMATION – Overview of

Historical Structural Deficit and Board's Plan to Address" for a discussion of the Board's plans to address the revenues shortfall if such additional State funding is not provided.

From time to time, legislation has been introduced in the Illinois General Assembly that would reform the Board's Retirement Funds and the formulas for State funding of school districts. Certain of such proposed legislation 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). In addition, the Board continues to advocate for equitable funding of the Board by the State. See the discussion under the heading "FINANCIAL INFORMATION–Requested Equitable State Funding for the Board.

The Board cannot predict if the Illinois General Assembly will adopt and Governor Rauner will sign any such legislation or the final form of any such legislation. In addition, the Board cannot predict if any such legislation if enacted, including particularly pension reform legislation, would withstand any legal challenges. See APPENDIX E - "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS – Pension Litigation and Legislation" and "BONDHOLDERS' RISKS – Bankruptcy of the Board – Unfunded Pensions and Required Statutory Contributions."

Proposed State Legislation Relating to Bankruptcy of the Board

From time to time, legislation has been introduced in the Illinois General Assembly, either generally or specifically addressing the Board, that would authorize the Board to become a debtor in bankruptcy under Chapter 9 of the U.S. Bankruptcy Code. In addition, Governor Rauner has advocated the adoption of such legislation and the Board's filing for bankruptcy to restructure its outstanding debt. The Board cannot predict whether the Illinois General Assembly will adopt and Governor Rauner will sign any such legislation or the form of such legislation, if enacted. See "SECURITY FOR THE 2016 BONDS – Bankruptcy" and "BONDHOLDERS' RISKS – Bankruptcy of the Board."

Proposed State Legislation to Provide for an Elected Board

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. See "LITIGATION" for a discussion of pending litigation relating to the current selection of the Board by appointment of the Mayor. From time to time, legislation has been introduced in the Illinois General Assembly that would provide for election of the Board by the voters within the School District. House Bill 0557 provides for such election of the Board and was adopted by the House of the Illinois General Assembly. The Board cannot predict whether the Illinois General Assembly will adopt and Governor Rauner will sign any such legislation or the form of such legislation, if enacted.

Proposed State Legislation Relating to State Takeover of the Board and Powers of Illinois State Board of Education

Under current law, the Board is exempted from State statutes that allow Illinois State Board of Education (**"ISBE"**) to direct the State Superintendent of Education to remove the governing body of a school district if such district is in "financial difficulty," as described in the School Code, 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 School Code also requires that such school districts in "financial difficulty" develop a financial plan and obtain ISBE approval for the issuance of bonds or any other indebtedness. In 2016, the Illinois Attorney General issued an opinion confirming that ISBE has no authority to require a financial plan from or approve the issuance of bonds or other indebtedness by the Board. Op. IL. Atty. Gen. No. 16–001 (March 31, 2016).

From time to time, legislation has been introduced in the Illinois General Assembly that would remove such exemption for the Board and authorize such an ISBE takeover of the Board, a required financial plan and approval of the issuance of bonds and other indebtedness if it is in "financial difficulty" as described in the School Code. In addition, Governor Rauner has advocated the adoption of legislation that would authorize the transfer of operation of the Board to the State or another body not subject to appointment by the Mayor. The ISBE's current ranking of the Board's financial profile is "financial watch" which is one category above "financial difficulty." The Board cannot predict whether the Illinois General Assembly will adopt or Governor Rauner will sign any such legislation or the form of such legislation if enacted.

In April 2016, ISBE determined that the Board could not be certified as in "financial difficulty" as defined under the School Code. The School Code provides that a school district can be certified in "financial difficulty" based on the school district having one of the following: (i) tax anticipation notes outstanding payable from levies from two separate Tax Years, (ii) a negative fund balance for more than two years in a row, or (iii) the school district not providing information to the State when requested. Each year, the Board provides this financial information to ISBE as part of ISBE's broader process of reviewing school district metrics statewide. ISBE publishes a report annually with the results of these metrics. The result of that report shows that for Fiscal Year 2015, the Board does not meet any of the metrics that would qualify as in financial difficulty under the School Code.

DEBT STRUCTURE

Existing Long–Term General Obligation Debt

The Board has approximately $6.8 billion aggregate principal amount of outstanding long–term general obligation debt, consisting of approximately $5.7 billion aggregate principal amount of fixed rate debt and approximately $1.1 billion of variable rate debt. See "PLAN OF FINANCE – Future Financings" and see "– Board's Long-Term General Obligation Debt Service Schedule" and "– Board's Variable Rate Bonds."

Additionally, the $6.8 billion aggregate principal amount of outstanding long–term general obligation debt consists of approximately $6.7 billion aggregate principal amount of Alternate Revenue Bonds (as defined herein) and approximately $140 million aggregate principal amount of leases with the Public Building Commission (the **"PBC Leases"**). See "– Board's Long–Term General Obligation Debt Service Schedule."

The "*alternate bonds*" (**"Alternate Revenue Bonds"**) are issued under the School Code and the Debt Reform Act payable from a dedicated revenue source. The Alternate Revenue 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 Alternate Revenue Bonds.

The lease rentals due under the PBC Leases are supported by separate unlimited property tax levies of the Board. For additional information on the Public Building Commission, see "– Overlapping Taxing Districts and Overlapping Debt." To provide for payment of the lease rentals under the PBC Leases, the Board has established lease payment debt service fund accounts with a lease payment trustee. Under the School Code and resolutions of the Board establishing those trust accounts, the Board has levied a separate tax unlimited as to rate or amount on real property within the School District to pay the lease rentals under the PBC Leases. Tax receipts of the Board attributable to the Board's PBC Leases are required to be paid by the County Collectors directly to the lease payment trustee and deposited in a fund account to be used for the payment of the applicable lease rentals under the PBC Leases when due. Investment income on deposits in the fund accounts established to make lease rentals under the PBC Leases is paid to the Board to the extent not needed to meet the lease obligations for which the particular fund account is established.

Board's Dedicated Capital Improvement Tax Bonds

The 2016 Bonds are long-term debt obligations of the Board that are not general obligations. See "SECURITY FOR THE 2016 BONDS." The debt service schedule for the 2016 Bonds is set forth under the heading "DEBT SERVICE SCHEDULE AND COVERAGE – 2016 Bond Debt Service Schedule and Coverage."

The Board may issue Additional Bonds and Refunding Bonds secured by the Capital Improvement Taxes on a parity basis with the 2016 Bonds in accordance with the provisions of the Indenture, the School Code and the Debt Reform Act. See "SECURITY FOR THE 2016 BONDS – Additional Bonds and Refunding Bonds Payable From Capital Improvement Taxes" and APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE – Additional Bonds."

Board's Long-Term General Obligation 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, including Outstanding Alternate Revenue Bonds. See "PLAN OF FINANCE – Future Financings." Debt service is shown on a calendar year basis (rather than on the basis of the Board's Fiscal Year) to be consistent with the tax year used for the levy and collection of the taxes that secure the 2016 Bonds. The table does not include the 2016 Bonds and the short–term tax anticipation notes issued by the Board from time to time in that such bonds and notes are not general obligations of the Board. See "– Board's Dedicated Capital Improvement Tax Bonds" and "– Tax Anticipation Notes."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Board's Long–Term General Obligation Debt Service Schedule[1][2]
(Dollars in Thousands)

Calendar Year	Outstanding Alternate Revenue Bonds[1]	PBC Leases	Total Annual Debt Service on Long-Term General Obligations
2017	$ 526,263	$ 51,857	$ 578,120
2018	569,461	51,954	621,415
2019	594,127	29,877	624,004
2020	598,357	28,505	626,862
2021	638,131	–	638,131
2022	631,807	–	631,807
2023	617,600	–	617,600
2024	623,813	–	623,813
2025	677,749	–	677,749
2026	675,766	–	675,766
2027	612,600	–	612,600
2028	615,782	–	615,782
2029	614,646	–	614,646
2030	586,564	–	586,564
2031	584,738	–	584,738
2032	348,170	–	348,170
2033	322,986	–	322,986
2034	337,444	–	337,444
2035	335,044	–	335,044
2036	340,447	–	340,447
2037	322,441	–	322,441
2038	322,802	–	322,802
2039	323,114	–	323,114
2040	323,938	–	323,938
2041	323,940	–	323,940
2042	324,325	–	324,325
2043	129,800	–	129,800
2044	127,450	–	127,450
2045	82,350	–	82,350
2046	82,431	–	82,431
Totals	$13,214,086	$162,193	$13,376,279

Source: Chicago Public Schools.
[1] Includes approximately $1.1 billion of variable rate bonds and interest on such bonds is calculated at 4.5%, 5%, 7.5% or 9% depending on the applicable requirements of the indenture securing such bonds; actual rates may vary. The calculation of debt service on variable rate bonds includes assumptions regarding the increase in interest rates based on the expected Board election not to remarket such bonds. See "– Board's Variable Rate Bonds" for a discussion of the interest rate assumptions used to calculate debt service.
[2] Does not include debt service on the 2016 Bonds, which as described herein are not general obligations of the Board. For a discussion of debt service on the 2016 Bonds, see "DEBT SERVICE SCHEDULE AND COVERAGE - 2016 Bond Debt Service Schedule and Coverage."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Board's Variable Rate Bonds

The Board currently has approximately $1.1 billion in outstanding bonds or other borrowings that are structured in a variable rate mode. Certain of such obligations are in short–term rate modes which are established by remarketing of such bonds based on interest rates established pursuant to an index on fixed rollover dates. In the event of a failed remarketing or the election of the Board not to remarket such bonds on a remarketing date, the interest rate on such bonds increases to a higher rate. None of these variable rate bonds have acceleration rights or immediate tender rights for the holders of such variable rate bonds. The following table sets forth the outstanding principal amount, interest rate index, and maturity or next remarketing date for each series of the Board's variable rate bonds. In Fiscal Year 2017, the Board expects to issue bonds to convert variable rate bonds with upcoming remarketing dates to a fixed rate. See "PLAN OF FINANCE – Future Financings."

Series	Outstanding Principal Amount	Variable Rate Index	Expiration / Remarketing Date
2008 A	$ 262,785,000	LIBOR–based	3/01/2034
2008 B	185,350,000	LIBOR–based	3/01/2031
2011 C–1[(1)]	43,600,000	SIFMA–based	2/29/2016
2011 C–2[(3)]	44,100,000	SIFMA–based	2/28/2017
2013 A–1[(2)]	89,990,000	LIBOR–based	6/01/2016
2013 A–2[(3)]	124,320,000	SIFMA–based	6/01/2017
2013 A–3[(3)]	157,055,000	SIFMA–based	6/01/2018
2015 A[(3)]	89,200,000	SIFMA–based	3/01/2017
2015 G[(3)]	88,900,000	SIFMA–based	3/01/2017
Total	**$1,085,300,000**		

Source: Chicago Public Schools.

(1) On the February 29, 2016 remarketing date for the Series 2011 C–1 Bonds, the Board elected not to offer the 2016 Bonds for remarketing. The 2011 C–1 Bonds are currently accruing interest a fixed rate of 9%.

(2) On the June 1, 2016 remarketing date for the Series 2013A–1 Bonds, the Board elected not to offer the 2016 Bonds for remarketing. The 2013A–1 Bonds began accruing interest at a fixed rate of 7.5% as of June 1, 2016, increasing to 9% September 1, 2016.

(3) On the remarketing dates for these bonds, if the Board does not offer the 2016 Bonds for remarketing the result will be that such bonds will accrue interest at the fixed rates as follows: Series 2013A–2 Bonds will accrue interest at a fixed rate of 4.5% until June 1, 2017, increasing to 7.5% until September 1 2017 and 9.0% thereafter. Series 2013A–3 Bonds will accrue interest at a fixed rate of 4.5% until June 1, 2018, increasing to 7.5% until September 1 2018 and 9.0% thereafter. Series 2015A Bonds and 2015G Bonds will accrue interest at a fixed rate of 5.0% until March 1, 2017, increasing to 9.0% thereafter.

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 in a conservative and prudent manner. A copy of the Debt Policy is available on the Board's website. The Debt Policy is not binding on the Board and may be amended or modified by the Board, without notice to or consent of the registered owners of the 2016 Bonds.

Debt Service Stabilization Fund

The Board maintains a debt service stabilization fund which is available to the Board as a reserve to pay debt service on its bonds if needed. The debt service stabilization fund had a balance of approximately $20.6 million as of June 30, 2016, reflecting other regular activities for such fund. The Board expects to use substantially all of the remaining funds to pay debt service on its bonds in Fiscal Year 2017. The fund is not specifically pledged or restricted to the payment of debt service on any of the Board's bonds or for any other purpose and thus is available to the Board for any legal purpose. The Board has not covenanted to maintain this fund at any level or to replenish the fund when used for any reason.

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 State 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 Bonds do not count against the Debt Limit. In addition, 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 Dedicated 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

	2012*	**2013***	**2014***	**2015***	**2016****
Equalized Assessed Value[1]	$75,127,913	$65,257,093	$62,370,205	$64,913,774	$70,968,533
Debt Limit (13.80% of EAV)	$10,367,652	$ 9,005,479	$ 8,607,088	$ 8,958,101	$ 9,793,658
General Obligation Debt[2]	$ 394,793	$ 342,830	$ 290,849	$ 238,820	$ 186,823
Less: Amount set aside for repayment of debt[2]	(29,917)	(34,790)	(35,201)	(34,684)	(34,885)
Total Net Applicable Debt[2]	$ 364,876	$ 308,040	$ 255,648	$ 204,136	$ 151,938
Legal Debt Margin	$10,002,776	$ 8,697,439	$ 8,351,440	$ 8,753,965	$ 9,641,720
Total Net Applicable Debt as a percentage of Debt Limit	3.52%	3.42%	2.97%	2.28%	1.55%

*Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2015. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015."
**Unaudited estimates.
(1) Includes taxable property in the School District located in Cook County and DuPage County.
(2) Includes only PBC Lease obligations that are secured by and payable from property taxes.

Bond Issue Notification Act

The Bond Issue Notification Act (30 Illinois Compiled Statutes 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. Since the 2016 Bonds are not bonds of the type described in the Bond Issue Notification Act, the 2016 Bonds are not subject thereto.

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. These Overlapping Taxing Districts are: the City; the Chicago Park District; Community College District Number 508; Cook County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago. Each of the Overlapping Taxing District shares, to varying degrees, a common property tax base with the Board. Each of the Overlapping Taxing Districts levies taxes upon property located in the School District, and, in some cases, in other parts of Cook County. See APPENDIX E – "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS – Overlapping Taxing Bodies," "FINANCIAL INFORMATION –Property Tax Revenues – *Tax Rates of the Board and Overlapping Taxing Districts,"* and *"– Application of PTELL to Overlapping Taxing Districts and the Board; Certain Property Tax Increases of the City and the Board*" and "BONDHOLDERS' RISKS." 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.

Cook County 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"**), is 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 long–term general obligation debt of the Board and that of the Overlapping Taxing Districts as of December 1, 2016. The table does not include the 2016 Bonds and the short–term tax anticipation notes issued by the Board from time to time in that such bonds and notes are not general obligations of the Board. See "– Board's Dedicated Capital Improvement Tax Bonds" and "– Tax Anticipation Notes."

Board's Overlapping General Obligation Debt Schedule
(Dollars in Thousands)

Direct Debt			
Total Outstanding General Obligation Bonds			$ 6,661,234
PBC Leases (principal component)			140,175
Total Direct Debt[(1)]			$6,801,409

Overlapping Debt[(1)(2)]	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Overlapping Debt**
City of Chicago	$9,065,990	100.00%	$9,065,990
Community College District[(3)]	241,830	100.00%	$241,830
Chicago Park District[(4)]	863,580	100.00%	$863,580
Cook County[(5)]	3,213,412	53.47%	$1,718,211
Forest Preserve District	162,285	53.47%	86,774
MWRD	2,702,664	54.46%	1,471,871
Total Overlapping Debt			$13,448,256
Total Direct and Overlapping Debt			$20,249,665

Population (2014 estimate)	2,722,389[(6)]
Equalized Assessed Valuation (2015)	$ 70,968,533[(7)]
Estimated Fair Market Value (2014)	$255,639,792[(8)]

	Per Capita[(9)]	% EAV	% FMV
Direct Debt	2,498.32	9.58%	2.66%
Total Direct and Overlapping Debt	7,438.20	28.53%	7.92%

Source: Chicago Public Schools.
(1) Excludes outstanding tax anticipation notes and warrants.
(2) Debt of Overlapping Taxing Districts.
(3) All $245,995,000 of outstanding general obligation bonds were issued as Alternate Revenue Bonds under the Debt Reform Act for which the alternate revenue source is tuition, fees and State grant revenues.
(4) Includes $303,115,000 of outstanding general obligation bonds issued as Alternate Revenue 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. The census is conducted decennially at the start of each decade.
(7) Source: Cook and DuPage County Clerk's Offices. Total Equalized Assessed Value is net of exemptions and includes assessment of pollution control facilities.
(8) Source: The Civic Federation Report dated August 18, 2016.
(9) Per Capita amounts are not expressed as dollars in thousands.

Swap Terminations

As of December 3, 2015 the Board terminated all of its previously outstanding interest rate swaps. The Board had previously entered into certain interest rate swap agreements in connection with a portion of its outstanding bonds that provided the Board with synthetic fixed rates on its variable rate bonds or altered the index used to calculate the variable rate amount being paid to the Board by the swap counterparty under the swap for certain fixed rate bonds. In March 2015, each of Moody's Investors Service, S&P Global Ratings, and Fitch Ratings downgraded the long–term credit of the Board to below investment grade. These downgrades triggered certain defaults, additional termination events and increases to interest rate charges in connection with the Board's various interest rate swap agreements, lines of credit, loans, variable rate debt and letters of credit. In connection with these rating changes, the Board terminated its swap agreements.

The Board expects to issue bonds to reimburse itself for certain funds previously expended for swap termination costs. See "PLAN OF FINANCE – Future Financings."

Tax Anticipation Notes

To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.065 billion principal amount of 2015 Tax Anticipation Notes (the **"2015 TANs"**) in anticipation of collection of its 2015 tax levy in 2016 in the amount of approximately $2.305 billion. All of the 2015 TANs were repaid in August before the issuance of the 2016 TANs. For Fiscal Year 2017, the Board has levied in calendar year 2016 for collection in calendar year 2017 *ad valorem* property taxes of approximately $2.343 billion for educational purposes (the **"2016 Tax Levy"**) and has authorized the issuance of not to exceed $1.550 billion principal amount of 2016 Tax Anticipation Notes (the **"2016 TANs"**) in anticipation of the collection of the 2016 Tax Levy in calendar year 2017. The Board has issued and has outstanding $950 million of 2016A TANS (the **"2016A TANs"**), with additional tranches in the total amount of approximately $600 million expected to be issued in Fiscal Year 2017 in accordance with the Board's cash flow needs. See "PLAN OF FINANCE – Future Financings."

Principal of and interest on the 2016A TANs is payable on the maturity date or earlier redemption date from the revenues from the 2016 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 2016A TANs is between September 30 and December 15, 2017 and is determined based on the "tax penalty date" established for 2017 which is the last day on which the second installment of the property taxes may be paid without penalty with respect to taxable property located in Cook County. The 2016A TANs are subject to extraordinary mandatory redemption on April 15, 2017 on occurrence of certain events of default under the indentures securing 2016 TANs and in the event a court or other governmental authority shall rule or otherwise make a determination that the Board is not legally entitled to levy or collect the 2016 Levy, or that tax receipts shall be not be available to pay the expenses of the Board or the 2016A TANs at any time, in either case, at the discretion of the Board, or any such court or other governmental authority shall make any other ruling or determination that adversely affects or limits the security for the 2016A TANs. For a discussion of pending litigation relating to the Board's tax levy see "LITIGATION." An extraordinary mandatory redemption of the 2016A Notes would negatively impact the Board's cash flow and liquidity. For a discussion of the Board's operating deficits and its cash flow and liquidity needs see "FINANCIAL INFORMATION -- Board's Cash Flow and Liquidity." The Board anticipates that it will continue to borrow to fund annual cash flow deficits in subsequent Fiscal Years. See "FINANCIAL INFORMATION–Overview of Historical Structural Deficit and Board's Plan to Address." J.P. Morgan Securities LLC, one of the Underwriters of the 2016 Bonds, currently holds the 2016A TANs.

FINANCIAL INFORMATION

Accounting and Financial Statements

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

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

Property Tax Revenues

Overview. Revenues from *ad valorem* property taxes for the operating fund are expected to be approximately $2.6 billion and make up approximately 48.0% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. As a part of its Fiscal Year 2017 Budget, the Board increased its property tax levy in three categories: (1) the maximum levy allowable under PTELL was increased by approximately $68.1 million, (2) the Capital Improvement Tax levy was increased by approximately $2.9 million, and (3) the "pension property tax levy," as described below, was implemented in the amount of $271.8 million, from which the Board anticipates collecting approximately $250 million. For a discussion of the real property tax system see APPENDIX C – "THE REAL PROPERTY TAX SYSTEM." For an overview of the historic and budgeted property tax revenues, see the table under the subheading "– General Operating Fund." The first distribution of operating property tax collections of approximately $1.2 billion is expected to be received by the Board in late February and March. Receipt of the second distribution of operating property tax collections depends on the due date established by the County, which has been on or about August 1 since Tax Collection Year 2013. The distribution of operating property tax revenues of approximately $1.1 billion are expected to be received by the Board in the July and August timeframe assuming an August 1 Second Installment Penalty Date. See "BONDHOLDERS' RISKS – Collection of Capital Improvement Tax." The balance of approximately $250 million of property tax revenue relates to the new property tax levy for pension funding that will be paid directly to the Pension Fund in calendar year 2017 in the July and August 2017 timeframe. As a result, approximately 94% of the Board's cash receipts from local revenues are received starting late February, more than halfway through the Board's Fiscal Year ending June 30.

Application of PTELL to the Board. In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in CPI during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. **PTELL does not limit the rate or amount of the Capital Improvement Tax levy extended by the Board to pay the 2016 Bonds.** See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

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

Pension Property Tax Levy. In 2016, the Illinois General Assembly adopted and Governor Rauner signed, Public Act 099–0521 that 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. This tax is not subject to PTELL. For a discussion of the pension property tax levy see “RECENT DEVELOPMENTS – State Legislation Authorizing Board Property Tax for Pension Fund.”

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 Board. The tables reflect the tax levy year and such taxes are extended for collection in the following calendar year.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2006–2015

(Dollars in Thousands)

Tax Year Levy[9]	Assessed Values[1] Class 2[5]	Class 3[6]	Class 5[7]	Other[8]	Total	State Equalization Factor[2]	Total Equalized Assessed Value[3]	Total Estimated Fair Cash Value[4]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value %
2006*	18,521,873	2,006,898	12,157,199	688,818	33,374,788	2.7076	69,511,192	329,770,733	21.08
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	Not Available	Not Available	Not Available	Not Available	Not Available	2.6685	70,968,533	Not Available	Not Available

*Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2015. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015."

(1) Source: Cook County Assessor's Office.
(2) Source: Illinois Department of Revenue.
(3) Source: Cook and DuPage County Clerk's Offices. Calculations are net of exemptions and include assessment of pollution control facilities.
(4) Source: The Civic Federation Report dated August 18, 2016. Excludes railroad property.
(5) Residential, six units and under.
(6) Residential, seven units and over and mixed–use.
(7) Industrial/Commercial.
(8) Vacant, not–for–profit and industrial/commercial incentive classes.
(9) Triennial updates of assessed valuation occurred in years 2006, 2009, 2012 and 2015.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The table below sets forth the Board's *ad valorem* property tax extensions and collections for Fiscal Years 2006 – 2015

Board's Property Tax Extensions and Collections 2006–2015
(Dollars in Thousands)
(For Fiscal Years Ending June 30)

			Collections within the Fiscal Year of Extension [1]		Collections in Subsequent Years	Total Collections [2]	
Tax Year of Levy	**Fiscal Year of Extension**	**Total Tax Extension**	**Amount**	**Percentage of Extension**		**Amount**	**Percentage of Extension**
2006	2007	$1,874,750	$835,191	44.55%	$966,103	$1,801,294	96.08%
2007	2008	1,901,887	865,576	45.51%	976,942	1,842,518	96.88%
2008	2009	2,001,751	916,129	45.77%	1,024,939	1,941,068	96.97%
2009	2010	2,001,252	1,024,263	51.18%	899,999	1,924,262	96.15%
2010	2011	2,118,541	1,021,564	48.22%	1,030,958	2,052,522	96.88%
2011	2012	2,159,586	1,083,667	50.18%	1,040,248	2,123,915	98.35%
2012	2013	2,232,684	1,090,274	48.83%	1,074,246	2,164,520	96.95%
2013	2014	2,289,250	1,134,859	49.57%	1,125,993	2,260,852	98.76%
2014	2015	2,375,822	1,177,370	49.56%	1,172,030	2,349,400	98.89%
2015	2016	2,451,566[5]	1,230,423	50.19%	In collection	In collection	–

Source: Chicago Public Schools; unaudited figures.

(1) The amount does not represent a full year's tax collection. Collections within the Fiscal Year of Extension are presented on a cash basis.

(2) Total collections are net of refunds and include the estimated allowance for uncollectible taxes.

(3) The Tax Extension beginning in Tax Year 2015 includes the levy of the Capital Improvement Tax that was not levied in Prior Years. See " –Capital Improvement Tax Levy."

Tax Rates of the Board and Overlapping Taxing Districts. The following table sets forth the tax rates that were extended by the Board and the Overlapping Taxing Districts for collection in calendar years 2006–2015. For a discussion of these Overlapping Taxing Districts see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt." These Overlapping Taxing Districts share in varying degrees a common property tax base with the Board.

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

Real Property Tax Rates of Overlapping Major Units of Government
2006–2015 Tax Levy
(per $100 equalized assessed valuation)

Year of Levy (Taxes Extended for Collection in Following Calendar Year)	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Tax Rates by Board Fund:										
Educational[1]	$2.078	$2.377	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205
Workers' and Unemployment Compensation Tort Immunity	0.021	0.190	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111
PBC Operation and Maintenance [1]	0.521	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PBC Lease Rentals	0.077	0.016	0.015	0.014	0.065	0.071	0.081	0.085	0.082	0.075
Capital Improvement Tax	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064
Board Subtotal	$2.697	$2.583	$2.472	$2.366	$2.581	$2.875	$3.421	$3.671	$3.660	$3.455
Other Major Government Units:										
City of Chicago	$1.062	$1.044	$1.147	$1.098	$1.132	$1.229	1.425	1.496	1.473	$1.806
Community College District	0.205	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177
School Finance Authority[2]	0.118	0.091	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Chicago Park District	0.379	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382
Water Reclamation District	0.284	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426
Cook County	0.500	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552
Cook County Forest Preserve	0.057	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069
Other Unit Subtotal	$2.605	$2.411	$2.344	$2.260	$2.350	$2.580	$2.974	$3.161	$3.148	$3.412
TOTAL	$5.302	$4.994	$4.816	$4.630	$4.931	$5.455	$6.395	$6.832	$6.808	$6.867

Source: Cook County Clerk's Office – tax rates by levy year.
[1] Beginning Fiscal Year 2007, the tax levy for PBC Operations & Maintenance has been consolidated with the Educational tax rate.
[2] Beginning Fiscal Year 2008, the School Finance Authority is no longer in existence.

Application of PTELL to Overlapping Taxing Districts and the Board. As discussed above under the subheading " – Application of PTELL to the Board," PTELL specifically limits the annual growth in certain property tax extensions for the Board and 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 and the Board. The Board's Fiscal Year 2017 budget calls for substantial property tax increases as described under the heading "– Property Tax Revenues." 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. Property taxes were increased by $318 million in tax year 2015, $109 million in tax year 2016, and are expected to be increased an additional $53 million in tax year 2017 and $63 million in tax year 2018. Taxes are collected in the calendar year (the Tax Collection Year) following the Tax Year. See "BONDHOLDERS' RISKS – Availability of Capital Improvement Taxes."

State Aid Revenues

Overview. Revenues from State Aid are expected to be approximately $1,061.4 million and make up approximately 19.0% of the budgeted General Operating Fund revenues of the Board for Fiscal Year 2017. Approximately $373 million or 35.0% of such revenues are budgeted to pay debt service on outstanding Alternate Revenue Bonds of the Board for Fiscal Year 2017. General state aid (**"State Aid"**) represents a major portion of State support for Illinois public elementary and secondary schools. The School Code requires the Board to dedicate a minimum of $261 million annually from its State Aid revenues (the **"Supplemental General State Aid Allocation"**) to schools for supplemental programs for children from low–income families. The revenues from State Aid (**"State Aid Revenues"**) received by the Board in any Fiscal Year, less the Supplemental General State Aid Allocation, is referred to herein as

"Unrestricted State Aid Revenues" and is available for use by the Board for its general operating purposes, including pledged to payment of debt service on approximately $6.7 billion aggregate principal amount of the Board's Alternate Revenue Bonds.

State Aid Calculation. State Aid funds are distributed through two grants to school districts under the School Code. One is a Foundation Formula Grant (the **"Foundation Formula Grant"**) and the second grant is for low–income students (the **"Poverty Grant"**). The calculation of the Foundation Formula Grant is based upon a foundation level which is established by the School Code for all school districts in the State (the **"Foundation Level"**) and has been set at $6,119 per pupil since Fiscal Year 2010. The Foundation Formula Grant provides this amount per pupil less a school district's *"available local resources"* per pupil, which is calculated pursuant to a complex statutory formula that takes into account numerous locally–based factors. In addition, the "per pupil count" used in calculating the Foundation Formula Grant is 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 State Aid to the Board is based on a Per Pupil Count, the level of enrollment in the School District may impact the amount of State Aid received by the Board in future Fiscal Years. See "– State Aid Revenues – Appropriation by the General Assembly," "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "RECENT DEVELOPMENTS –Enrollment Declines," and "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity." The Poverty Grant is 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 is calculated based on a school district's number and proportion of low–income students. This grant is not offset by the Board's *"available local resources."*

The total amount calculated by ISBE pursuant to the School Code for each school district as the sum of the Foundation Formula Grant and the Poverty Grant is referred to as the **"Statutory Claim."**

Appropriation by the General Assembly. Although the Board's Statutory Claim is calculated according to the formulas summarized above, the Statutory Claim is also subject to appropriation by the Illinois General Assembly as a part of its annual budget. If the Illinois General Assembly does not appropriate sufficient funds to fully fund the Statutory Claims of school district's in Illinois, the resulting share of the Statutory Claim allocated to each school district is referred to as its **"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. Although the Illinois General Assembly has not adopted and Governor Rauner has not signed a budget for the State for Fiscal Year 2017, which began July 1, 2016, the Illinois General Assembly has authorized and Governor Rauner has signed into law the appropriations to fund elementary and secondary education, including State Aid, for Fiscal Year 2017. The State has budgeted State Aid in Fiscal Year 2017 to the Board in the same amount as funded for Fiscal Year 2016 – referred to as the "hold harmless" appropriation – and a $102.4 million increase over the amount of State Aid received by the Board in Fiscal Year 2016 in the form of an **"Equity Grant"** to school districts with a concentration of low–income students.

Because receipt of State Aid payments is subject to appropriation by the Illinois General Assembly, State Aid payments are consequently subject to the availability of sufficient revenues of the State and competing obligations and spending priorities of the State. See "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity" and "– Local, City and State Economy."

Historical and Budgeted State Aid Revenues for Fiscal Years 2007 – 2017. The following table sets forth the total State Aid received by the Board for each of the Fiscal Years 2007 through 2016 and the budgeted amount for Fiscal Year 2017, the required statutory contributions for Supplemental General State Aid Allocations of $261 million to individual schools, and the net amount of Unrestricted State Aid Revenues deposited into the General Fund. Note that the amounts below include State Aid received by the Board in a Fiscal Year as a result of adjustments in prior–year State Aid allocations.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Historical and Budgeted State Aid Revenues
Fiscal Years 2007 – 2017
(Dollars in Millions)

	Board's Requested State Aid Funding			State Appropriation Proration		Total State Aid Received		Allocation of Total State Aid Received	
Fiscal Year	**Statutory Claim**	**Prior Year Adjustment**	**Total**	**State Appropriation Proration (%)**	**State Appropriation Proration[1]**	**State–Approved Charter Schools[2]**	**Board**	**Supplemental General State Aid Allocation**	**Unrestricted State Aid Revenues**
2007	$1,023.9	$16.4	$1,040.2	100.0%	$ 0.0	$ 0.0	$1,040.2	$261.0	$779.2
2008	1,091.1	16.3	1,107.4	100.0%	0.0	0.0	1,107.4	261.0	846.4
2009	1,139.7	16.3	1,156.0	100.0%	0.0	0.0	1,156.0	261.0	895.0
2010	1,162.0	16.3	1,178.3	98.0%	(9.8)	0.0	1,168.5	261.0	907.5
2011	1,147.2	16.3	1,163.5	99.9%	(0.1)	0.0	1,163.4	261.0	902.4
2012	1,178.7	16.3	1,195.0	95.0%	(58.5)	0.0	1,136.5	261.0	875.5
2013	1,209.4	16.3	1,225.7	89.2%	(131.0)	0.0	1,094.7	261.0	833.7
2014	1,219.9	16.3	1,236.2	88.7%	(137.8)	(6.9)	1,091.6	261.0	830.6
2015 [3]	1,156.1	16.3	1,172.4	87.2%	(148.3)	(9.5)	1,014.6	261.0	753.4
2016 [4]	1,047.7	16.3	1,064.0	92.1%	(83.1)	(12.0)	968.8	261.0	707.8
2017 [4] [5]	890.5	211.9	1,102.4	N/A	N/A	(28.8)	1,073.7	261.0	812.7

Source: 2007–2015 ISBE

(1) Reflects the dollar amount of the Board's total Statutory Claim lost as a result of State Appropriation Proration. State Appropriation Proration applies only to the Board's Statutory Claim and not to the amounts shown in the column entitled Prior Year Adjustment. Amounts received by the Board may differ slightly from the amounts shown due to rounding. Fiscal Year 2010 and 2011 included a portion of the Statutory Claim being paid from American Recovery and Reinvestment Act monies. This resulted in a different treatment of proration by the State as compared to subsequent Fiscal Years.

(2) Reflects State Aid provided to State–Approved Charter Schools (as reflected in the Board's Comprehensive Annual Financial Report for such Fiscal Years).

(3) As a result of a mid–year State budget amendment based upon a State supplemental appropriation, the percentage of claim paid by the State in Fiscal Year 2015 was reduced from 89.1% to 87.2%, reducing the Board's Fiscal Year 2015 State Aid payment by approximately $22.3 million from the amount expected to be received prior to the mid–year State budget amendment.

(4) Unaudited Board estimates.

(5) For Fiscal Year 2017, the amounts shown reflect the State's appropriation of "hold harmless" State Aid funding to the Board to the funding level provided in Fiscal Year 2016 and an "Equity Grant" (as defined herein) related to the School District's concentration of low–income students. See "– State Aid Revenues – Appropriation by the General Assembly."

State Aid Payments and Legislative Standards for Receipt of State Aid. The School Code provides for semimonthly payments of State Aid to be made during the months of August through June. 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 for at least the last 10 years.

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. In case of failure to meet the State's required 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 financial support as described below. Failure to meet these standards may result in the reduction of State Aid provided to a school district: (1) Filing of an annual plan describing the distribution of its Supplemental General State Aid Allocation ($261 million) to its attendance centers, (2) Adoption of a School Calendar that ensures at least 176 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. (3) 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.

The Board is currently in compliance with the legislated standards for receipt of State Aid.

Availability of State Aid Revenues. State Aid Revenues make up a substantial portion of the available operating revenues of the Board and a portion is pledged to pay debt service on the Board's outstanding Alternate Revenue Bonds. See "DEBT STRUCTURE – Existing Long-Term General Obligation Debt," "FINANCIAL INFORMATION – State Aid Revenues" and "– Overview of Historical Structural Deficit and Board's Plan to Address."

The availability of State Aid Revenues is dependent upon numerous factors, including: (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; (ii) the impact of certain Board factors, including declining enrollment, on the calculation of State Aid required to be distributed to the Board (see " –State Aid Revenues – State Aid Calculation"); (iii) timely collection by the State of the revenues from which State Aid is derived; (iv) the amount of funds appropriated by the State to pay State Aid Statutory Claims and the impact of the State Appropriation Proration on the Board's State Aid Revenues; (v) distribution of such State Aid to the Board; and (vi) and the financial condition of the State. Changes in any one of the foregoing may impact the receipt of State Aid Revenues in an amount sufficient to provide for payment of debt service on the Board's outstanding State Aid Alternate Revenue Bonds and provide sufficient operating revenues for the Board. See "BONDHOLDER'S RISKS – Bankruptcy of the Board – Local, City and State Economy" and "PLAN OF FINANCE – Future Financings."

To the extent that "available local resources" increase, the Foundation Formula Grant Statutory Claim can decrease, thereby reducing Unrestricted State Aid Revenues available to pay debt service. To the extent that the Board's Per Pupil Count declines as a result of declines in enrollment the amount of State Aid may decrease. To the extent that the Board's eligible enrollment for the Poverty Grant Statutory Claim declines, revenues available under this grant may decline. See "FINANCIAL INFORMATION – State Aid Revenues – State Aid Calculation" and "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "RECENT DEVELOPMENTS –Enrollment Declines."

State Aid payable to the Board is subject to appropriation and is consequently subject to action by the Illinois General Assembly and Governor, the availability of sufficient revenues to the State and competing obligations and spending priorities of the State. The Illinois General Assembly did not appropriate sufficient moneys to fully fund the authorized State Aid Statutory Claims of Illinois school districts from Fiscal Year 2009 through Fiscal Year 2016. See "FINANCIAL INFORMATION – State Aid Revenues." Further, the State is experiencing financial difficulties which may also impact the ability and willingness of the State to appropriate funds for State Aid. See "BONDHOLDER'S RISKS – Bankruptcy of the Board – Local, City and State Economy" and "RECENT DEVELOPMENTS – State Financial Condition, Budget Impasse and Board Receipt of State Funds."

The Board cannot predict if State Aid Revenues will be available in sufficient amounts to its Alternate Revenue Bonds payable from State Aid 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. The receipt of State Aid is dependent upon satisfaction of a number of requirements, including without limitation the operation of schools for the required number of pupil attendance days. See "– State Aid Payments and Legislative Standards for Receipt of State Aid."

State Block Grant Revenues and Proposed State Pension Funding

Revenues from State block grants are expected to be approximately $634 million and make up approximately 12.0% of the budgeted General Operating Fund revenues of the Board for Fiscal Year 2017. The State block grants are largely comprised of the General Education Block Grant and the Educational Services Block Grant, among other grants. The block grant amounts are computed by multiplying the State appropriation for the programs included in the grant by the Board's percentage share of those programs in 1995. In Fiscal Year 2017, total block grant revenue is budgeted at $634 million. This represents an increase of $36 million from Fiscal Year 2016. The General Education Block Grant consists of grants for early childhood education and other smaller programs, while the Educational Services Block Grant consists of grants for special education, State free and reduced meals for students, and pupil transportation. As a result of the failure of the Illinois General Assembly to adopt and Governor Rauner to sign a budget for the State for Fiscal Year 2017 the Board is experiencing delays in the receipt of State block grant funds. The timing of the Board's receipt of approximately $634 million in State block grant payments (approximately 12% of budgeted operating revenues) varies and is often dependent on the State's financial condition and cash flow. In Fiscal Year 2016, approximately 74% of these block grant payments were received by the Board in the second half of the Fiscal Year or are expected to be received in Fiscal Year 2017. The State block grant payments are paid as $120 million quarterly distributions of the Educational Services Block Grant and $12 million monthly distributions of the General Education Block Grant. As of August 30, 2016, the Board had not yet received, but still expected to receive, $90 million of its Fiscal Year 2016 block grant payments and has only received $1 million of its Fiscal Year 2017 block grant payments. This represents a two month delay from the timing of these receipts in Fiscal Years 2014 and 2015. This two month delay experienced in Fiscal Year 2016 is expected to continue in Fiscal Year 2017. The Board expects that approximately 86% of its Fiscal Year 2017 State block grants will be received during Fiscal Year 2017, with 84% of block grants forecast to be received during the second half of the Fiscal Year due to expected delays in State payments. See "RECENT DEVELOPMENTS – State Financial Condition, Budget Impasse and Board Receipt of State Funds."

In addition to historical forms of State funding described above, the Board's Fiscal Year 2017 budget also includes $215.2 million in new State funding of a portion of the Board's required contribution to the Pension Fund for Fiscal Year 2017. Such new State funding has not been authorized by State statute or appropriated by the State. See "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the

Board." See the discussion under the subheading "–Requested Equitable State Funding for the Board" and the table under the subheading entitled "– General Operating Fund." See "FINANCIAL INFORMATION – Overview of Historical Structural Deficit and Board's Plan to Address" for a discussion of the Board's plans to address the revenue shortfall if such additional State funding is not provided.

PPRT Revenues

Revenues from PPRT are expected to be approximately $188.8 million and make up approximately 3.51% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. 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 is an income tax on the federal taxable income of corporations, business partnerships, trusts and Subchapter S corporations and a tax on public utilities and various exemptions and credits are applied to PPRT. The Personal Property Replacement Tax is collected by the Board as part of its general fund revenues. PPRT is a tax established by the Illinois General Assembly in 1979 in place of taxes formerly levied upon business inventory and other commercial personal property. PPRT is designed to replace funding that was lost by local governments, including school districts, when their powers to impose personal property taxes on corporations, partnerships and other business entities were eliminated pursuant to the 1970 Illinois Constitution Article IX Section 5. The rates established by the State 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. The Board's share of PPRT stems from a 51.65% total Statewide collection of PPRT that is directed to Cook County, allocated on the basis of its share of PPRT collections for the 1976 tax year. The Board's PPRT share is statutorily fixed at 14% of the Statewide total (or 27% of the Cook County share), while total PPRT Statewide collections vary from year to year based on corporate income and utility invested capital and the business climate in general. For an overview of the historic and budgeted revenues from PPRT see the table under the subheading "– General Operating Fund." Pursuant to Illinois law, PPRT revenues are automatically paid to the Board and are not subject to appropriation by the Illinois General Assembly.

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 State is seeking repayment of historical overpayments through an offset of PPRT revenue distributions to the Board through January 2017. The Board has booked the entire $42 million overpayment to Fiscal Year 2016 and has repaid approximately $40 million of this PPRT repayment. The reduced PPRT would be considered under the School Code a reduction in local available resources which would normally increase State Aid funding under the formula set forth in statute. In Fiscal Year 2017, because of the "hold harmless" approach to State Aid appropriation, the Board will not receive this offset. This offset is reflected in the drivers affecting the Board's Statutory Claim under the State Aid formula, should the State return to funding General State Aid in the same formula set forth in School Code. See "– State Aid Revenues."

Federal Revenues

Revenues from federal grants are expected to be approximately $830 million and make up approximately 15.0% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. Revenues from federal grants make up approximately 15.0% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. The Board receives federal revenue in the form of grants that are dedicated to specific purposes and may not be used for other expenditures. Grants are linked to overarching federal programs including the Elementary and Secondary Education Act (also referred to as

No Child Left Behind), the largest of which is geared toward a district's poverty count, or Title 1–A; the Individuals with Disabilities Education Act; the National School Lunch Program and Child and Adult Care Food Program; Medicaid Reimbursement; and other federal competitive grants such as Head Start, the largest competitive program, Carl D. Perkins (job training), and Race to the Top funds. In Fiscal Year 2017, Title 1–A is funded at $312 million, the Individuals with Disabilities Education Act is funded at $98 million, the National School Lunch Program and Child and Adult Care Food Program is funded at $209 million, and Head Start is funded at $42 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 historic and budgeted federal revenues, see the table under the subheading "– General Operating Fund."

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 has occurred for Fiscal Year 2017), the Board submits for reimbursement of qualified expenditures which drives the timing of federal revenues for cash flow purposes.

Other Revenues

Other revenues received by the Board include surplus tax increment financing funds released by the City, pension payments made by the City to the Municipal Employees pension fund on behalf of employees of the Board, lease payments received relative to cellular towers, and other local fees and payments and in the Board's Fiscal Year 2017 budget, total approximately $208 million. A revised Fiscal Year 2017 Budget in connection with the CTU Tentative Agreement is subject to approval by the Board. The proposed revised Fiscal Year 2017 budget would provide funding of approximately $55 million for the increased costs of the CTU Tentative Agreement from revenues provided from additional surplus tax increment financing revenues that the City of Chicago has announced it will distribute to the Board in Fiscal Year 2017. The Board's revised Fiscal Year 2017 budget will include other local revenues expected to be approximately $263 million and make up approximately 4.9% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. For an overview of the historic and budgeted other revenues, see the table under the subheading "– General Operating Fund."

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 2016 Bonds subject, in all respects, to the provisions of the Public Funds Investment Act of the State of Illinois, as amended.

Budgeting and Auditing Procedures

By law, the Board must adopt a budget no later than 60 days after the beginning of its Fiscal Year July 1. 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, 2015 is attached hereto as APPENDIX B.

Financial Forecasting and Projections

From time to time, including in Fiscal Year 2015 and 2016, the Board has retained independent consultants to review the Board's overall financial situation, major revenue sources, expenditure categories, and to provide projections with respect thereto. The purpose of such engagements is to help the Board provide independent verification of the magnitude of the Board's structural deficit and the main drivers thereof, and discuss factors which might exacerbate or mitigate present and future deficits. Such reviews have assisted the Board in providing a more in depth cash flow forecasting model. See "FINANCIAL INFORMATION -- Board's Cash Flow and Liquidity."

General Operating Fund

The following table presents a summary of the General Operating Fund for the Fiscal Years ending June 30, 2011 to June 30, 2015. The table depicts the amount of revenues versus expenditures, other financing resources and changes in fund balance to prior years.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[1]

(Amounts in Thousands)

	Actual (as of June 30)				
Fiscal Years	**2011**	**2012**	**2013**	**Restated 2014**[2]	**2015**
Revenue:					
Property Taxes	$ 1,904,169	$ 2,295,178	$ 2,157,777	$ 2,152,753	$ 2,252,828
Replacement Taxes (PPRT)	172,384	126,786	128,212	131,075	143,867
State Aid	1,694,566	1,757,166	1,599,424	1,629,892	1,579,324
Federal Aid	1,121,457	890,987	805,983	867,512	767,548
Interest and investment income	1,920	4,363	2,207	4,458	198
Other	221,391	142,160	132,717	156,115	165,819
Total Revenue	$ 5,115,887	$ 5,216,640	$ 4,826,320	$ 4,941,805	4,909,584
Expenditures:					
Salaries:					
Teachers	$ 2,023,510	$ 2,026,832	$ 1,942,007	$ 1,921,969	1,953,938
Career Services / Education Services Personnel	610,741	618,265	633,489	619,462	622,591
Commodities:					
Energy	83,356	73,409	76,559	87,547	74,516
Food	93,766	104,245	106,650	96,816	99,573
Other Commodities	121,852	95,251	122,302	108,742	106,299
Services:					
Professional Services	450,127	412,072	398,064	441,667	395,221
Charter schools	377,755	424,423	498,162	580,652	662,553
Transportation	107,530	109,368	106,861	104,430	103,891
Other	132,610	130,400	150,360	173,576	194,057
Building and sites	37,360	33,955	26,524	31,679	27,296
Fixed Charges:					
Teachers' pension	306,111	335,657	374,567	740,419	826,304
Career Services / Education Services Personnel pension	102,158	100,026	102,342	101,885	102,012
Hospitalization and dental insurance	353,878	324,918	319,792	343,308	357,124
Other Benefits	82,855	78,083	69,505	78,023	70,621
Other Fixed Charges	26,343	21,424	19,186	19,956	24,370
Total Expenditures	$ 4,909,952	$ 4,888,328	$ 4,946,370	$ 5,450,131	$ 5,620,366
Revenue (less Than) Expenditure	$ 205,935	328,374	$ (120,050)	$ (508,326)	(710,782)
Transfers in	109,830	0	439	161	(12,915)
Net Change in Fund Balance	315,765	328,374	(119,611)	(508,165)	(723,697)
Fund Balance, beginning of period	424,615	740,380	1,068,754	1,592,147	1,083,982
Fund Balance, end of period	$ 740,380	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285
Composition of Fund Balance					
Non–Spendable	$ 1,972	$ 3,329	$ 1,720	$ 429	$ 429
Restricted	217,891	162,553	128,419	80,860	105,528
Assigned for educational services	289,000	–		–	
Assigned for appropriated fund balance	181,300	348,900	562,682	861,952	79,225
Assigned for encumbrances	44,924	110,397	105,664	140,741	73,101
Unassigned	5,293	443,575	150,658	–	102,002
Total Ending Fund Balance	$ 740,380	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285

Source: For the columns Fiscal Years 2011–2015 the information is from the Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2015. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015."

(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" and APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015."

(2) 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. See "–Change in Revenue Recognition by the Board for Accounting Purposes Beginning Fiscal Year 2015." This results in a restated Fiscal Year 2014 "Fund Balance, end of period" of $1,084 million.

Change in Revenue Recognition by the Board for Accounting Purposes Beginning Fiscal Year 2015

Under Board policy prior to Fiscal Year 2015, the Board recognized revenue received within 30 days after the close of its Fiscal Year (June 30) as current revenues for such Fiscal Year. Effective for Fiscal Year 2015 and thereafter, the Board changed this recognition period from 30 days to 60 days, so that revenues received by August 29 are treated as received in the Board's Fiscal Year which closed on the preceding June 30. This change in revenue recognition better aligns the Board's revenues with the expenditures those revenues are intended to fund. A 60–day revenue recognition period is also consistent with that used by the City. The timing for this change in the revenue recognition period is primarily based on two factors: Cook County's improved tax collection procedures and changes in the State procedure regarding the distribution of State and federal revenues.

In August 2012, Cook County changed the due date for the second installment of property taxes to August 1, which is two days outside the 30–day post–Fiscal Year revenue recognition period the Board was using at the time. The Board has historically received 55% of the annual approximately $2 billion General Operating Fund property tax levy in the post–Fiscal Year revenue recognition period. Daily cash inflows and outflows during this period can exceed $200 million, creating significant volatility as evidenced by the $391 million favorable variance to budget in property tax revenues in Fiscal Year 2012. Before the change, the due date of the second installment of property taxes was regularly later than September 1st and often as late as November or December, which was outside a 30–day recognition period. The change in Cook County tax collection procedures enabled the Board to adopt the 60–day recognition period which in turn enables the Board to better measure and recognize the receipt of property taxes for the year for which they are levied.

Additionally, the Board receives certain State block grants revenues as well as federal revenues as a reimbursement after expenses have been paid. This leads to a lag between expenditures and the receipt of revenues for reimbursement. For reimbursement claims made at the end of the Fiscal Year, this can mean shifting tens of millions of dollars across Fiscal Years if the revenue was not received by the July 30 historical 30–day recognition date.

The effect of this change on the Board's financial statements is that beginning in Fiscal Year 2015 the Board's revenue recognition period changed to the period of August 30 to August 29 of the following year. Prior year financial statements have been restated consistent with this change.

Historical Financial Performance and Structural Deficit (Fiscal Years 2013–2016)

For Fiscal Year 2013, the Board reported operating revenues of approximately $4.83 billion and operating expenses of approximately $4.95 billion, resulting in a shortfall of approximately $120.1 million with the Board utilizing the General Operating Fund balance and reserves to fund the difference. This resulted in a decline in the operating fund balance from approximately $1.069 billion at the beginning of Fiscal Year 2013 to approximately $949.1 million at the end of the Fiscal Year. Property tax receipts declined by approximately $137 million as a result of the County's change in the second installment property tax due date to August 1, which first took place in Fiscal Year 2012. The August 1, 2012 due date, together with the Board's 30–day revenue recognition policy for accounting purposes, resulted in an additional approximately $244 million in collections being booked to the General Operating Fund in Fiscal Year 2012 rather than Fiscal Year 2013, which would have resulted from the historical Second Installment Penalty Date. See the discussion of "*revenue recognition*" under the subheading "–Change in Revenue Recognition by the Board for Accounting Purposes Beginning Fiscal Year 2015." Total revenues from the State decreased by approximately $158 million as a result of State Appropriation Proration based on reduced State appropriations and the timing of when funding was received (not within the then current Board 30–day revenue recognition period). State Aid and the State block grants were reduced by approximately $44 million and approximately $93 million, respectively. Federal aid was reduced by approximately $85 million due primarily to the loss of approximately $80 million in American Recovery and Reinvestment Act (ARRA) stimulus funds as the program expired. Other major revenue decreases, including approximately $51 million in Medicaid–fee for service funds and administrative outreach claims, were partially offset by increases in revenues for certain programs. Operating expenses increased by approximately $58 million from Fiscal Year 2012, the result of a combination of an approximately $70 million decrease in salaries (largely due to a decrease in termination payouts), an approximately $28 million increase in benefits largely due to a pension payment dispute settlement of the *"required employer contribution*" to the Pension Fund for Fiscal Year 2010, an approximately $70 million increase in services and an approximately $33 million increase in commodities, largely due to an increase in textbook spending of approximately $21 million.

For Fiscal Year 2014, the Board reported General Operating Fund revenues of approximately $4.94 billion and expenses of approximately $5.45 billion, resulting in an operating deficit of approximately $508 million. The Board drew on approximately $508 million of General Operating Fund balance to cover such deficit. This resulted in a decline in the operating fund balance from approximately $1.59 billion at the beginning of Fiscal Year 2014 to approximately $1.08 billion at the end of the Fiscal Year. Operating revenues increased by approximately $115 million in Fiscal Year 2014. State Aid available for operations increased by approximately $30 million, largely due to lower debt service due to the delay in bond financing and using of existing capital fund balance. Federal aid increased by approximately $62 million, largely due to the timing of the receipt of this funding and the Board's more frequent claims for grant reimbursements for expenditures. Operating expenses increased by approximately $504 million, largely reflective of the approximately $404 million rise in the statutorily–required Board Pension Fund contribution. See APPENDIX E – "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS" and see APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015."

For Fiscal Year 2015, the Board reported General Operating Fund revenues of approximately $4.91 billion and expenses and net transfers in of approximately $5.62 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 $1.08 billion due to a one–time increase of $648 million. The General Operating Fund deficit of approximately $711 million resulted in a decline in the General Operating Fund balance from approximately $1.08 billion at the beginning of Fiscal Year 2015 to approximately $360 million at the end of the Fiscal Year. Approximately $102 million of the $360 million General Operating Fund balance is unassigned fund balance, representing the improved financial performance in Fiscal Year 2015 as compared to budget projections at the time of the development of the Fiscal Year 2016 budget. See the discussion under the subheading "– Change in Revenue Recognition by the Board for Accounting Purposes Beginning Fiscal Year 2015." General Operating Fund revenues decreased by approximately $32 million in Fiscal Year 2015. This decrease was the net result of an approximately $102 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.

Based on the Board's Fiscal Year 2016 estimated unaudited year end General Operating Fund figures, for Fiscal Year 2016 the Board estimates General Operating Fund revenues of approximately

$5.10 billion and expenses of approximately $5.47 billion, resulting in an operating deficit of approximately $367 million. The Board will draw on approximately $367 million of General Operating Fund balance to cover such deficit. This will result in a decline in the operating fund balance from approximately $360 million at the beginning of Fiscal Year 2016 to approximately negative $7 million at the end of the Fiscal Year. Operating revenues are expected to increase by approximately $191 million in Fiscal Year 2016. State Aid available for operations may decrease slightly by approximately $3.7 million. Federal aid is anticipated to increase by approximately $63.2 million, largely due to the timing of the receipt of this funding and the Board's more frequent claims for grant reimbursements for expenditures. Operating expenses estimated at $5.467 billion will represent a decrease by approximately $153.2 million versus Fiscal Year 2016 expenses, despite the approximately $42 million rise in the statutorily–required Board Pension Fund contribution, largely due to mid-year budget cuts and central office layoffs as described in "– Overview of Historical Structural Deficit and Board's Plan to Address." See APPENDIX E – "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS."

Over the past four Fiscal Years, the Board has experienced General Operating Fund structural deficits, with expenditures exceeding revenues and drawing from the Board's General Operating Fund reserves. For further discussion of such structural deficits and the methods utilized to mitigate them, see "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

Board's Cash Flow and Liquidity

The liquidity position of the Board's operating funds has declined during recent Fiscal Years because operating expenses have exceeded operating revenues. The Board's operating fund balance has declined over the last four Fiscal Years from approximately $1.07 billion at the beginning of Fiscal Year 2013 to approximately negative $7 million at the end of Fiscal Year 2016. See "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity" and "FINANCIAL INFORMATION – General Operating Fund." For further discussion of the Board's structural deficit and tools available to the Board to address such deficit going forward, see Note 17 to the Board's Comprehensive Annual Financial Report for Fiscal Year 2015 attached to this Official Statement as APPENDIX B. With its operating reserves depleted, the Board spent the majority of Fiscal Year 2016 and expects to spend the majority of Fiscal Year 2017 in a negative cash flow position.

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

For Fiscal Years 2015 and 2016, the Board relied on short–term borrowing to fund liquidity. To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.065 billion principal amount of 2015 TANs in anticipation of the collection of the 2015 Tax Levy in the amount of approximately $2.305 billion. As of June 30, 2016, the Board's unaudited operating cash position is estimated to be negative $787 million, which was largely covered by the 2015 TANs. For a description of the 2015 TANs see "DEBT STRUCTURE – Tax Anticipation Notes." The Board paid in full its 2015 TANs in August 2016, prior to the issuance of the 2016 TANs. On August 24, 2016, the Board levied the 2016 Tax Levy in the amount of approximately $2.343 billion. The Board has authorized the issuance of not to exceed $1.550 billion of 2016 TANs, payable from revenues from its 2016 Tax Levy received in 2017, to fund a portion of its cash flow needs. The Board has issued and has outstanding $950 million of 2016 TANS, with additional tranches in the total amount of approximately $600 million expected to be issued in Fiscal Year

2017 in accordance with the Board's cash flow needs. For a description of the 2016 TANs see "DEBT STRUCTURE – Tax Anticipation Notes" and see "PLAN OF FINANCE – Future Financings."

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.

The Board provides general educational funding to its charter schools in two components: SBB and non–SBB. Together, these tuition amounts provide charter schools with an equitable share of the Board's general funds budget. SBB is the largest portion of the general funds budget, and it is allocated to all schools under the SBB model, which uses the same funding formulas for district–run and charter schools. Non–SBB funding includes funding for administrative service received by School District–run schools that are not provided to charter schools and include operations, security, central office expenses and education support programs. Charter schools also receive an equitable share of categorical funding sources, including State block grant payments and federal grant revenues. Administrative fees are charged to charter schools, so that they will contribute equitably to district overhead costs. Charter schools occupying a Board–owned facility are responsible for the operating costs of the building. Schools are charged for facilities costs based on per–pupil rates reflecting the average operating costs throughout the School District. Charter schools occupying non–Board owned facilities are responsible for their own capital expenses, but receive a per–pupil supplement to help cover the costs or renting or owning the facility.

Overview of Board's Fiscal Year 2017 Budget

<u>Fiscal Year 2017 Budget Overview</u>. On August 24, 2016, the Board adopted its Fiscal Year 2017 budget, with approximately $5.38 billion in revenues and approximately $5.46 billion in expenditures. The following table includes a summary of the General Operating Fund showing estimated Fiscal Year 2016 year end and the amounts budgeted for Fiscal Year 2017.

General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[1]

(Amounts in Thousands)

(as of June 30)

Fiscal Years	Estimated Year End 2016[2]	Budget 2017
Revenue:		
Property Taxes	$ 2,307,800	$ 2,607,809
Replacement Taxes (PPRT)	126,800	130,531
State Aid	1,575,600	1,602,697
Federal Aid	830,700	829,839
Interest and investment income	200	0
Other	258,900	208,148
Total Revenue	5,100,000	5,379,024
Expenditures:		
Salaries	2,588,428	2,349,877
Benefits	1,341,095	1,361,218
Contracts	1,147,645	1,129,334
Commodities	250,984	248,867
Equipment	36,611	24,451
Transportation	93,671	98,439
Contingencies	8,727	247,688
Other	10	1
Total Expenditures	$ 5,467,171	$5,459,875
Revenue (less Than) Expenditure	(367,171)	(80,851)
Estimated Fund Balance Use	371,171	80,851
Fund Balance, beginning of period	360,285	6,900
Fund Balance, end of period	$ (6,900)	$ (87,700)
Composition of Fund Balance		
Restricted	101,500	20,700
Assigned for encumbrances	50,500	50,500
Unassigned	(158,900)	(158,900)
Total Ending Fund Balance	$ (6,900)	$ (87,700)

Source: Chicago Public Schools.

(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.

(2) Unaudited. See the subheading "– Overview of Historical Structural Deficit and Board's Plan to Address" for a discussion of the Board's Fiscal Year 2017 budget. The Board's Fiscal Year 2017 Budget assumes certain new State funding that has not been authorized or appropriated by State statute. See also "RECENT DEVELOPMENTS – State Legislation Authorizing Board Property Tax for Pension Fund" and "– Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board."

Fiscal Year 2017 Budgetary Steps to Address Structural Deficit. The Board began Fiscal Year 2017 with a structural deficit of approximately $1.1 billion. As discussed in more detail below, this structural deficit was addressed in the Fiscal Year 2017 budget through approximately (i) $173 million of budget cuts implemented in Fiscal Year 2016 which carried over into Fiscal Year 2017, (ii) approximately $670 million of new funding from the State and Chicago property taxes, and (iii) approximately $300 million of internal budget deficit closing measures. See also "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

*$173 million of Fiscal Year 2016 budget deficit closing measures carried over into Fiscal Year 2017***.** On January 22, 2016, the Board announced a central office reorganization which is expected to generate approximately $45 million in Fiscal Year 2017 budget deficit closing opportunities. This central office reorganization included the elimination of 433 positions and represents a structural budget deficit closing measure which carries over into future years. Additionally, on February 9, 2016, the Board also

announced \$120 million of mid–year budget cuts to schools. These cuts were implemented through a reduction in the amount of per–pupil spending provided to schools through Student–Based Budgeting (SBB). In the Fiscal Year 2017 proposed budget, the SBB rate per pupil has been kept flat to these mid–year budget cut, which carries over these savings into Fiscal Year 2017. Additionally, at the beginning of Fiscal Year 2016, the Board began to phase out the 7% pension pick up for non–union employees as well as restructured benefits to increase healthcare contributions from non–union employees. The aggregate of these Fiscal Year 2016 actions is expected to generate approximately \$173 million in Fiscal Year 2017 budget deficit closing measures.

*\$670 million of budgeted additional State funding and Local Property Taxes***.** In 2016, the State legislature took steps to provide additional funding for the Fiscal Year 2017 budget. These steps include:

> *\$102 million in State Aid as an "Equity Grant."* An "Equity Grant" of State Aid specifically directed to school districts with a concentration of low–income students. The total Statewide grant was \$250 million, of which the Board expects to receive \$102 million. See " – State Aid Revenues."
>
> *\$74 million "Hold Harmless" State Aid Funding.* School districts are being "held harmless" in Fiscal Year 2017 to their State Aid funding levels in Fiscal Year 2016. The Board's original budget deficit included Governor Rauner's original budget proposal that would have resulted in a \$74 million reduction in State Aid for the Board. See "– State Aid Revenues."
>
> *\$29 million of State Early Childhood Educational Funding.* The State approved a \$29 million increase in early childhood educational funding for the Board for Fiscal Year 2017.
>
> *\$250 million Expected Collections from the Pension Property Tax Levy.* In addition to historical forms of State funding, the Board's Fiscal Year 2017 budget includes \$250 million in estimated revenue from a new property tax levy payable directly to the Pension Fund to be credited to the Board's annual required contribution. This property tax is authorized by Public Act 099–0521 that becomes effective June 1, 2017, and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of \$250 million with the second property tax installment payment expected to be due August 1, 2017. Such funds will be distributed by the County directly to the Pension Fund and it is not clear if the Pension Fund will credit such revenues to the Board's required Statutory Contribution to the Pension Fund due June 2017 as contemplated by the Board's Fiscal Year 2017 budget. See "RECENT DEVELOPMENTS – State Legislation Authorizing Board Property Tax for Pension Fund." In the absence of the availability of the Pension Fund property tax revenues in Fiscal Year 2017, the Board's Fiscal Year 2017 Budget will have an additional \$250 million deficit between revenues and expenditures.
>
> *\$215.2 million Requested New State Funding for the Pension Fund.* The Board's Fiscal Year 2017 budget also includes \$215.2 million in new State funding of a portion of the Board's required contribution to the Pension Fund for Fiscal Year 2017. Although Senate Bill 2822 has been adopted by the Illinois General Assembly, this new State funding has not been authorized or appropriated by State statute. See "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board." The Board cannot predict if any such legislation will become law or the final form of any such legislation. In the absence of such new State funding for the Pension Fund, the Board's Fiscal Year 2017 Budget will have an additional \$215.2 million deficit between revenues and expenditures. See "– Overview of Structural Deficit and Plan to Address" for a discussion of the Board's plans to address the revenues shortfall if such additional State funding is not provided.

*Internal Expenditure Reductions***.** The Board's Fiscal Year 2017 budget includes $300 million of reductions in internal expenditures, including savings related to employee vacancies, grant reprogramming, labor savings central office staff reductions and efficiencies, early employee retirements and similar measures. Approximately $90 million of such savings have already been achieved and implemented.

Overview of Historical Structural Deficit and Board's Plan to Address

Overview. The Board's structural operating deficits for the past four years have ranged from approximately $500 to $1,100 million annually, which have been mitigated by the use of non-recurring revenue, expenditure of operating reserves, debt restructuring to extend maturities, and reduction of operating expenses. Absent further actions by the Board or the State to address this structural deficit, the Board's operating deficit may persist dependent on the cost of labor, pensions and debt service as well as the ability of the Board to raise revenues. In addition, a greater proportion of the Board's budget may be diverted from operational costs to the funding of debt service if the Board's future capital needs are not fully funded through the Capital Improvement Tax levy, including bond financings supported by such levy, or outside funding sources. Additionally, the Board's pension costs are projected to rise through Fiscal Year 2059 which will create additional pressures on operating funds.

Certain factors that control a substantial portion of the revenues of the Board are largely outside its control. The Board's authority to increase its property tax revenues for operations is restricted by PTELL. See "– Property Tax Revenues – *Application of PTELL to the Board*." In addition, any increased operating revenues from property taxes or PPRT taxes have the effect of decreasing the amount of State Aid the Board receives due to the statutory formulas for calculation of State Aid. The Board's revenues from property taxes, PPRT, and State and federal funding are limited by State and federal laws, and the enactment of legislation would be required to provide new or increased revenues. Certain State and federal revenues 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. See "BONDHOLDER'S RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity."

In addition, certain factors that affect a substantial portion of the operating expenses of the Board are largely outside its control, limiting the Board's ability to adjust such expenses in relation to its operating revenues. In Fiscal Year 2017, the annual Pension Fund Statutory Contribution is $720.2 million and constitutes approximately 13.2% of the Board's annual expenses. See APPENDIX E – "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS." Furthermore, the Board does not exercise unilateral control over its largest source of expenditures – salaries and wages – a majority of which are governed by contractual agreements with the Board's various collective bargaining units. In Fiscal Year 2017, the Board's annual salaries, wages and benefits are estimated at $3.7 billion and constitute approximately 68% of the Board's annual expenses.

Debt service costs on the Board's outstanding long-term debt in Fiscal Year 2017, not including the 2016 Bonds, total approximately $520 million, of which $432 million will be paid from operating funds consisting of State Aid and PPRT revenues, which constitute approximately 8% of the Board's annual expenses. The remaining debt service is paid from revenue sources dedicated solely to the payment of such debt service. The Board has approximately $6.8 billion aggregate principal amount of outstanding long-term debt, prior to the issuance of the 2016 Bonds, consisting of approximately $5.7 billion aggregate principal amount of fixed rate debt and approximately $1.1 billion of variable rate debt. The issuance of the 2016 Bonds will, and future financings may, increase the Board's outstanding long-term debt and debt service costs. See "PLAN OF FINANCE – Future Financings." In addition, the

Board has, from time to time, refunded its bonds to extend maturities to obtain budgetary relief which has the effect of extending and increasing the Board's overall debt levels.

The operating fund balance of the Board has declined from approximately $1.06 billion at the end of Fiscal Year 2012 to approximately negative $7 million at the end of Fiscal Year 2016. The liquidity position of the Board's operating funds has deteriorated during recent Fiscal Years primarily as a result of operating expenses consistently exceeding operating revenues and the Board's use of its operating reserve funds to fund the budget shortfalls. See "– Cash Flow and Liquidity." The cash position of the Board has declined from approximately $1.3 billion at the beginning of Fiscal Year 2012 to approximately $83 million (including $870 million of outstanding 2015 TANs) at the end of Fiscal Year 2016. With its operating reserve funds largely depleted, the Board has addressed its negative cash flow position through short–term borrowing. See "DEBT STRUCTURE – Tax Anticipation Notes" and "PLAN OF FINANCE – Future Financings**.**" The 2016A TANs are subject to extraordinary mandatory redemption on April 15, 2017 on occurrence of certain events. An extraordinary mandatory redemption of the 2016A Notes would negatively impact the Board's cash flow and liquidity. The Board expects to continue to borrow in the short–term market to fund its operating cash flow needs in Fiscal Year 2018 and until its negative cash position can be addressed. After structural balance is achieved the Board may continue to engage in short–term borrowing to manage operating cash flow needs.

The Board's available avenues to address its current structural budget deficit are largely dependent on additional State funding and operating expense reductions, and, to the extent such actions are not sufficient, additional borrowing. 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 dedicated source of 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 has historically relied on State Aid Revenues to secure its Alternate Revenue Bonds and the amount of such revenues pledged to secure such bonds may limit the Board's use of State Aid as a dedicated revenue source for the issuance of Alternate Revenue Bonds in the future. See "– State Aid Revenues," "PLAN OF FINANCE – Future Financings" and "DEBT STRUCTURE – Board's Borrowing Authority and Legal Debt Margin."

In the near term, the Board expects to issue both short and long-term debt as described under the heading "PLAN OF FINANCE – Future Financings." Although the Board expects to continue to issue both short–term and long–term debt thereafter and believes that it has capacity to borrow both in the short–term and the long–term markets, there can be no assurance as to the terms on which the Board will continue to be able to procure such funding, whether the Board's existing statutory borrowing authority will provide sufficient borrowing capacity, or if such funding will continue to be available to the Board. See "BONDHOLDERS' RISKS – Credit Rating Downgrades" and "– Credit Ratings of 2016 Bonds; Limited Nature of Ratings; Reduction, Suspension or Withdrawal of Credit Ratings."

For further discussion of the Board's structural deficit and tools available to the Board to address such deficit going forward, see Note 17 to the Board's Comprehensive Annual Financial Report for Fiscal Year 2015 attached to this Official Statement as APPENDIX B.

Board's Plan to Address Structural Deficit in Fiscal Year 2017 and Beyond. The Board is committed to finding a sustainable long–term solution to addressing its structural deficit in Fiscal Year 2017 and beyond. The Board has identified several available options to address any expected shortfalls in its Fiscal Year 2017 budget and to correct its structural deficit in future Fiscal Years. The Board expects that in the event that significant financial relief is not provided by the State through pension reform and additional State funding, it will address the shortfall with a mix of deeper budget cuts, legal actions, and/or additional borrowing. The Board is committed to ensuring its continued operations through reductions in expenditures under its control. These expenditure reductions may be implemented in phases between Fiscal Years 2017 and 2018. The Board is committed to making all the necessary reductions to achieve balance by Fiscal Year 2018 and to ensure a sustainable path forward. For further discussion of the Board's structural deficit and tools available to the Board to address such deficit going forward, see Note 17 to the Board's Comprehensive Annual Financial Report for Fiscal Year 2015 attached to this Official Statement as APPENDIX B. See "BONDHOLDERS' RISKS – Bankruptcy of the Board – Structural Deficit, Cash Flow and Liquidity" and "PLAN OF FINANCE – Future Financings."

CTU Tentative Agreement

The Board and the CTU reached a tentative agreement on all issues subject to collective bargaining on October 10, 2016 that averted a threatened teachers' strike by CTU members. The Board's agreement with CTU expired on June 30, 2015. The Board and CTU began bargaining in November 2014 pursuant to the provisions of the Illinois Educational Labor Relations Act (115 Illinois Compiled Statutes 5) that provide for impasse resolution and the possibility of a strike if the Board and CTU failed to reach a new agreement. The Board and the CTU reached a tentative agreement on all issues subject to collective bargaining on October 10, 2016 that averted a threatened teachers' strike by CTU members. The CTU Tentative Agreement was ratified by CTU's House of Delegates and, subsequently, by the CTU's full membership on November 1, 2016. The CTU Tentative Agreement will become a final agreement upon approval by the Board. Upon approval of the CTU Tentative Agreement by the Board, the threat of a strike will be eliminated and CTU will be barred from striking during the term of the agreement through June 30, 2019. See "CHICAGO PUBLIC SCHOOLS – Chicago Teachers Union and Other Employee Groups."

Certain key elements of the CTU Tentative Agreement include the following:

Salary Adjustments: Automatic salary increases for a teacher's years of service and education level, also known as "*Steps and Lanes*," will not be paid retroactively for Fiscal Year 2016 but will be restored in Fiscal Year 2017 (estimated cost of $45 million) for the contract term. There are no cost of living adjustment (COLA) salary increases for Fiscal Years 2016 and 2017. COLA salary increases will be paid for Fiscal Year 2018 of 2.0% and for Fiscal Year 2019 of 2.5%.

Benefits Restructuring: The number of health care plans and healthcare providers offered to employees will be decreased effective January 1, 2017 and required employee contributions to health care costs will increase effective January 1, 2019. The Board expects this benefits restructuring to reduce costs approximately $11 million in Fiscal Year 2017 and more once fully phased-in in future fiscal years.

Pension Pickup: The Board has historically funded a portion (7% of salary) of a teacher's required contribution (9% of salary) to the Pension Fund, known as "pension pickup." This Board funding is eliminated beginning January 1, 2017 for new employees who will receive salary increases of 3.5% effective January 1, 2017 and 3.5% effective July 1, 2017 as an offset. This Pension Pickup will be retained for existing employees. The pension pick up will not increase costs in Fiscal Year 2017 above amounts budgeted.

Retirement Incentive Plan: The Board will provide a retirement bonus for teachers, paraprofessionals and other school-related personnel that retire or resign effective June 30, 2017. Teachers and paraprofessionals are required to provide notice by March 31, 2017. Implementation of the plan requires participation by 1,500 teachers and 600 other eligible employees. The cost of this retirement incentive is unknown and depends on the number of teachers who elect to retire and receive the incentive plan and how retired teachers are replaced in future fiscal years.

Vacancy and Reassigned Teachers: Tenured teachers who are laid off from a school will be redeployed to schools in need for one year before their final separation. The Board estimates the cost of these provisions to be approximately $7 million for Fiscal Year 2017.

The Board expects the CTU Tentative Agreement to increase costs by approximately $55 million above the amounts budgeted for Fiscal Year 2017. The revised Fiscal Year 2017 Budget will provide funding for the increased costs from $55 million of additional revenues provided from surplus tax increment financing revenues that the City has announced it will distribute in Fiscal Year 2017. The Board expects to vote on and approve the CTU Tentative Agreement and a revised Fiscal Year 2017 Budget at its meeting scheduled for December 7, 2016. The cost of the CTU Tentative Agreement to the Board in Fiscal Year 2018 and beyond cannot be projected with certainty and is dependent on numerous variables including enrollment and the number of teachers and new hires. Additionally, the CTU Tentative Agreement is one component of a broader Fiscal Year 2018 budget. The cost of the CTU Tentative Agreement will be impacted by the Board's overall strategy to balancing the Fiscal Year 2018 budget, which will include assumptions surrounding enrollment, internal efficiencies, SBB and other budgeting methodologies.

Requested Equitable State Funding for the Board

The Board's Fiscal Year 2017 budget and its plans to address its structural budget deficit in the future include the Board's requested equitable funding for education from the State. For Fiscal Year 2017, the budgeted amount for additional State funding is $215.2 million, which remains less than the full pension contributions made by the State on behalf of the other school districts throughout the State. See also "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board."

It is expected that the State will spend approximately $11.5 billion in Fiscal Year 2017 in funding for public education, including spending for State Aid and funding for bilingual education, special education, and teacher pensions. The Board expects to receive approximately $1.9 billion or 17% of this funding in Fiscal Year 2017. Statewide public school enrollment is approximately 2 million students and the Board's enrollment is approximately 392,000 students, or nearly 20% of the total State enrollment according to ISBE.

This disparity in funding results in 15% less in education funding per student to the Board than that received by other school districts in the State. On average over the past eight years, school districts across the State have received a 49% increase in total State education funding per student while the Board's funding has increased by 11%. Moreover, approximately 21% of the State revenues from income taxes, the primary funding source for public education in the State, is derived from Chicago.

The largest component of this funding disparity is the result of the State currently providing only moderate pension funding for the Board as compared to State funding of pension costs for other school districts across the State. For Fiscal Year 2017 the State has pledged to contribute approximately $580 per pupil to the Board and approximately $2,437 per pupil to other school districts in the State. The Board paid over $1.9 billion for contributions to the Pension Fund in the past three Fiscal Years, and will pay approximately $506 million in Fiscal Year 2017, while the State has funded the majority of these costs for all other school districts in the State.

If the State were to provide funding to the Board of 19.3% of the State's approximately $11.5 billion in funding for public education – tied to the Board's 19.3% share of Statewide enrollment according to ISBE - the Board would receive approximately $278 million in new funding in Fiscal Year

2017 which would help address the Board's Fiscal Year 2017 and expected future Fiscal Year structural deficits.

Senate Bill 2822 has been adopted by the Illinois General Assembly and includes $215.2 million in new State funding of a portion of the Board's required contribution to the Pension Fund for Fiscal Year 2017, however, this new State funding has not been authorized or appropriated by State statute. See "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board." The Board cannot predict if any such legislation will become law or the final form of any such legislation. See "FINANCIAL INFORMATION – Overview of Historical Structural Deficit and Board's Plan to Address" for a discussion of the Board's plans to address the revenues shortfall if such additional State funding is not provided.

TAX MATTERS

Summary of Co-Bond Counsel Opinions. Katten Muchin Rosenman LLP and Pugh, Jones & Johnson, P.C., Co–Bond Counsel, are of the opinion that under existing law, interest on the 2016 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the **"Code"**), Co–Bond Counsel are of the opinion that interest on the 2016 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the 2016 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the 2016 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 2016 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds. These requirements relate to the use and investment of the proceeds of the 2016 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2016 Bonds and the use of the property financed with the proceeds of the 2016 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the 2016 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 2016 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the 2016 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 2016 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 2016 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 2016 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 2016 Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the 2016 Bonds.

Covenants to Comply. The Board covenants in the Indenture to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds.

Risk of Non Compliance. In the event that the Board fails to comply with the requirements of the Code, interest on the 2016 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Indenture does not require acceleration of payment of principal of or interest on the 2016 Bonds or payment of any additional interest or penalties to the owners of the 2016 Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the 2016 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 2016 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 2016 BONDS.

(a) *Cost of Carry*. Owners of the 2016 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 2016 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 2016 Bonds.

(b) *Corporate Owners*. Interest on the 2016 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 2016 Bonds is taken into account in computing the alternative minimum tax for corporations, but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) *Individual Owners*. Receipt of interest on the 2016 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 2016 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 2016 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 2016 Bonds held by such a company is properly allocable to the shareholder.

Change of Law. The opinions of Co–Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the 2016 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 2016 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2016 Bonds.

2016 Bonds Purchased at a Premium or at a Discount. The difference (if any) between the initial price at which a substantial amount of each maturity of the 2016 Bonds is sold to the public (the **"Offering Price"**) and the principal amount payable at maturity of such 2016 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 2016 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 2016 Bonds and is subtracted from the owner's tax basis in the 2016 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 2016 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 2016 Bond. A 2016 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 2016 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the 2016 Bond).

Owners who purchase 2016 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 2016 Bonds. In addition, owners of 2016 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 2016 Bonds. Under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

RATINGS

The 2016 Bonds have been assigned the ratings of "__" (_____ outlook) by Fitch Ratings and "___" (_____ outlook) by Kroll Bond Rating Agency, Inc. The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the 2016 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 2016 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the heading captioned "CONTINUING DISCLOSURE UNDERTAKING," neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the 2016 Bonds any proposed revision or withdrawal of the ratings of the 2016 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 Series Bonds.

The Board previously engaged Moody's Investors Service and S&P Global Ratings, to assign ratings for prior bond issues. The Board has elected not to obtain a rating from such rating agencies for the 2016 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, 2015, included in APPENDIX B to this Official Statement have been audited by RSM US LLP (formerly known as McGladrey & Pullen, LLP), independent auditors, as stated in their report appearing herein. RSM US 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. RSM US LLP also has not performed any procedures relating to this Official Statement.

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

FINANCIAL ADVISOR

The Board has engaged PFM Financial Advisors LLC, Acacia Financial Group, Inc., and Mohanty Gargiulo LLC (collectively, the **"Financial Advisor"**) in connection with the authorization, issuance and sale of the 2016 Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the 2016 Bonds and has reviewed certain legal documents, including this Official Statement, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Board and other sources. The Financial Advisor is a **"***municipal advisor***"** as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203.

UNDERWRITING

The 2016 Bonds are being purchased by the group of underwriters listed on the cover page of this Official Statement (the **"Underwriters"**), on behalf of which Barclays Capital Inc. is acting as Representative, subject to certain conditions set forth in a Bond Purchase Agreement with the Board (the "**Bond Purchase Agreement**"). The Underwriters have agreed to purchase the 2016 Bonds at an aggregate purchase price of $_____ (which amount represents the aggregate principal amount of the 2016 Bonds of $______, less original issue discount in the amount of $_____, and less Underwriters' discount in the amount of $_____). The 2016 Bonds will be offered to the public at the prices as set forth on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all of the 2016 Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2016 Bonds to the public.

Loop Capital Markets, one of the Underwriters of the 2016 Bonds, has entered into a distribution agreement with UBS Financial Services Inc. (**"UBSFS"**) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement, UBSFS will purchase such Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any 2016 Bonds that the firm sells.

Siebert Cisneros Shank & Co., L.L.C. (F/K/A, Siebert Brandford Shank & Co., L.L.C.) has entered into a separate agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to this distribution agreement, if applicable to the 2016

Bonds, Muriel Siebert & Co. will purchase 2016 Bonds at the original issue price less the selling concession with respect to any 2016 Bonds that such entity sells. Siebert Cisneros Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co.

The obligation of the Underwriters to accept delivery of and pay for the 2016 Bonds is subject to various conditions set forth in the Contract of Purchase to be entered into in connection with the 2016 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 a full service securities firm and a commercial bank 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. In addition, 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, Underwriters and their respective affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Board and any affiliates thereof for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Board and any affiliates thereof in connection with such transactions and/or services.

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

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2016 Bonds are subject to the respective approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Pugh, Jones & Johnson, 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 G. Co–Bond Counsel have 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 2016 Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their respective capacities as Co–Bond Counsel, Katten Muchin Rosenman LLP and Pugh, Jones & Johnson, P.C., at the request of the Board, reviewed those sections of this Official Statement involving the description of the 2016 Bonds, the security for the 2016 Bonds and the description of the federal tax exemption of interest on the 2016 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 2016 Bonds, certain legal matters were passed upon for the Board by its General Counsel, Ronald Marmer, by its special co-counsel, Foley & Lardner LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co-Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, McDermott Will & Emery LLP, New York, New York.

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 14e of the Board's Comprehensive Annual Financial Report for Fiscal Year 2015 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, 2015. 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. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

On October 5, 2016, certain individuals, in their capacity as citizens of the City, filed (i) a complaint in federal court against the Board, certain individuals in their respective capacities as members of the Illinois State Board of Education and the State of Illinois (No. 16-cv-9514), and (ii) a complaint in the Circuit Court of Cook County against the Board, the Illinois State Board of Education and the State of Illinois (2016-CH-13159). In both complaints, the plaintiffs challenge, under several federal and State constitutional provisions, the manner of selection of the Board by appointment of the Mayor as constituting what they characterize as the denial of their right to vote for members of the Board and request various forms of relief, including injunctive relief. Without limitation, in case number 2016-CH-13159, the plaintiffs request that the collection of property taxes levied by the Board be conditioned on the General Assembly putting in place or substituting by law an elected school board. On November 30, 2016, plaintiffs filed motions for preliminary injunction in each lawsuit. The motions were substantially similar and requested the respective courts to enter preliminary injunctions requiring the respective defendants to draft procedures for an election of members of the Board while the respective suits are pending in order to allow for an election on April 4, 2017. As of December 6, 2016, neither motion has been heard. The Board intends to vigorously defend each lawsuit but makes no assurances or predictions as to when the courts will rule on either litigation or the motions filed on November 30, 2016, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the 2016 Bonds.

Upon delivery of the 2016 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 2016 Bonds, or in any way contesting the validity or enforceability of the 2016 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the **"Undertaking"**) for the 2016 Bonds for the benefit of the Beneficial Owners of the 2016 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the **"MSRB"**) pursuant to the requirements of Section (b)(5) of Rule 15c2–12 (the **"Rule"**) adopted by the Securities and Exchange Commission (the **"Commission"**) under the Securities Exchange Act of 1934, as amended. The MSRB has designated its Electronic Municipal Market Access system (**"EMMA"**) as the system to be used for continuing disclosure to investors.

A failure by the Board to comply with the Undertaking will not constitute an event of default under the 2016 Authorizing Resolution or the Indenture, and Beneficial Owners of the 2016 Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure to Provide Information."

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

Annual Financial Information Disclosure

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

"Annual Financial Information" means historical information generally consistent with information of the type set forth in this Official Statement under the headings "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "DEBT STRUCTURE – Existing Long-Term General Obligation Debt," "– Board's Borrowing Authority and Legal Debt Margin," "FINANCIAL INFORMATION – General Operating Fund," and APPENDIX E – "PENSIONS AND OTHER POST–EMPLOYMENT OBLIGATIONS" except however, the information under the heading entitled "– Recent Reports Regarding the Pension Fund," and information expressly derived from the Chicago Public Schools Comprehensive Annual Financial Reports 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 2016 Bonds requires that Annual Financial Information be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year. The Board has covenanted to give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due pursuant to the Undertaking.

"Audited Financial Statements" means the general purpose financial statements of the Board which are in conformity with generally accepted accounting principles in the United States and audited by independent auditors. The Undertaking for the 2016 Bonds requires that Audited Financial Statements will be provided to the MSRB on or prior to 210 days after the last day of the Board's Fiscal Year.

Events Notification; Material Events Disclosure

The Board covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the **"Reportable Event"** (as described below), to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, the disclosure of the occurrence of a Reportable Event. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The **"Reportable Events**,**"** certain of which may not be applicable to the 2016 Bonds, are:

(a) principal and interest payment delinquencies;

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

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

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

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

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

(g) modifications to rights of security Owners, if material;

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

(i) defeasances;

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

(k) rating changes;

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

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

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

Consequences of Failure to Provide Information

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

A default under the Undertaking shall not be deemed an event of default under the 2016 Authorizing Resolution or the Indenture, and the sole remedy in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance. A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2016 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the 2016 Bonds and their market price.

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

Amendment; Waiver

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

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

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

(iii) The amendment or waiver does not materially impair the interests of the Beneficial Owners of the 2016 Bonds, as determined by parties unaffiliated with the Board (such as the Trustee or Bond Counsel), or by the approving vote of the owners of such 2016 Bonds pursuant to the terms of the applicable Indenture at the time of the amendment; or

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

Termination of Undertaking

The Undertaking shall be terminated if the Board no longer has any legal liability relating to repayment of the 2016 Bonds. If a termination of this Undertaking occurs prior to the final maturity of the 2016 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 undertakings to file Annual Financial Information and notices of Reportable Events relating to previously issued bonds and notes in accordance with the Rule.

In 2014 and 2015 the Board filed its Annual Financial Information later than 210 days after the last day of the Board's Fiscal Year (February 28, 2014 or 243 days after Fiscal Year end with respect to Fiscal Year 2013, and February 9, 2015 or 224 days after Fiscal Year end with respect to Fiscal Year 2014) as required by its undertakings, which in each case was due to the fact that its Annual Financial Statements were not yet available. The Board gave notice in a timely manner to EMMA of such failure as required by its undertakings and the Board promptly filed such Annual Financial Information with the MSRB for disclosure on EMMA when available.

In November 2007, the Board received underlying rating upgrades from both Moody's Investor Service and Standard and Poor's and an underlying rating confirmation from Fitch Ratings. None of these ratings changes were posted or made available to investors nor disclosed in any Official Statement. The Board has since filed these reports on EMMA.

The rating agencies took certain actions with respect to the ratings of MBIA Insurance Corp., MBIA, Inc. and National Public Finance Guarantee Corp. (collectively, **"MBIA"**). MBIA provided municipal bond insurance policies relating to certain series of the Board's bonds. Event notices with respect to these rating actions in November 2010, December 2010, and March 2014 were not filed with EMMA. The Board has since filed these reports on EMMA.

In May 2012, the long and short–term ratings on the credit facility provided by JPMorgan Chase Bank, N.A. (**"JPMC"**) on the Board's then outstanding Series 2010A, 2010B and 2009B bonds were downgraded by Fitch Ratings and the rating change was not posted on EMMA. The Board has since filed the report on EMMA and the Series 2010A, 2010B and 2009B bonds have been refunded so that the JPMC credit facility no longer provides support for the debt.

Certain required continuing disclosure filings, while made generally in a timely manner, were not properly linked on EMMA for all relevant series of bonds. In particular, the following filings were not properly linked to the noted series: (i) the Board's Audited Financial Statements for Fiscal Years 2010, 2011 and 2012 were not linked to the Series 2003A Bonds; (ii) Reportable Event filings concerning ratings downgrades by Moody's in October 2011, July 2012 and September 2012, Standard & Poor's in August 2012, and Fitch in October 2012 were not linked to the Series 2003A Bonds; and (iii) a Reportable Event filing concerning a downgrade by Fitch in July 2015 was not linked to the Series 1997A Bonds, the Series 1998B–1 Bonds and the Series 1999A Bonds. In each case, the noted filings were otherwise made in a timely manner and properly linked on EMMA to other obligations of the Board, and the Board has since updated the filings to link the noted filings with the relevant series of bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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/_______________________________
Senior Vice President of Finance

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE AND THE FIRST SUPPLEMENTAL INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture and the First Supplemental Indenture. This summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Master Trust Indenture and First Supplemental Indenture.

DEFINITIONS

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

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

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

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

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

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

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

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

"*Bond*" or "*Bonds*" means any bond or bonds, including any 2016 Bond, any Additional Bond, and any Refunding Bond, authenticated and delivered under the Indenture.

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

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

"*Bond Resolution*" means (i) with respect to the 2016 Bonds, the 2016 Authorizing Resolution and (ii) with respect to any Series of Additional Bonds or Refunding Bonds, the resolution of the Board authorizing such Series.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Debt Service Fund*" means the Debt Service Fund established in the Indenture.

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

"*Default Day*" means any day that an Event of Default has happened and has not been remedied.

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

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

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

"*Escrow Fund*" means the Escrow Fund established the Indenture.

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

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

"*Fitch*" means Fitch Ratings.

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

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

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

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

"*Interest Commencement Date*" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income

Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

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

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

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

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

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

(i) Government Obligations;

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

Export Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development (PHA's)
Federal Housing Administration;

(iii) Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government agencies;

(iv) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" by Fitch, or "A-1" or "A-1+" by S&P or "P-1" by Moody's and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);

(v) Commercial paper which is rated at the time of purchase no less than "A-1" by Fitch, or "A-1" or "A-l+" by S&P or "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(vi) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm G" or better by S&P, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;

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

(viii) Pre-refunded Municipal Obligations; and

(ix) Any Forward Supply Contract;

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

"*Moody's*" means Moody's Investors Service.

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

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

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

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

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

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

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

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

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

"*Permitted Expenditures Account*" means the Permitted Expenditures Account established by the Indenture.

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

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

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

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

"*Principal Requirement*" for any Bond Year, as applied to the Bonds of any Series, or any Section 207 Obligation means, the last day of the Bond Year (the "Applicable Principal Payment Date") an amount calculated beginning

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

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

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

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

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

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

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

"*Pro Rata Share*" means with respect to a Series of Bonds and on a Business Day, the amount held in the Escrow Fund on that Business Day for distribution pursuant to Clause First of Section 504 multiplied by a fraction the numerator of which is the Series Debt Service for that Series for the Applicable Bond Year and the denominator of which is the aggregate Series Debt Service for all Series of Outstanding Bonds for the Applicable Bond Year.

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

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

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

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

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

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

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

"*S&P*" means Standard & Poor's Global Ratings.

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

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

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

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

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

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

"*State*" means the State of Illinois.

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

"*Supplemental Indenture*" means any Supplemental Indenture authorized pursuant to the Indenture.

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

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

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

"*Treasurer*" means the Treasurer of the Board.

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

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

"*2016 Authorizing Resolution*" means Resolution Number 16-1026-RS1 of the Board as supplemented by Resolution Number 16-1207-RS__ of the Board.

"*2016 Bonds*" means the $_______________ principal amount of Dedicated Capital Improvement Tax Bonds, Series 2016, of the Board authorized to be issued pursuant to the 2016 Authorizing Resolution.

"*2016 Project*" means, collectively, the capital improvements or purposes of the Board approved by the 2016 Authorizing Resolution and such additional capital improvements or purposes as may hereinafter be designated as part of the 2016 Project pursuant to a resolution of the Board filed with the Trustee.

Limited Obligations

The 2016 Bonds are limited obligations of the Board payable from amounts on deposit in the Series 2016 Dedicated Sub-Fund and secured by a pledge of, lien on and security interest in the Trust Estate pledged for their payment in accordance with the Indenture and this First Supplemental Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any 2016 Bond.

General Provisions for Issuance of Bonds

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

(1) A Counsel's Opinion regarding the validity and enforceability of such Series.

(2) A written order as to the delivery of such Series signed by an Authorized Officer, which order shall direct, among other things, the application of the proceeds of such Series.

(3) In the case of 2016 Bonds, an executed copy of this Indenture and a copy of the Resolution Number 16-1026-RS1 of the Board and Resolution Number 16-1207-RS__ of the Board.

(4) In the case of each Series of Additional Bonds or Refunding Bonds, a copy of the Bond Resolution authorizing such Series and providing for the Bond Resolution Series Levy.

(5) An executed copy of the Supplemental Indenture authorizing such Series, which shall specify:

(a) The authorized principal amount, designation and Series of such Bonds.

(b) The purposes for which such Series of Bonds is being issued.

(c) The date, and the maturity date or dates, of the Bonds of such Series.

(d) The interest rate or rates of the Bonds of such Series, or the manner of determining such interest rate or rates, and the Interest Payment Dates and Record Dates therefor.

(e) The Authorized Denominations and the manner of dating, numbering and lettering of the Bonds of such Series.

(f) The Registrar and the Paying Agent or Paying Agents for the Bonds of such Series.

(g) The Redemption Price or Prices, if any, or the method for determining Redemption Prices and any redemption dates and terms for the Bonds of such Series.

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

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

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

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

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

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

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

Additional Bonds

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

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

Refunding Bonds

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

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

Subordinated Indebtedness

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

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

Tax Anticipation Notes

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

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

Pledge Effected by This Indenture

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

Debt Service Reserve Fund, in each case as permitted by the Indenture, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other persons to be held by the Trustee under the terms of this Indenture.

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

The Bonds are limited obligations of the Board payable solely from the Capital Improvement Taxes and the other moneys pledged for their payment in accordance with this Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any Bond.

Establishment of Funds and Accounts

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

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

Required Deposit of Capital Improvement Tax Receipts

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

Allocation of Escrow Fund

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

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

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

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

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

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

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

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

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

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board, and that each item thereof (i) is a proper charge against the Permitted Expenditures Account; (ii) is a proper Capital Expenditure; (iii) is a proper Permitted Expenditure and (iv) has not been paid or

previously reimbursed pursuant to Paragraph (C) or from Bond proceeds; (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

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

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

Debt Service Fund

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

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

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

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

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

Series 2016 Dedicated Sub-Fund

The Board has established with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund, such Sub-Fund to be designated the "Series 2016 Dedicated Sub-Fund". Moneys on deposit in the Series 2016 Dedicated Sub-Fund, and in each Account established therein, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the 2016 Bonds and shall not be used or available for the payment of any other Bonds.

Deposits into Series 2016 Dedicated Sub-Fund and Accounts

(A) On each Business Day, commencing February 1, 2018 (each such date referred to herein as the "*Deposit Date*") there shall be withdrawn from the Debt Service Fund and deposited into the Series 2016 Dedicated Sub-Fund, until there shall have been deposited into the various Accounts in the Series 2016 Dedicated Sub-Fund an amount equal to the aggregate of the amounts set forth in Paragraph (B) (such aggregate amount with respect to any Deposit Date being referred to herein as the "*Series 2016 Deposit Requirement*").

(B) On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2016 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits having a higher priority shall have been made in full:

> First: for deposit into the 2016 Interest Account, an amount equal to the amount required so that the sum held in the 2016 Interest Account, when added to the interest payable from the 2016 Capitalized Interest Account on the applicable Interest Payment Dates, will equal the sum of the unpaid interest due on the 2016 Bonds on the next ensuing Interest Payment Dates to and including the first day of April of the next calendar year; and
>
> Second: commencing on February 1, 20__, for deposit into the 2016 Principal Account, the amount required so that the sum then held in the 2016 Principal Account will equal the sum of the unpaid Principal due on the 2016 Bonds on the first day of April of the next calendar year.

2016 Interest Account

The Trustee shall withdraw from the 2016 Interest Account, prior to each Interest Payment Date, an amount equal to the interest due on the 2016 Bonds and not payable from the 2016 Capitalized Interest Account, and apply the same to the payment of such interest.

2016 Capitalized Interest Account

The Trustee shall withdraw from the 2016 Capitalized Interest Account, prior to each of the following Interest Payment Dates, the amount set forth in the following table, and apply the same to the payment of the interest on the 2016 Bonds due on such Interest Payment Date:

Interest Payment Date	Amount
April 1, 2017	$
October 1, 2017	
April 1, 2018	

Any amount remaining in the 2016 Capitalized Interest Account on April 3, 2018, shall be withdrawn from the 2016 Capitalized Interest Account and deposited into the 2016 Interest Account.

2016 Principal Account

(A) The Trustee shall withdraw from the 2016 Principal Account, prior to each Principal Payment Date, an amount equal to the Principal of the 2016 Bonds maturing or due on that date, and apply the same to the payment of such Principal when due.

(B) The Trustee shall establish and maintain in the 2016 Principal Account a separate Sub-Account for the Term Bonds for which Sinking Fund Installments are established. Moneys paid into the 2016 Principal Account in respect of Sinking Fund Installments in any Bond Year shall upon receipt be segregated and set aside in said Sub-Accounts in proportion to the respective amounts of the Sinking Fund Installment on the next ensuing Principal Payment Date with respect to the particular Term Bonds for which each such Sub-Account is maintained.

(C) The Trustee shall apply moneys in any such Sub-Account to the redemption of the Term Bonds for which such Sub-Account is maintained or to the payment of the Principal thereof at maturity. If at any date there shall be moneys in any such Sub-Account and there shall be Outstanding none of the Term Bonds for which such Sub-Account was established, said Sub-Account shall be closed and the moneys therein shall be withdrawn therefrom and be applied by the Trustee as if paid into the 2016 Principal Account on that date.

(D) Amounts deposited to the credit of the 2016 Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Board shall, be applied by the Trustee, on or prior to the 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the 2016 Interest Account. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Board shall determine. The principal amount of any Term Bonds so purchased shall be deemed to constitute part of the 2016 Principal Account until the

Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

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

(F) After giving effect to the Outstanding Term Bonds purchased by the Trustee and Outstanding Term Bonds surrendered by the Board as described in Paragraphs (C) and (D), which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Term Bonds for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment.

(G) If the principal amount of Outstanding Term Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase from moneys other than from the 2016 Principal Account of Outstanding Term Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Term Bonds so purchased shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Board establishes not more than 45 days after the payment in excess of such Sinking Fund Installment.

2016 Project Account

(A) The Trustee shall apply moneys in the 2016 Project Account for the payment of costs of issuance of the 2016 Bonds, as directed by the Board.

(B) The Trustee shall make payment of the Costs of Construction of the 2016 Project that are both Capital Expenditures and Permitted Expenditures from the 2016 Project Account as provided in Paragraphs (D), (E) and (F).

(C) At the direction of the Board moneys in the 2016 Project Account shall be applied to pay such amounts as are required to be paid to the United States of America pursuant to Section 148(f) of the Code.

(D) The Trustee shall, during construction of the 2016 Project, pay from the 2016 Project Account to the Board, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than $5,000,000, exclusive of and in addition to reimbursements as hereinafter in this Section authorized, such sums and such reimbursements to be used by the Board as a revolving fund for the payment of Costs of Construction that are both Capital Expenditures and Permitted Expenditures and that cannot conveniently be paid. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2016 Project Account upon requisitions of the Board accompanied by its

Certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense constituting a Cost of Construction that was both a Capital Expenditure and a Permitted Expenditure and that such expense could not conveniently be paid except from such revolving fund. The revolving fund maintained by the Board shall be held separate and apart from all other funds and accounts of the Board and the amounts held in the revolving fund may only be used for payments to vendors for Capital Expenditures that are Permitted Expenditures or for the reimbursement of the Board for prior payments to vendors of Capital Expenditures that are Permitted Expenditures.

(E) The Trustee shall, during and upon completion of construction of the 2016 Project, make payments from the 2016 Project Account in addition to those made pursuant to Paragraph (D), in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Paragraph. Before any such payment shall be made, the Board shall file with the Trustee:

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

(2) its Certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Board in or about the construction of the 2016 Project, and that each item thereof (i) is a proper charge against the 2016 Project Account, (ii) is a proper Cost of Construction, (iii) is a proper Capital Expenditure; (iv) is a proper Permitted Expenditure and (v) has not been paid or previously reimbursed pursuant to Paragraph (D) or from the Permitted Expenditures Account, (b) that there has not been filed with or served upon the Board notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Board, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Board is at the date of such Certificate entitled to retain.

(F) The Trustee shall withdraw from the 2016 Project Account and pay to the Board free from the lien of the Indenture any balance in the 2016 Project Account, or any part thereof. Before any such withdrawal and payment shall be made, the Board shall file with the Trustee its Certificate certifying: (1) that the 2016 Project has been completed or substantially completed, and (2) that a sum stated in the Certificate is sufficient to pay, and is required to be reserved in such Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Board arising out of the construction thereof. Upon receipt of such requisition and accompanying Certificates, the Trustee shall withdraw from the 2016 Project Account and pay to, or upon the order of, the Board the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2016 Project Account below the amount stated in the respective Certificate of the Board as required to be reserved in the 2016

Project Account. Moneys so withdrawn from the 2016 Project Account (i) may be applied for the payment, purchase or redemption of 2016 Bonds or (ii) may be reappropriated by the Board if such appropriation is for a purpose permitted by Section 34-53.5 of the School Code and will not adversely affect the exclusion from gross income under the Code of interest on the 2016 Bonds.

Consolidated Debt Service Reserve Fund

(A) The Board shall maintain the Consolidated Debt Service Reserve Fund in an amount equal to the Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for the purposes for which moneys in the Consolidated Debt Service Reserve Fund may be used. If any time the Consolidated Debt Service Reserve Fund holds one or more Qualified Reserve Credit Instruments and Investment Securities, the Investment Securities shall be liquidated and the proceeds applied to fund transfers permitted under Paragraphs (B) and (C) prior to any draw being made on any Qualified Reserve Credit Instrument. If the Consolidated Debt Service Reserve Fund holds multiple Qualified Reserve Credit Instruments, draws shall be made under such Qualified Reserve Credit Instruments on a pro-rata basis to the extent of available funds.

(B) If on the Business Day prior to any Interest Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of interest on a Series of Consolidated Reserve Fund Bonds due on such Interest Payment Date, then the Trustee shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such interest.

(C) If on any Business Day prior to any Principal Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of the principal of a Series of Consolidated Reserve Fund Bonds due on such Principal Payment Date, then the Trustee, after making all withdrawals then required by Paragraph (B), shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such principal.

(D) In the event that the sum available for withdrawal from the Consolidated Debt Service Reserve Fund is not sufficient to satisfy all the withdrawals required by Paragraphs (B) and (C), then the sum held therein shall be allocated first for the withdrawals required by Paragraph (B) and among the various withdrawals required by a Subsection, pro-rata based upon the amount needed to cure each such deficiency.

(E) Amounts deposited into the Consolidated Debt Service Reserve Fund for the purpose of restoring amounts withdrawn therefrom shall be applied first to reimburse each Qualified Credit Provider and thereby reinstate the Qualified Reserve Credit Instrument of each Qualified Credit Provider. If at the time of such reimbursement the Consolidated Debt Service

Reserve Fund holds multiple Qualified Reserve Credit Instruments for which restoration is required, then reimbursement shall be made on a pro-rata basis upon the amount of prior draws that are unreimbursed.

(F) If on any Business Day all withdrawals or payments from the Consolidated Debt Service Reserve Fund required by any other provision of this Indenture or any Supplemental Indenture shall have been made and no Event of Default then exists, then, the Trustee, at the direction of the Board expressed in a Certificate filed with the Trustee, shall withdraw from the Consolidated Debt Service Reserve Fund the amount of any excess therein over the Consolidated Reserve Requirement and deposit such moneys into any one or more of the Funds, Sub-Funds, Accounts or Sub-Accounts maintained under the Indenture or any Supplemental Indenture.

(G) At the direction of the Board expressed in a Certificate filed with the Trustee, moneys in the Consolidated Debt Service Reserve Fund may be withdrawn from the Consolidated Debt Service Reserve Fund and deposited with the Trustee for the payment of the Principal or Redemption Price of or the interest on Bonds in accordance the provisions of the Indenture for defeasance under "*Defeasance*", provided that immediately after such withdrawal the amount held in the Consolidated Debt Service Reserve Fund equals or exceeds the Consolidated Reserve Requirement.

Debt Service Reserve Accounts

Any Supplemental Indenture pursuant to which a Series is issued may establish a Debt Service Reserve Account and a Series reserve account requirement with respect thereto. Any such Supplemental Indenture may provide that the reserve account requirement may be satisfied as a whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Debt Service Reserve Account may be used.

Depositaries

All moneys held by the Trustee under the provisions of this Indenture may be deposited with one or more Depositaries in the name of and in trust for the Trustee. All moneys held by the Board under this Indenture shall be deposited in one or more Depositaries in the name of the Board. All moneys deposited under the provisions of this Indenture with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture shall be a trust fund.

Deposits

All moneys held by any Depositary may be placed on demand or time deposit, as directed by an Authorized Officer, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by a Fiduciary may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer, on time deposit, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

All moneys on deposit to the credit of the Escrow Fund, the Debt Service Fund or the Consolidated Debt Service Reserve Fund (i) held by a Depository other than the Trustee and (ii) not otherwise secured by deposit insurance, shall be continuously and fully secured by the Trustee for the benefit of the Board and the Owners of the Bonds by lodging with the Trustee as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys. All other moneys held for the Board under this Indenture shall be continuously and fully secured for the benefit of the Board and the Owners of the Bonds in the same manner as provided by the Board for similar funds of the Board.

Investment of Moneys

Moneys held in the several Funds, Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the written direction of the Treasurer or an Authorized Officer in Investment Securities within the parameters of this Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. Such investments or reinvestments may be made through the use of a Forward Supply Contract, to the extent permitted by State law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived.

The Trustee may trade with itself in the purchase and sale of securities for such investment. The Trustee shall not be liable or responsible for the performance or adverse consequences of any investment made.

Valuations of Investment Securities held in the Funds, Sub-Funds, Accounts and Sub-Accounts shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein except that the value of Investment Securities held in the Consolidated Debt Service Reserve Fund must be valued as of April 15 and October 15 of each year.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all United States Treasury Securities – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

Except as otherwise provided in this Indenture, the Trustee at the direction of the Treasurer or an Authorized Officer shall sell at the best price reasonably obtainable, or present for redemption, any Investment Security held in any Fund, Sub-Fund, Account or Sub-Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund, Sub-Fund, Account or Sub-Account as the case may be. The Trustee and the Board shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Indenture to Constitute Contract

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

Punctual Payment of Bonds

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

Extension of Payment of Bonds

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

Annual Levy Amount

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

Further Assurance

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

Power to Issue Bonds and Pledge Trust Estate

The Board is duly authorized under all applicable laws to issue the Bonds and to execute and deliver this Indenture and to pledge the Trust Estate pledged by this Indenture and to grant the lien granted by this Indenture thereon in the manner and to the extent provided in this Indenture. The Trust Estate, so pledged and subject to the lien of this Indenture, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Indenture, and all action on the part of the Board to that end has been and will be duly and validly taken. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under this Indenture, the rights of the Board to levy the Capital Improvement Tax and to apply the Capital Improvement Taxes in accordance with this Indenture and all the rights of the Owners under this Indenture against all claims and demands.

Indebtedness and Liens

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

Covenants Regarding Pledged Capital Improvement Taxes

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

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

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

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 2016 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2016 Bond is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the 2016 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any 2016 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 2016 Bonds or other moneys to be invested in any manner that would cause any 2016 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

Events of Default

Each of the following events is hereby declared an "*Event of Default*":

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

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

(3) if the Board shall amend, modify, terminate or revoke any Deposit Direction in a manner contrary to the provisions of the Indenture;

(4) if a default shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in this Indenture or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the Trustee or after written notice thereof to the Board and to the Trustee by the Owners of not less than a majority in principal amount of the Outstanding

Bonds, provided that if the nature of the default is such that it cannot be cured within the 60 day period but can be cured within a longer period, no Event of Default shall occur if the Board institutes corrective action within the 60 day period and diligently pursues such action until the default is corrected (provided such default is correctable); or

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

Application of Funds After Default

(A) During the continuance of an Event of Default, the Trustee shall apply all Capital Improvement Taxes and the other moneys, securities and funds constituting part of the Trust Estate as follows and in the following order:

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

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

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

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

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

Proceedings Brought by Trustee

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

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

All actions against the Board under this Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

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

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

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

Restriction on Owners' Action

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

Nothing in this Indenture or in the Bonds contained shall affect or impair the obligation of the Board, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce by any suit or proceeding, including by writ of mandamus, such payment of its Bond solely from the sources provided herein and the Supplemental Indenture pursuant to which such Bond was issued.

Rights of Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Bond Insurer shall be treated as the Owner of Bonds upon which such Bond Insurer is obligated pursuant to a Bond Insurance Policy, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to this Article; *provided, however,* that such Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Bond Insurer is in default of its obligations under the applicable Bond Insurance Policy.

Subject to the provisions of any applicable Supplemental Indenture, to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Bond Insurer shall succeed to the rights and interests of the Owners as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Responsibilities of Fiduciaries

(A) The recitals of fact in the Indenture and in the Bonds contained shall be taken as the statements of the Board and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds or as to the security afforded by this Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Board or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of Paragraph (B), each Fiduciary undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. The Trustee shall not be responsible for the recording or re-recording, filing or re-filing of this Indenture, or any supplement or amendment thereto, or the filing of financing statements, or for the validity of the execution by the Board of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds.

(B) In case an Event of Default has occurred and has not been remedied or waived, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(C) Before taking any action under this Indenture relating to an event of default or in connection with its duties under this Indenture other than making payments of principal and interest on the Bonds as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

(D) In determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Fiduciaries shall consider the effect on the Owners as if there were no Bond Insurance Policy.

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving not less than 60 days' written notice to the Board, all Owners of the Bonds, each Bond Insurer, the Depositaries and the other Fiduciaries, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the Board or the Owners, in which event such resignation shall take effect immediately on the appointment of such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed within a period of 90 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee.

Removal of Trustee

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

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment by it made to be mailed to all Owners of the Bonds, and each Bond Insurer. If no appointment of a Trustee shall be made by the Board, the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee. Any successor Trustee shall be a bank or trust company or national banking association, doing business and having a corporate trust office in the State, and having a capital and undivided surplus aggregating at least $20,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Supplemental Indentures

The Board and the Trustee may without the consent of, or notice to, any of the Owners or any Bond Insurer, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes: (1) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Series which are not contrary to or inconsistent with this Indenture; (2) to close this Indenture against, or impose additional limitations or restrictions on, the issuance of Bonds, or of other notes, bonds, obligations or evidences of indebtedness; (3) to impose additional covenants or agreements to be observed by the Board; (4) to impose other limitations or restrictions upon the Board; (5) to surrender any right, power or privilege reserved to or conferred upon the Board by this Indenture; (6) to confirm, as further assurance, any pledge of or lien upon the Trust Estate or any other moneys, securities or funds; (7) to cure any ambiguity, omission or defect in this Indenture; (8) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form; (9) to provide for the establishment of any Debt Service Reserve Account; (10) to provide for the appointment of any successor Fiduciary; (11) to conform the provisions of the Indenture to the provisions of the Act, the Property Tax Code, the School Code, the Code and Regulations, or other applicable law; and (12) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee, any Bond Insurer or the Owners.

Powers of Amendment

Except for Supplemental Indentures described under "*Supplemental Indentures*", any modification or amendment of this Indenture and of the rights and obligations of the Board and of the Owners of the Bonds hereunder, in any particular, may be made by a Supplemental Indenture with the written consent (i) of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

A Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Board and all Owners of the Bonds.

Consent of Owners

The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture, to take effect when and as provided under this heading. Subject to the provisions under "*Bond Insurer Provisions*", the rights of the Owner of an Insured Bond to take any action under this heading are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to any provision of this Section.

A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon the Board, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to the Board that consents have been given by the Owners of the Bonds shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however,* that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it.

Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding).

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of the Trust Estate and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of the Board to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, shall execute and deliver to the Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Board all moneys and securities held by them pursuant to this Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series, the Principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this

Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, of said Bonds, (v) if any of said Bonds are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said Bonds are no longer Outstanding under the Indenture. The Defeasance Obligations and moneys deposited with the Trustee shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such Principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the Principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the Principal of and interest on any Bonds deemed to be paid, if so directed by the Board, shall be applied by the Trustee to the purchase of such Bonds. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The Principal amount of Bonds to be redeemed shall be reduced by the Principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable Principal amount or Redemption Price, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid.

The Board may purchase with any available funds any Bonds deemed to be paid. Bonds for which a redemption date has been established may be purchased by the Board on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Board shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Board on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Board the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the Board, be repaid by the Fiduciary to the Board, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Board for the payment of such Bond.

No Recourse on Bonds

No recourse shall be had for the payment of the Principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any past, present or future member of the Board, officer, employee or agent of the Board, or any successor, public body or any person executing the Bonds, either directly or through the Board, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

Bond Insurer Provisions

All rights of any Bond Insurer under this Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2015

Prepared by the Department of Finance

Rahm Emanuel, Mayor, City of Chicago
Frank Clark, Board President
Forrest Claypool, Chief Executive Officer

Board of Education
CITY OF CHICAGO

Office of the Board
1 North Dearborn Street, Suite 950, Chicago, Illinois 60602
Telephone (773) 553-1600
Fax (773) 553-3453

December 16, 2015

Dear Stakeholders,

We are pleased to present to you the Chicago Public Schools (CPS) fiscal year 2015 financial results.

CPS is facing financial crisis. The budget prepared for the General Operating Fund for the fiscal year that ended June 30, 2015 had a deficit gap of $862 million and a structural deficit of $1.1 billion in the Operating Fund. The consistent decline in state education funding, along with an inequitable pension system and rising pension costs, compounded by increasing capital needs, has pushed our District to a financial breaking point. To try and keep cuts away from the classroom, we have reduced our administrative and operating costs over the past several years, and we will continue streamlining our central bureaucracy to achieve maximum efficiency.

Despite our financial problems, our students continue to make academic progress, proving why it's so important that we find a solution and continue to invest in our classrooms. According to the National Assessment for Educational Progress (NAEP), which is often referred to as the nation's report card, CPS students are outpacing their peers nationally in academic growth, with our eighth-graders achieving the best progress in Math growth of any large urban school district in the country. Attendance and graduation rates are on the rise, and CPS students recently recorded the highest composite ACT score in District history.

The solution we've proposed is simple math.

- Since 2009, CPS students have accounted for nearly 20 percent of the state's enrollment.
- Chicago taxpayers also contribute 20 percent of state income tax revenues, which are the primary funding source for public education; thus, CPS should receive a minimum of 20 percent of total education funding from the state.
- This would generate close to $500 million in additional annual revenue.
- Today, we receive just 15 percent of state education funding, and are burdened by pension obligations that affect only our District, as the state covers the full cost of teacher pensions outside of the City of Chicago.

Under our 20 for 20 approach, CPS would receive an additional $450 to $500 million this fiscal year alone, all but eliminating the budget hole that is threatening to derail our current school year. We believe this is a fair and sustainable solution to our funding crisis and hope that Springfield will work with us to make its implementation a priority. Only then will we be able to put CPS on firm financial footing and turn our full focus toward preparing children for success in college, career and life.

The uncertainty facing CPS weighs heavily on our teachers, our school leaders, our families, and especially our students. But it does not have to be this way. There are solutions to be found here, and we firmly believe that if everyone is willing to sacrifice something, then no one will be forced to give up everything. We are confident that if educators, taxpayers, and elected officials come together around the best interests of our children, then 2016 can be the start of a dynamic, financially stable era for Chicago Public Schools.

Respectfully submitted,

Frank M. Clark
President
Chicago Board of Education

Forrest Claypool
Chief Executive Officer
Chicago Public Schools

Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

CONTENTS

Page

Page

Operating Information

IV. STATUTORY REPORTING SECTION

OMB Circular A-133

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOARD OFFICIALS AS OF DECEMBER 16, 2015

Chicago Board of Education
Frank M. Clark, President
Jesse H. Ruiz, Vice President

Members
Mark F. Furlong
Rev. Michael J. Garanzini, S.J.
Dr. Mahalia A. Hines
Dominique Jordan Turner
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, 2014

Executive Director/CEO

Association of School Business Officials International

The Certificate of Excellence in Financial Reporting Award
is presented to

Chicago Public Schools

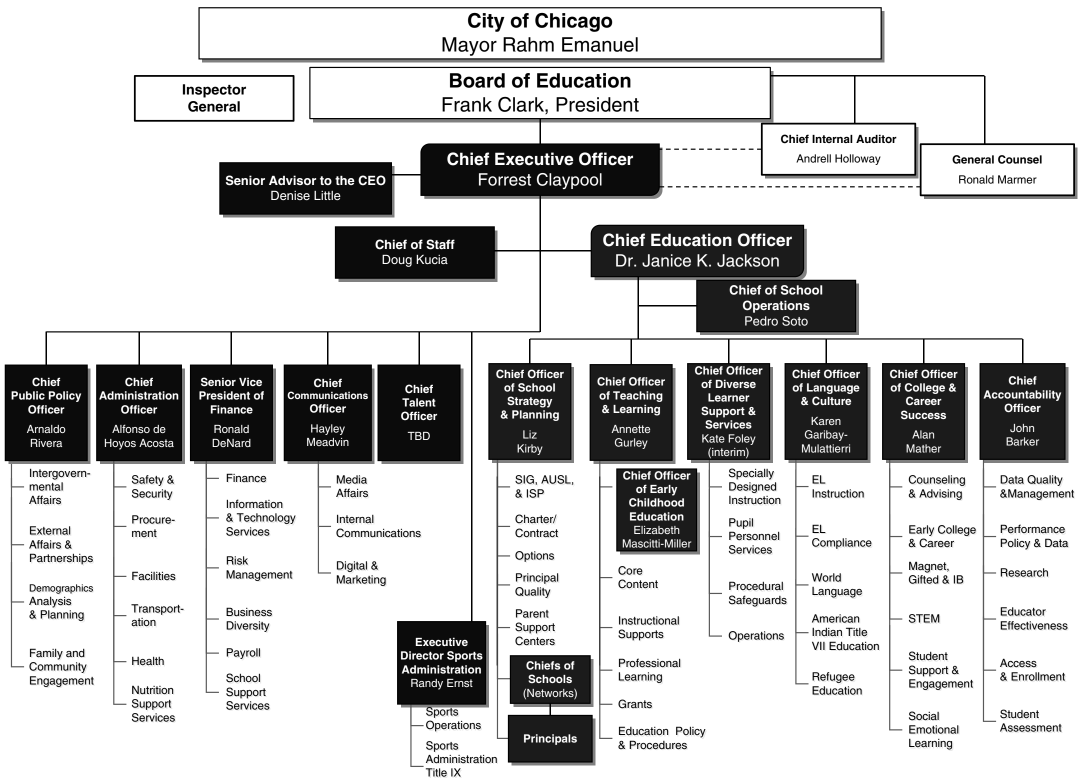
For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014

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

Mark C. Pepera, MBA, RSBO, SFO	John D. Musso, CAE, RSBA
President	Executive Director

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education
Organizational Chart



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

December 16, 2015

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, 2015, 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.

CPS ended fiscal year 2015 with a deficit of $724 million in the operating funds. This is $138 million better than our budget, which assumed an $862 million deficit. However, it still reflects the significant financial challenges that CPS faces and has faced for the last several years as state revenues have declined, pension payments have dramatically increased, and federal and local revenues have been limited. We continued to decrease costs in our administration, operations, and central office to help address our financial challenges.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Statutory Reporting. The Introductory section includes this transmittal letter, a list of board officials, and an organizational chart. The Financial section includes the basic financial statements as well as the unmodified opinion of independent public accountants on the basic financial statements. The Statistical section contains selected financial and demographic information, generally presented over a multi-year basis. Finally, the Statutory Reporting section includes the results of the Federal Single audit state and federal compliance reporting information.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of 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, which 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 2015, CPS has 667 schools, including district-run traditional and options schools, charter and contract schools.

Student enrollment as of September 2014 was 396,683, a decrease of 3,862 from the September 2013 level (400,545). Approximately 85% of our students come from low-income families and 16% are English Language Learners. CPS employs 39,414 workers, including 26,123 teaching positions.

LOCAL ECONOMIC OUTLOOK

The Chicago economy continues to improve and grow. However, it is important to note that CPS revenues are not economically sensitive. Property tax increases are capped at the rate of inflation; and Federal and State aid are allocated based on formulas and limited by federal and state appropriations. Therefore, our revenues are not directly affected by changes in the local economy. For more information regarding Chicago's local economy, refer to the City of Chicago budget book at http://www.cityofchicago.org/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html.

Local revenues included $2.305 billion in property taxes and $202 million in personal property replacement taxes in fiscal year 2015. Property taxes support the General Fund, Tort Fund and Debt Service Funds. Personal property replacement taxes support the General Fund and Debt Service Funds.

CURRENT CONDITION

Total governmental funds revenues for fiscal year 2015 were $5,437 million, which were slightly less than the $5,442 million fiscal year 2014 revenues as restated. Total expenditures for fiscal year 2015 were $6,529 million, which were $124 million higher than the prior year of $6,405 million.

CPS ended fiscal year 2015 with a fund balance of $832 million in all governmental funds, a decrease of $891 million from fiscal year 2014 restated fund balance of $1,723 million. The entire General Operating Fund balance amount is restricted or assigned for specific uses.

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, 2014, the Pension Fund reported $10,046 million in actuarial assets and $20,317 million in actuarial liabilities, for a funded ratio of 51.5%. In accordance with the new accounting pronouncement, GASB 68, CPS recorded a net pension liability of $9,501 million in the accompanying financial statements. This increased Total Liabilities and decreased Net Position by $6,311 million.

The Pension Fund's Board of Trustees sets the actuarial assumptions based upon recommendations made by the Fund's actuary. Several assumptions were approved by the Trustees for the June 30, 2014 valuation, one of which was the investment return assumption of 7.75% which is consistent with the prior year.

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 maintains credit ratings from Moody's Investor Service, Standard & Poor's and Fitch Ratings. In recent fiscal years, the rating agencies have made downgrades to their respective CPS debt rating citing budget and pension concerns as rationale. Further downgrades occurred after the end of fiscal year 2015. Refer to Note 15 for further information about ratings.

LONG-TERM FINANCIAL PLANNING

CPS continues to face structural budget challenges, with our major revenue sources flat or declining at the state and federal level and property taxes capped. In addition, CPS remains the only school district in the state that must fund the vast majority of its teacher pension costs.

The structural budget deficit is due in part to the State providing CPS with 73 cents for every dollar it provides other districts on average and escalating teacher pension costs. In prior years, short term strategies have been used to balance the General Fund operating budget while simultaneously pursuing State action on funding increases, funding equity and pension reform. However, as of the date of publication of these financial statements there has been no State action to increase funding of education or to reform Chicago teacher pensions, leaving no immediate solution to the projected future structural budget deficits. Refer to Note 17 for further information about the future sustainability of CPS.

MAJOR INITIATIVES

Despite our budget challenges, we maintain our focus on investing in critical areas to ensure every child graduates prepared for success in college, career, and life.

Educational Initiatives

During the past year, CPS has made numerous investments to promote access to high-quality education in every part of the city. For example, CPS and the City of Chicago have made an unprecedented investment to expand pre-kindergarten to all four-year-old children in low-income families. By ensuring children in Chicago have access to a valuable pre-kindergarten education, we are making investments that research shows lead to improved success in school and life.

CPS continues to invest in proven academic models. The International Baccalaureate (IB) Programme is a comprehensive and challenging pre-university program for academically advanced and highly motivated students in grades 11 and 12. More than 1,000 North American colleges and universities recognize the IB diploma and exams for advanced college credit and/or placement. According to the International Baccalaureate organization, research indicates that IB Diploma Programme graduates complete college faster than their peers, feel more prepared for college-level coursework involving research, and are better able to cope with demanding workloads and time-management challenges.

The Early College STEM Schools program connects high school, college, and career. In addition to fulfilling high school graduation requirements, participating students have the opportunity to graduate with industry certifications, college credit, and an Associate's Degree. Students also receive practical work experience and mentoring from professionals in their field of study. CPS will continue working to provide high-impact STEM mentoring experiences and increased STEM opportunities for CPS students.

The graduation rate for CPS high school students has climbed steadily over the last ten years from 52.7% to 69.9% in 2015. This is a result of key investments such as the full school day and increased STEM and IB programs, as well as improved attendance rates and a concerted effort on the part of CPS to better engage with families and school communities.

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 the District's day-to-day operations. Total expenditures in the Capital projects fund in fiscal year 2015 were $375 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

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, 2014. CPS also received the Certificate of Excellence for Financial Reporting from the Association of School Business Officials International (ASBO).

Acknowledgments: This report could not have been prepared without the dedicated and effective help of the entire staff of the Department of Finance, the Chief Executive 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	Larry Fraze
Senior Vice President of Finance	*Controller*

Chicago Public Schools

RSM

RSM US LLP

Independent Auditor's 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, each major fund, and the aggregate remaining fund information of Chicago Public Schools (the Board of Education of the City of Chicago, "CPS", a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CPS' 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.

Auditor's 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 auditor's 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 relevant to the entity's 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CPS, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Operating Fund 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 to the financial statements, in the year ended June 30, 2015, CPS adopted the reporting and disclosure requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.*The implementation of GASB Statement No.'s 68 and 71 resulted in a restatement of opening July 1, 2014 net position. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in the year ended June 30, 2015, CPS changed its governmental funds' revenue recognition measurement period criteria to consider revenues available (able to recognize) if collected within 60 days after year end. This change resulted in a restatement of opening July 1, 2014 fund balances. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, management has developed a plan for the future sustainability of CPS. Our opinion is 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 on pages 14 - 29 and pension and other post-employment benefit (OPEB) information on pages 82 - 84, 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.

Other Information

Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise CPS' basic financial statements. The individual fund schedules for the year ended June 30, 2015, the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2015, 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We also previously audited, 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, the basic financial statements of CPS as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated January 20, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The individual fund schedules for the year ended June 30, 2014 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 2014 financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the 2014 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 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of CPS' 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 CPS' internal control over financial reporting and compliance.

RSM US LLP

RSM US LLP (formerly McGladrey LLP)
Chicago, Illinois
December 16, 2015

Chicago Public Schools

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2015

Our discussion and analysis of the financial performance of Chicago Public Schools (CPS) provides an overview of financial activities for the fiscal year ended June 30, 2015. 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.

During fiscal year 2015, CPS implemented the Governmental Accounting Standards Board pronouncements No. 68 (GASB 68) and No. 71 (GASB 71), and also had a change in accounting principle related to revenue recognition. For the purposes of this Management Discussion and Analysis, the cumulative effect of these items was shown against 2015 beginning net position/fund balance. Fiscal year 2014 balances are presented as previously reported as it was impractical to obtain information for the year prior to implementation.

FINANCIAL HIGHLIGHTS

- The government-wide financial statements and Statement of Net Position shows liabilities and deferred inflows totaling $21.020 billion. An increase of $7.788 billion from fiscal year 2014, while assets and deferred outflows equaled $9.808 billion. A decrease of $535 million from fiscal year 2014. CPS ended fiscal year 2015 with a deficit in net position of $11.212 billion, a decrease of $7.253 billion or 183.2% from the prior year. This is due to the operating deficit of expenditures exceeding revenues by $1.022 billion and the recording of the net pension liability in accordance with GASB 68 resulting in an increase of $6.311 billion in liabilities.
- CPS ended fiscal year 2015 with a combined fund balance for its governmental funds of $832 million, a decrease of $198 million or 19.2%, from fiscal year 2014. The fund balance decreased by $76 million in the general operating fund, decreased by $39 million in the capital project fund, and decreased by $83 million in the debt service fund. As of July 1, 2014, CPS changed their revenue recognition accounting method, which increased beginning governmental fund balances by $693 million. However, overall fund balances decreased in fiscal year 2015 for governmental funds due to flat revenues and an increase in expenditures over fiscal year 2014. See the Governmental Funds section below for additional information.
- The general operating fund ended fiscal year 2015 with a fund balance of $360 million, $79 million of which will be used to cover the fiscal year 2016 budget deficit. See Footnote 17 for further discussion on CPS future sustainability.
- In fiscal year 2015, CPS entered into three lines of credit totaling $700 million to fund operating and capital expenditures and provide liquidity to the Board, including funding the pension payment due June 30, 2015. As of June 30, 2015, all $700 million of the lines of credit had been drawn. By August 28, 2015, all of the lines of credit had been repaid.
- In fiscal year 2015, the Board was downgraded by Moody's Investor Services, Standard and Poor's and Fitch Ratings. The rating agencies cited structural gaps which rely on the State to take action to resolve, declining reserves which create pressure on liquidity, increasing pension contributions, and an overleveraged tax base. As of June 30, 2015, the Board was rated Ba3/A-/BBB- by Moody's Investor Service, Standard and Poor's and Fitch Ratings, respectively. The Board is currently rated Ba3/BB/BB+, respectively. For detailed information, please refer to Note 15 to the basic financial statements.

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
(In millions)

	Governmental Activities			
	2015	**2014**	**Difference**	**% Change**
Current Assets	$ 2,635	$ 2,748	$ (113)	-4.1%
Capital Assets, net	6,198	6,175	23	0.4%
Non-current Assets	7	75	(68)	-90.7%
Total Assets	$ 8,840	$ 8,998	$ (158)	-1.8%
Total deferred outflows of resources	$ 968	$ 275	$ 693	252.0%
Current Liabilities	$ 1,548	$ 797	$ 751	94.2%
Long-term Liabilities	18,695	12,421	6,274	50.5%
Total Liabilities	$ 20,243	$13,218	$ 7,025	53.1%
Total deferred inflows of resources	$ 777	$ 14	$ 763	5450.0%
Net Position:				
Net investment in capital assets	$ (159)	$ (37)	$ (122)	329.7%
Restricted for:				
Debt service	446	369	77	20.9%
Grants and donations	65	61	4	6.6%
Workers' comp/tort immunity	41	20	21	105.0%
Unrestricted	(11,605)	(4,372)	(7,233)	165.4%
Total net position (deficit)	$(11,212)	$ (3,959)	$(7,253)	183.2%

Current assets decreased primarily due to lower cash and investment balances as of June 30, 2015.

Capital assets, net of depreciation, increased due to the continued progress of the Capital Improvement Program. Refer to Note 6 to the basic financial statements for more detailed information.

Non-current assets decreased primarily due to cash and investments held in escrow and accumulated changes in the fair value of swaps. Refer to Note 10 to the basic financial statements for more information on derivatives.

Deferred outflows of resources increased primarily due to the recording of pension contributions made after the pension measurement date of June 30, 2014 as a deferred outflow in accordance with the implementation of GASB 68.

Current liabilities increased primarily due to the use of the line of credit at year end to pay pension payments.

Long-term liabilities increased due to the following:

- Recording of the net pension liability for pension plans in accordance with the implementation of GASB 68 — refer to Note 1 and Note 12 to the basic financial statements for more detailed information.
- Long-term debt — refer to Note 8 to the basic financial statements for more detailed information.

Deferred inflows of resources decreased primarily due to the amortization to the interest rate swap premium balance related to derivative instruments.

Net position (deficit) decreased $7.253 billion to an $11.212 billion deficit. This is due to the operating deficit of expenditures exceeding revenues by $1.022 billion and the recording of the net pension liability in accordance with GASB 68 resulting in an increase of $6.311 billion in liabilities. Restricted net position of $552 million is reported separately to present legal constraint from debt covenants and enabling legislation.

The following table presents the changes in net position to FY2015 from FY2014:

Changes in Net Position
(In millions)

	Governmental Activities			
	2015	2014	Difference	% Change
Revenues:				
Program revenues:				
Charges for services	$ 2	$ 4	$ (2)	-50.0%
Operating grants and contributions	1,052	1,087	(35)	-3.2%
Capital grants and contributions	356	162	194	119.8%
Total program revenues	$ 1,410	$ 1,253	$ 157	12.5%
General revenues:				
Property taxes	$ 2,303	$ 2,218	$ 85	3.8%
Replacement taxes (PPRT)	202	188	14	7.4%
Non-program state aid	1,492	1,573	(81)	-5.1%
Interest and investment earnings	(48)	16	(64)	-400.0%
Other	126	181	(55)	-30.4%
Total general revenues	$ 4,075	$ 4,176	$ (101)	-2.4%
Total revenues	$ 5,485	$ 5,429	$ 56	1.0%
Expenses:				
Instruction	$ 4,218	$ 4,140	$ 78	1.9%
Support services:				
Pupil support services	485	487	(2)	-0.4%
Administrative support services	250	242	8	3.3%
Facilities support services	478	655	(177)	-27.0%
Instructional support services	492	475	17	3.6%
Food services	208	206	2	1.0%
Community services	38	38	—	0.0%
Interest expense	332	335	(3)	-0.9%
Other	6	6	—	0.0%
Total expenses	$ 6,507	$ 6,584	$ (77)	-1.2%
Change in net position	$ (1,022)	$(1,155)	$ 133	-11.5%
Beginning net position (deficit)	(3,959)	(2,804)	(1,155)	41.2%
Implementation of GASB 68	(6,231)	—		
Beginning net position (deficit), as restated	(10,190)	(2,804)		
Ending net position (deficit)	$(11,212)	$(3,959)	$(7,253)	183.2%

FINANCIAL SECTION

Pension Funding

Employees of CPS participate in either the Chicago Teachers' Pension Fund (Teachers' Pension Fund) or the Municipal Employees Annuity and Benefit Fund of Chicago (Municipal Fund). All certified teachers and administrators employed by CPS or Charter Schools are members of the Teachers' Pension Fund. Educational support personnel who do not belong to the Teachers' Pension Fund participate in the Municipal Fund.

State statute determines CPS' employer-required contribution to the Teachers' Pension Fund. As of June 30, 2014, the funded ratio of the Teachers' Pension Fund was 51.5%. CPS has recorded a net pension liability of $9.501 billion in the accompanying financial statements, as required by GASB 68. State statute requires CPS to make annual pension contributions to increase the funded ratio to 90.0% by fiscal year 2059. CPS' required pension contribution for fiscal year 2015 was $634 million, not including a $62 million credit for discretionary and required State contributions to the Teachers' Pension Fund.

State statute requires the City of Chicago to contribute to the Municipal Fund all employer pension costs on behalf of CPS' educational support personnel. The statutorily established rate for the City's contribution is an amount equal to the employee contributions two years prior to the year in which the property tax is levied by the City, multiplied by 1.25. Covered employees are required by State statute to contribute 8.5% of their salary. In fiscal year 2015, as in previous fiscal years, CPS paid 7.0%, or $39 million of the required employees' contribution for most employees. Governmental Accounting Standards Board Statement No. 24 requires that certain on-behalf payments made by other governments should be included as revenues and expenditures. For detailed information, please refer to Note 12 to the basic financial statements. In fiscal year 2016, CPS' proportionate share of contributions on behalf of employees decreased from 7% to 5%.

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 the 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, 2015, as compared with June 30, 2014. 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)

	2015	2014	2015 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Revenues:					
Property taxes	$2,305	$2,213	38.2%	$ 92	4.2%
Replacement taxes	202	188	3.3%	14	7.4%
State aid	1,847	1,843	30.6%	4	0.2%
Federal aid	799	904	13.2%	(105)	-11.6%
Interest and investment earnings	(93)	15	-1.5%	(108)	-720.0%
Other	377	273	6.2%	104	38.1%
Subtotal	$5,437	$5,436	90.1%	$ 1	0.0%
Other financing sources	599	139	9.9%	460	330.9%
Total	$6,036	$5,575	100.0%	$ 461	8.3%
Expenditures:					
Current:					
Instruction	$3,253	$3,127	47.0%	$ 126	4.0%
Pupil support services	460	458	6.6%	2	0.4%
General support services	973	987	14.0%	(14)	-1.4%
Food services	197	194	2.8%	3	1.5%
Community services	38	37	0.5%	1	2.7%
Teachers' pension and retirement benefits	676	593	9.8%	83	14.0%
Other	6	6	0.1%	—	0.0%
Capital outlay	392	535	5.7%	(143)	-26.7%
Debt service	533	468	7.7%	65	13.9%
Subtotal	$6,528	$6,405	94.2%	$ 123	1.9%
Other financing uses	399	—	5.8%	399	
Total	$6,927	$6,405	100.0%	$ 522	
Net change in fund balance	$ (891)	$ (830)			

General Operating Fund

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

Revenues:

Revenues and Other Financing Source
(In millions)

	2015 Amount	2014 Amount	2015 Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Property taxes	$2,253	$2,161	45.9%	$ 92	4.3%
Replacement taxes (PPRT)	144	131	2.9%	13	9.9%
State aid	1,579	1,632	32.2%	(53)	-3.2%
Federal aid	768	864	15.6%	(96)	-11.1%
Interest and Investment earnings	—	4	0.0%	(4)	-100.0%
Other	166	144	3.4%	22	15.3%
Subtotal	$4,910	$4,936	100.0%	$(26)	-0.5%
Other financing sources	—	—	0.0%	—	0.0%
Total	$4,910	$4,936	100.0%	$(26)	-0.5%

Property tax revenues

Property tax revenues increased due to the net impact of an increase in prior year collections as a result of growth in new EAV, taxing to the PTELL cap with positive annual CPI, and the shift in revenue with the 30-day extension of the revenue recognition period; with no change in the extensions for debt service.

Personal property replacement taxes (PPRT)

PPRT derives its revenues primarily from an additional State income tax on corporations and partnerships. CPS received a $13 million increase in PPRT revenue as a result of a statewide increase in tax revenues collected on corporate earnings and public utility capital investments.

State aid

State aid decreased primarily as a result of General State Aid (GSA) and Block Grants allocated to support the general operating fund. The decline in these two sources were partially offset by increases in state increases to CPS for pensions, Bilingual Education, and in various other restricted state revenues.

Federal aid

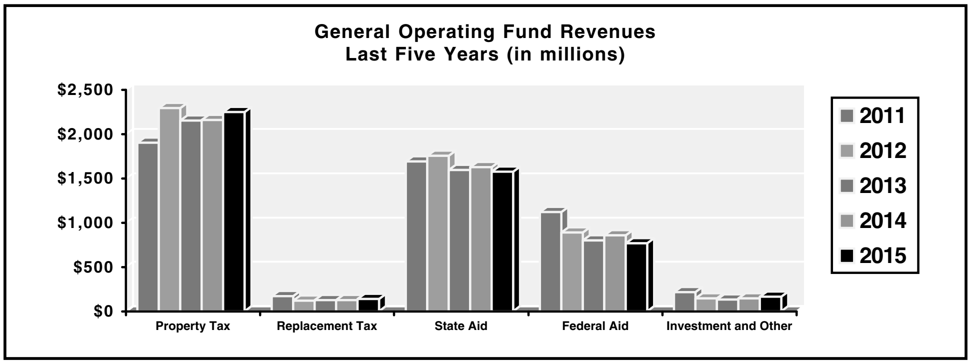
Federal aid decreased by $96 million in fiscal year 2015. This decrease was primarily driven by lower reimbursements for three major federal grants within the fiscal year: IASA Title I — Low Income Grant $87 million, School Improvement Grants $11 million, and the Title II — Teacher Quality Grant $18 million. These decreases were offset by an $11 million increase in the Lunchroom Lunch Program and $6 million in the Lunchroom Breakfast Program. Other minimal fluctuations in revenue for other federal programs also contributed to the overall decrease.

Interest and investment earnings

General operating cash balance was on average $530 million lower in fiscal year 2015 versus fiscal year 2014 and the line of credit covered negative cash flow for a month and a half period in fiscal year 2015. As a result, investments in the operating fund were shorter in duration and generated a lower yield in order to keep the general operating fund liquid for operating purposes. Additionally, these short dated investments were largely in bank depository balances; which are fully liquid at all times, collateralized by securities authorized for safekeeping under the Board's investment policy, and generate a higher investment return than alternative short-dated investments allowable by Board policy. These bank depository balances earn interest which is paid as an earned allowance credit against fees and are recorded as a net against operating expenses.

Other

Local revenues increased primarily due to the recording of charter school facility fees as well as an increase in Tax Increment Financing (TIF) surplus.



Expenditures:
(In millions)

	2015	2014	2015 Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Salaries	$2,576	$2,541	45.8%	$ 35	1.4%
Benefits	1,356	1,264	24.1%	92	7.3%
Services	1,295	1,238	23.0%	57	4.6%
Commodities	280	293	5.0%	(13)	-4.4%
Other	113	114	2.0%	(1)	-0.9%
Total	$5,620	$5,450	100.0%	$170	3.1%

Salaries

Salaries increased due to contractually required cost of living increases, partially offset by a reduction in headcount.

Benefit

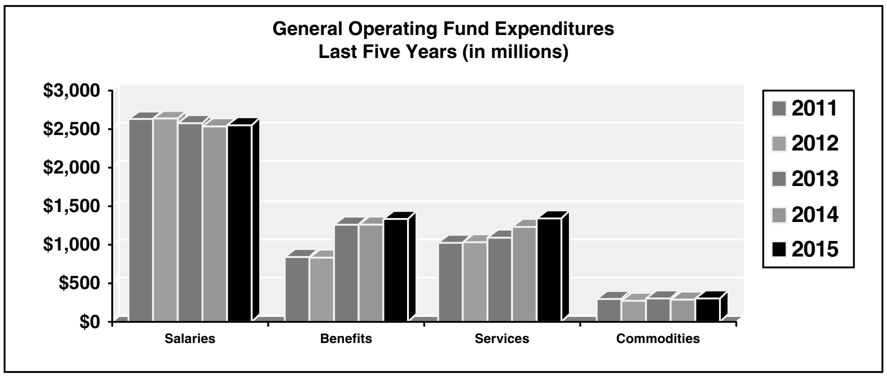
Benefit cost increases were driven primarily by continued escalation in required pension contributions. Each year the Teachers' Pension Fund's actuaries conduct a valuation and certify the contribution for the following fiscal year. Prior to conducting the 2013 valuation, the CTPF actuaries conducted an actuarial experience review, which is typically done every five years. A number of the actuarial assumptions changed (after approval by the Board of Trustees), most notably the investment return assumption, from 8 percent to 7.75 percent, and the mortality assumption. These new assumptions were the largest driver of the additional $84 million pension contribution for fiscal year 2015. An increase in pharmacy benefit costs led to higher hospitalization expenses, while unemployment costs decreased from elevated fiscal year 2014 levels as impacted staff from the closure of 47 schools in the prior fiscal year were no longer eligible for unemployment.

Services

Services increased in fiscal year 2015 as a result of an increase in the SBB rate for all schools, opening 5 net new charter schools, 2 new contract schools, and increased charter student enrollment. Partially offsetting this increase was reduced Professional & Technical expenditures related to FY2013-FY2014 school closing logistics, and the elimination of spending on the no-longer required Supplemental Educational Services (SES) program.

Commodities

Commodities decreased in fiscal year 2015 largely as a result of favorable natural gas prices, as well as a reduction in electric usage driven by the closure of 47 schools prior to fiscal year 2014. These decreases in energy costs were partially offset by increases in food costs.



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)

	2015	2014	2015 Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
State aid	$ 32	$ 38	9.7%	$ (6)	-15.8%
Federal aid	6	15	1.8%	(9)	-60.0%
Interest and investment earnings	—	1	0.0%	(1)	-100.0%
Other	107	29	32.3%	78	269.0%
Subtotal	$145	$ 83	43.8%	$ 62	74.7%
Other financing sources	186	139	56.2%	47	33.8%
Total	$331	$222	100.0%	$109	49.1%

State aid

State aid declined due to a decrease in State School Construction funds administered to the Capital Projects fund through the Capital Development Board (CDB), offset partially by an increase in other restricted state revenues.

Federal aid

Federal aid decreased due to the completion of a noise mitigation grant and reduced federal E-Rate funding.

Interest and investment earnings

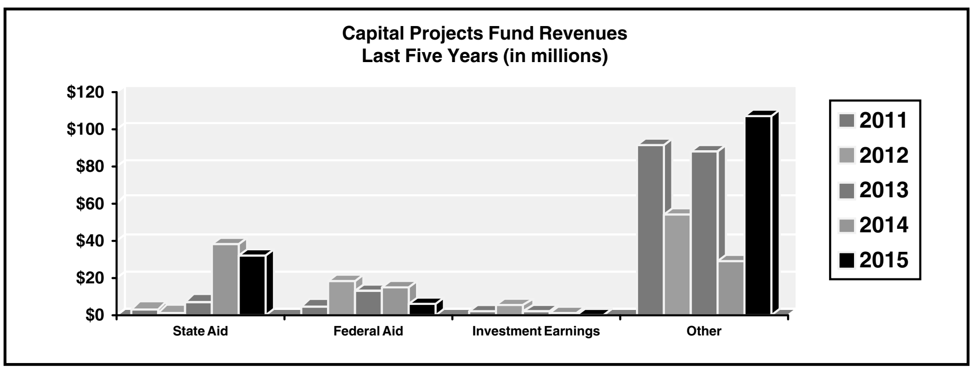
Interest and investment earnings decreased as a result a lower fund balance in the Capital Projects fund in fiscal year 2015 versus fiscal year 2014.

Other

Other revenues increased primarily through an increase in revenue supported by an Intergovernmental Agreement (IGA) with the City of Chicago, due to the timing of billed reimbursable expenditures and revenue recognized by CPS on Modern Schools Across Chicago projects, and projects supported by TIF.

Other financing sources

Other financing sources increased due to additional proceeds from property sales driven by the sale of 125 S. Clark and proceeds from Series 2015C and 2015E bond issuances, partially offset by a decrease in funds drawn on a $300 million Unlimited Tax General Obligation Bonds as variable-rate, revolving lines of credit.

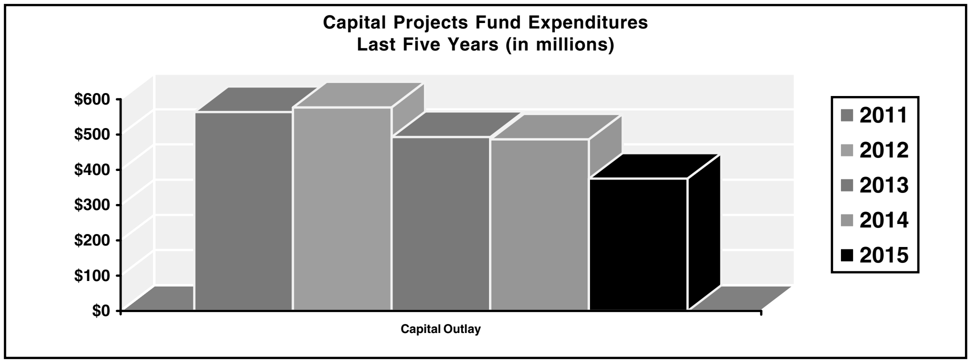


Expenditures:
(In millions)

	2015	2014	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Capital outlay	$375	$487	$(112)	-23.0%

Capital outlay

The actual spending on capital outlay decreased due to fewer construction projects initiated in FY2015 than FY2014.



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)

	2015	2014	2015 Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Property taxes	$ 52	$ 52	6.4%	$ —	0.0%
Replacement taxes (PPRT)	58	57	7.1%	1	1.8%
State aid	236	173	29.2%	63	36.4%
Federal aid	25	25	3.1%	—	0.0%
Interest and investment earnings	(93)	10	-11.5%	(103)	-1030.0%
Other	104	100	12.9%	4	4.0%
Subtotal	$382	$417	47.3%	$ (35)	-8.4%
Other financing sources	426	295	52.7%	131	44.4%
Total	$808	$712	100.0%	$ 96	13.5%

Property taxes

Property tax revenue used to pay debt service saw no change in the extension between fiscal year 2014 and fiscal year 2015.

Replacement taxes (PPRT)

PPRT had a slight increase of $1 million in fiscal year 2015 for the amount to support debt service.

State aid

State aid related to debt service for fiscal year 2015 is comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). Bond series supported by GSA revenue required an increase of $63 million for higher debt service obligations for fiscal year 2015. An additional $2 million was needed to cover reductions in federal subsidies due to sequestration. Debt Service Stabilization Fund monies of $59 million were used to offset an even greater increase in debt service and reduce the need for GSA. Also, a reduction of $15 million in debt service was due to the net effect of delaying the sale of the Series 2015AG capital improvement bonds, optional redemptions, and lower than budgeted variable interest rates.

Federal aid

Federal aid continues to be less than anticipated at the time of issuance in fiscal years 2009, 2010 and 2011 for CPS issued Qualified School Construction Bonds (QSCABs) and Build America Bonds (BABs). Beginning with the 2013 Federal Budget and effective March 1, 2013, Federal Budget Sequestration has reduced the amount CPS receives for interest subsidies from the federal government for QSCBs and BABs. The fiscal year 2015 sequester percentage for QSCBs and BABs was 7.3%, which resulted in interest subsidy payments to CPS that were similar as compared to fiscal year 2014, but $2 million lower than the full amount of the potential subsidy.

Interest and investment earnings

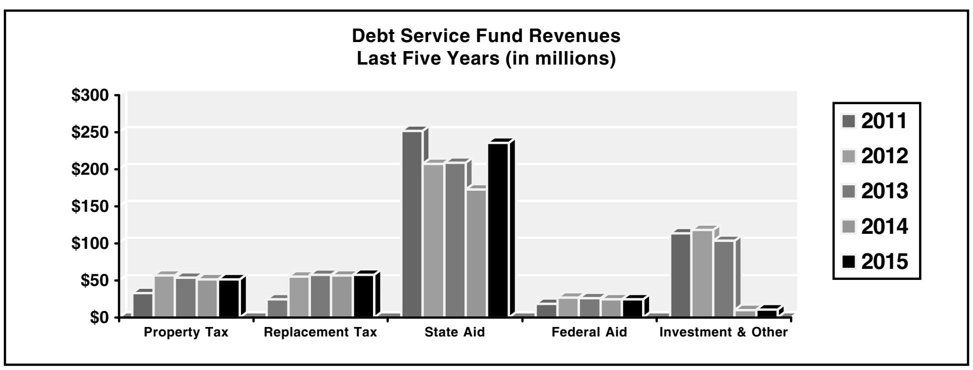
Interest and investment earnings decreased in fiscal year 2015 by $103 million. The decrease was primarily due to the termination of four existing interest rate swap agreements during fiscal year 2015 totaling $110 million. This amount was partially offset by the termination of an investment agreement which netted $4 million to the Board, and market value changes of the securities with maturities over one year, which increased income for fiscal year 2015 as adjusted GASB 31, and investment earnings.

Other

Other revenues account for any one-time local revenues or the disbursement of property tax revenues from the City of Chicago based on the Inter-Governmental Agreement (IGA) for debt service. The increase of $4 million is a result of higher IGA revenues as compared to fiscal year 2014.

Other financing sources

Other financing sources reflect an increase of $131 million in fiscal year 2015 due to the issuance $329 million of Series 2015 General Obligation bonds and $84 million in 2013 General Obligation Line of Credit Bonds. $295 million of 2013 General Obligation line of credit bonds were issued in 2014.



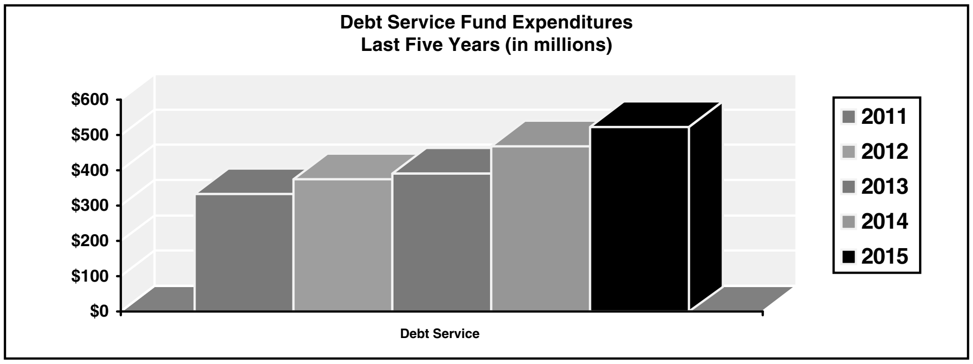
Expenditures:
(In millions)

	2015	2014	Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Debt service	$533	$468	$65	13.9%

FINANCIAL SECTION

Debt service costs

The overall debt service cost for fiscal year 2015 increased by $65 million primarily due to an increase in principal redemptions. The amount paid for other fees was similar when compared to fiscal year 2014.



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 2013, the Board adopted a balanced budget for fiscal year 2014 that reflected total resources, including $643 million of available fund balances, and appropriations of $5.592 billion.

In August 2014, the Board adopted a balanced budget for fiscal year 2015 that reflected total resources, including $797 million of available fund balances, and appropriations of $5.757 billion.

General Operating Fund Budget and Actual

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The following schedule presents a summary of the operating fund revenues, expenditures, and other financing sources in comparison with the final budget for the period ending June 30, 2015.

The General Operating Fund ended fiscal year 2015 with a deficit of $710 million, which compared favorably with the budgeted deficit of $863 million. This financial performance reflects a combination of CPS' conscientious efforts to improve its financial position and revenues anticipated for the fiscal year 2016 budget that were received during the fiscal year 2015 revenue recognition period. Major budget-to-actual variances are described below:

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

	FY2015 Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Appropriations	FY2015 Actual	Variance
Revenues:					
Property taxes	$2,178	$ —	$2,178	$2,253	$ 75
Replacement taxes	133	—	133	144	11
State aid	1,508	—	1,508	1,579	71
Federal aid	864	—	864	768	(96)
Interest and investment earnings	—	—	—	—	—
Other	211	—	211	166	(45)
Subtotal	$4,894	$ —	$4,894	$4,910	$ 16
Other financing sources	—	—	—	—	—
Total	$4,894	$ —	$4,894	$4,910	$ 16
Expenditures:					
Current:					
Salaries	$2,612	$ (59)	$2,553	$2,576	$ 23
Benefits	1,310	28	1,338	1,356	18
Services	1,200	148	1,348	1,295	(53)
Commodities	261	45	306	280	(26)
Other	374	(162)	212	113	(99)
Total	$5,757	$ —	$5,757	$5,620	$(137)
Change in fund balances	$ (863)			$ (710)	

Property taxes

The positive variance of $75 million in property tax revenue was the result of the initial appropriation of $48 million dollars to "other local revenue". When we factor this in, the variance at the end of the year is $27 million. This $27 million increase was caused by a $6 million underestimation of the amount of new property EAV that would be available under Property Tax Extension Limitation Law (PTELL). Additionally, collections were $21 million higher than expected due to over performance during the September through June period versus original assumptions and variances in first year collection assumptions.

Replacement taxes

Replacement tax payments received by CPS were $11 million higher than budgeted. This is due to improved statewide performance and reflected in the final payments of fiscal year 2015.

State aid

State aid received by CPS was $71 million higher than anticipated in fiscal year 2015. This is due in part to $50 million in additional state pension aid for teachers, an additional $20 million in miscellaneous state grants mainly attributable to state hold harmless payments, and $16 million in bilingual TPI and TPE as the result of an increased number of students eligible to receive ELL instruction over initial projections. These increases are partially offset by Block Grant revenues that were $16 million below budget.

Federal aid

Federal revenues were $96 million below budget due to lower than expected spend and a Title I waiver. Lunchroom revenue was $8 million below budget because fewer meals were served, reducing reimbursement (but with an associated cost reduction). Medicaid revenue was below budget by $5 million because of slower claiming. Other grant revenue—received based on reimbursement for expenditures—was below budget because spending was also below budget. Title I was $45 million below budget because of the mid-year waiver approval for the use of supplemental funding. Title II ($10 million) & Title III ($5 million) were below budget because of lower claim amounts due to slow spending. School Improvement Grants & Title IV—21st Century Grants were lower because of $16 million in anticipated grant funding that was not received during the school year.

Other

Other local revenues comprise of miscellaneous or one-time receipts such as TIF surplus funds, rental income, daycare fees, private foundation grants, school internal account funds, and flow-through employer contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago. Other local revenues were $45 million below budget. Although CPS saw a $21 million increase in tuition fees, rental income and lunchroom income over budget, these gains were substantially offset by other factors. CPS did not receive $19 million in TIF funding that was anticipated because the final payment fell outside of the revenue recognition period. CPS originally appropriated $48 million to the other local revenue in anticipation of receiving the maximum amount of property tax revenue under PTELL.

Expenditures

Actual General Operating Fund expenditures were $137 million under budget. This is $5 million lower than the fiscal year 2014 variance and a much smaller variance than in prior years as a result of more concise budgeting in times of significant shortfalls to ensure that we are budgeting only the funds that are absolutely necessary.

The variance is primarily due to the following:

Salaries

Salaries show $23 million above final appropriations due to an accounting adjustment that impacts the final salary account appropriations, whereas the associated expenses occur across several different accounts. After adjusting for this entry, salaries in total were $8 million less than budget on a $2.553 billion base; this represents a less than 0.5% variance. Savings of $5 million in teacher salaries out of a total of $1.900 billion budget (0.3%) was the result of turnover slightly higher than budgeted. Career services salaries were $4 million below the $626 million budget (0.6%) due to higher than anticipated turnover and cost savings initiatives.

Benefits

Benefit costs include health care, unemployment compensation, workers compensation, and pension costs. Benefit costs came in over budget by $18 million due to higher than expected pharmacy spend and an accounting adjustment. For budget 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 through an accounting adjustment as a pension expense, separate from the amount budgeted. Charter schools reimburse CPS for this expense and therefore there is an offsetting revenue, which was reflected in the budget.

Services

Expenditures for services include student transportation costs, tuition for charter schools and special education institutions, contractual and professional services, telephone, printing and equipment rental. Fiscal year 2015 expenditures were $53 million below budget in these categories. Professional and contractual services were $16 million below budget, as a result of delayed implementation or less demand for professional development, curriculum/instructional support, attendance services, training, legal and banking services, and contractual programs. Such as community based early childhood, lunchroom repairs, and other services. Transportation expenses came in $11 million under budget, and enrollment below projections resulted in savings of $12 million in charter, private special education, and option school tuition.

Commodities

Major commodities categories include utility, food for breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by $26 million. Utilities costs were $2 million lower than budget due to favorable natural gas pricing. Savings of $3 million in food costs was the result of fewer meals served than budgeted. Savings in textbooks and supplies totaled $20 million. Much of this savings was at the school level, schools allocated funding to these accounts, but it went unspent. About $8 million of this savings was in funding specifically designated to schools to serve low income students and will be returned to them in fiscal year 2016.

Other

Other includes equipment, facility rental, insurance, repairs, and for budget purposes, contingencies for new grants. In total, spending for these "other" categories was below budget by $99 million. Equipment spending was below budget by $6 million, primarily because schools budgeted their discretionary funds in equipment, but did not spend it. The primary category of savings is in contingency that had been set up for new/anticipated grants. While the original amount established as contingency was much higher in the budget, approximately $33 million of appropriation remained at the end of the year because potential grants were not awarded. This is an annual practice to budget more for grants than we know we have secured so that should we receive funding during the year we have authority to spend it.

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.)

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF NET POSITION

June 30, 2015

(Thousands of dollars)

	GOVERNMENTAL ACTIVITIES
Assets:	
Current Assets:	
Cash and investments	$ 166,113
Cash and investments in escrow	502,503
Cash and investments held in school internal accounts	40,888
Property taxes receivable, net of allowance	1,114,780
Other receivables:	
Replacement taxes	33,183
State aid, net of allowance	600,980
Federal aid	115,513
Other, net of allowance	58,090
Other assets	3,284
Total current assets	$ 2,635,334
Non-current Assets:	
Cash and investments in escrow	$ 5,995
Land and construction in progress	759,624
Buildings, building improvements and equipment, and software, net of accumulated depreciation	5,438,003
Derivative instrument	1,353
Total non-current assets	$ 6,204,975
Total assets	$ 8,840,309
Deferred Outflows of Resources:	
Deferred charge on refunding	$ 164,559
Accumulated decrease in fair value of hedging activities	39,025
Deferred pension outflows	764,028
Total deferred outflows of resources	$ 967,612
Liabilities:	
Current Liabilities:	
Accounts payable	$ 307,675
Accrued payroll and benefits	226,698
Amount held for student activities	40,888
Line of credit	700,000
Other accrued liabilities	8,120
Unearned revenue	41,686
Interest payable	25,154
Current portion of long-term debt and capitalized lease obligations	197,355
Total current liabilities	$ 1,547,576
Long-term liabilities, net of current portion:	
Debt, net of premiums and discounts	$ 6,626,847
Capitalized lease obligations	159,005
Derivative instrument liability	37,818
Swap implicit borrowing	80,753
Other accrued liabilities	18,650
Net pension liability	9,501,206
Net other post-employment benefits obligation	1,789,441
Other benefits and claims	481,261
Total long-term liabilities	$ 18,694,981
Total liabilities	$ 20,242,557
Deferred Inflows of Resources:	
Deferred pension inflows	$ 777,267
Total deferred inflows of resources	$ 777,267
Net Position:	
Net investment in capital assets	$ (159,007)
Restricted for:	
Debt service	445,663
Grants and donations	64,584
Workers' comp/tort immunity	41,373
Unrestricted (deficit)	(11,604,516)
Total net position (deficit)	$(11,211,903)

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, 2015

(Thousands of dollars)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Governmental activities:					
Instruction	$4,217,996	$ 571	$ 548,740	$246,549	$(3,422,136)
Support services:					
Pupil support services	484,745	—	49,481	34,834	(400,430)
Administrative support services	249,662	—	47,157	17,941	(184,564)
Facilities support services	477,892	—	63,274	26,986	(387,632)
Instructional support services	492,232	—	104,709	28,772	(358,751)
Food services	207,834	1,303	208,647	928	3,044
Community services	37,997	—	29,647	179	(8,171)
Interest expense	332,023	—	—	—	(332,023)
Other	6,319	—	—	—	(6,319)
Total governmental activities	$6,506,700	$1,874	$1,051,655	$356,189	$(5,096,982)

General revenues:	
Taxes:	
Property taxes	$ 2,302,881
Replacement taxes	202,148
Non-program state aid	1,492,019
Interest and investment earnings	(47,720)
Other	125,638
Total general revenues	$ 4,074,966
Change in net position	(1,022,016)
Net position — beginning (deficit) as restated	(10,189,887)
Net position — ending (deficit)	$(11,211,903)

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

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS
June 30, 2015
(Thousands of dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 109,126	$ —	$ 56,987	$ 166,113
Cash and investments in escrow	5,144	13,315	490,039	508,498
Cash and investments held in school internal accounts	40,888	—	—	40,888
Receivables:				
Property taxes, net of allowance	1,089,827	—	24,953	1,114,780
Replacement taxes	33,183	—	—	33,183
State aid, net of allowance	585,210	15,770	—	600,980
Federal aid	112,232	178	3,103	115,513
Other, net of allowance	8,103	9,419	40,568	58,090
Due from other funds	146,549	25,978	5	172,532
Total assets	$2,130,262	$ 64,660	$615,655	$2,810,577
Liabilities:				
Accounts payable	$ 291,974	$ 7,320	$ 8,381	$ 307,675
Accrued payroll and benefits	144,133	—	—	144,133
Amount held for student activities	40,888	—	—	40,888
Due to other funds	25,983	146,549	—	172,532
Line of credit	700,000	—	—	700,000
Unearned revenue	8,471	33,215	—	41,686
Total liabilities	$1,211,449	$ 187,084	$ 8,381	$1,406,914
Deferred inflows of resources:				
Unavailable property tax revenue	$ 76,483	$ —	$ 1,731	$ 78,214
Other unavailable revenue	482,045	8,687	3,103	493,835
Total deferred inflows of resources	$ 558,528	$ 8,687	$ 4,834	$ 572,049
Fund balances (deficit):				
Nonspendable	$ 429	$ —	$ —	$ 429
Restricted for grants and donations	64,155	—	—	64,155
Restricted for workers' comp/tort immunity	41,373	—	—	41,373
Restricted for debt service	—	—	545,383	545,383
Assigned for 2016 budget	79,225	—	—	79,225
Assigned for debt service	—	—	57,057	57,057
Assigned for commitments and contracts	73,101	—	—	73,101
Unassigned (deficit)	102,002	(131,111)	—	(29,109)
Total fund balances (deficit)	$ 360,285	$(131,111)	$602,440	$ 831,614
Total liabilities, deferred inflows of resources and fund balances	$2,130,262	$ 64,660	$615,655	$2,810,577

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

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015
(Thousands of dollars)

Total fund balances — governmental funds		$ 831,614
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		3,284
Derivative instrument		1,353
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		967,612
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		9,743,389
Accumulated depreciation		(3,545,762)
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	$ (26,770)	
Debt, net of premiums and discounts	(6,785,337)	
Capitalized lease obligations	(197,870)	
Net pension liability	(9,501,206)	
Net other post-employment benefits obligation	(1,789,441)	
Other benefits and claims	(563,826)	
		(18,864,450)
Interest payable		(25,154)
Swap implicit borrowing		(80,753)
Derivative instrument liability		(37,818)
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		78,214
Other		493,835
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		(777,267)
Net position (deficit)		$(11,211,903)

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, 2015

With Comparative Amounts for the Fiscal Year Ended June 30, 2014

(Thousands of dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2015	Total Fiscal Year Ended June 30, 2014 (as restated)
Revenues:					
Property taxes	$2,252,828	$ —	$ 51,828	$ 2,304,656	$2,204,252
Replacement taxes	143,867	—	58,281	202,148	188,041
State aid	1,579,324	31,587	236,158	1,847,069	1,840,805
Federal aid	767,548	6,498	24,885	798,931	907,241
Interest and investment earnings	198	368	(93,391)	(92,825)	15,596
Other	165,819	107,171	104,296	377,286	286,472
Total revenues	$4,909,584	$ 145,624	$ 382,057	$ 5,437,265	$5,442,407
Expenditures:					
Current:					
Instruction	$3,253,484	$ —	$ —	$ 3,253,484	$3,126,689
Pupil support services	459,672	—	—	459,672	457,939
Administrative support services	236,748	—	—	236,748	227,412
Facilities support services	356,103	—	—	356,103	400,945
Instructional support services	379,675	—	—	379,675	358,691
Food services	197,084	—	—	197,084	193,642
Community services	38,003	—	—	38,003	37,460
Teachers' pension and retirement benefits	676,078	—	—	676,078	593,225
Other	6,319	—	—	6,319	6,134
Capital outlay	17,200	374,753	—	391,953	534,980
Debt service	—	—	533,493	533,493	467,904
Total expenditures	$5,620,366	$ 374,753	$ 533,493	$ 6,528,612	$6,405,021
Revenues (less than) expenditures	$ (710,782)	$(229,129)	$(151,436)	$(1,091,347)	$ (962,614)
Other financing sources (uses):					
Gross amounts from debt issuances	$ —	$ 148,530	$ 413,350	$ 561,880	$ 131,600
Discount	—	—	(12,502)	(12,502)	—
Sales of general capital assets	—	37,504	—	37,504	7,301
Payment to refunded bond escrow agent	—	—	(386,710)	(386,710)	—
Transfers in / (out)	(12,915)	—	12,915	—	—
Total other financing sources (uses)	$ (12,915)	$ 186,034	$ 27,053	$ 200,172	$ 138,901
Net change in fund balances	$ (723,697)	$ (43,095)	$(124,383)	$ (891,175)	$ (823,713)
Fund balances, beginning of period as restated	1,083,982	(88,016)	726,823	1,722,789	2,546,502
Fund balances, end of period	$ 360,285	$(131,111)	$ 602,440	$ 831,614	$1,722,789

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

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

(Thousands of dollars)

Total net change in fund balances — governmental funds		$(891,175)
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 capital outlays exceed the depreciation in the period.		
Capital outlay/equipment	$ 320,003	
Depreciation expense	(267,091)	
		52,912
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		(30,466)
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		(549,378)
Payments to refunded escrow agent are reported in the governmental funds as a source of financing, whereas they are recorded as reductions of long term liabilities in the Statement of Net Position		386,710
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		214,882
Changes in the fair value of investment derivatives that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities		45,105
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		(13,074)
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		(285)
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		(1,775)
Grants		(33,470)
In the Statement of Activities, pollution remediation obligation, legal settlements, sick pay, vacation pay, workers' compensation and unemployment insurance, general and automobile liability, net pension liability, and other post-employment benefits are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paid when the amounts become due. The following represents the change during the year for these obligations.		
Pollution remediation obligation		51
Legal settlements		(10,800)
Sick pay		15,028
Vacation pay		1,948
Workers' compensation and unemployment insurance		(3,419)
General and automobile liability		(1,994)
Net pension liability		(93,623)
Other post-employment benefits — teacher		(109,193)
Change in net position		$(1,022,016)

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

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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, 2015
(Thousands of dollars)

	Original Budget	Supplemental Appropriations & Tranfers In/ (Out)	Final Budget	Fiscal Year Actual	Over (Under) Budget
Revenues:					
Property taxes	$2,178,493	$ —	$2,178,493	$2,252,828	$ 74,335
Replacement taxes	132,735	—	132,735	143,867	11,132
State aid	1,507,740	—	1,507,740	1,579,324	71,584
Federal aid	863,628	—	863,628	767,548	(96,080)
Interest and investment earnings	80	—	80	198	118
Other	211,246	—	211,246	165,819	(45,427)
Total revenues	$4,893,922	$ —	$4,893,922	$4,909,584	$ 15,662
Expenditures:					
Salaries —					
Teachers' salaries	$1,986,062	$ (59,155)	$1,926,907	$1,953,938	$ 27,031
Career service salaries	625,489	723	626,212	622,591	(3,621)
Commodities —					
Energy	78,696	(1,983)	76,713	74,516	(2,197)
Food	100,615	2,229	102,844	99,573	(3,271)
Textbooks	39,288	23,953	63,241	55,254	(7,987)
Supplies	41,345	20,921	62,266	50,571	(11,695)
Other	637	(1)	636	474	(162)
Services —					
Professional and special services	320,744	90,565	411,309	395,221	(16,088)
Charter schools	649,777	19,677	669,454	662,553	(6,901)
Transportation	99,513	15,109	114,622	103,891	(10,731)
Tuition	74,748	21,695	96,443	90,901	(5,542)
Telephone and telecommunications	34,722	(6,595)	28,127	28,061	(66)
Other	20,507	7,248	27,755	14,133	(13,622)
Equipment — educational	41,436	25,996	67,432	60,962	(6,470)
Building and sites —					
Repairs and replacements	16,280	11,255	27,535	27,291	(244)
Capital outlay	—	32	32	5	(27)
Fixed charges —					
Teachers' pension	795,135	5,935	801,070	826,304	25,234
Career service pension	101,378	1,736	103,114	102,012	(1,102)
Hospitalization and dental insurance	341,352	19,932	361,284	357,124	(4,160)
Medicare	39,539	(2,745)	36,794	36,557	(237)
Unemployment compensation	9,141	(896)	8,245	8,138	(107)
Workers' compensation	23,225	4,247	27,472	25,926	(1,546)
Rent	13,181	1,507	14,688	13,030	(1,658)
Other	303,431	(201,385)	102,046	11,340	(90,706)
Total expenditures	$5,756,241	$ —	$5,756,241	$5,620,366	$(135,875)
Revenues in excess of (less than) expenditures	$ (862,319)	$ —	$ (862,319)	$ (710,782)	$ 151,537
Other financing uses:					
Transfers (out)	$ —	$ —	$ —	$ (12,915)	$ (12,915)
Total other financing uses	$ —	$ —	$ —	$ (12,915)	$ (12,915)
Net change in fund balances	$ (862,319)	$ —	$ (862,319)	$ (723,697)	$ 138,622
Fund balances, beginning of period as restated	1,083,982	—	1,083,982	1,083,982	—
Fund balances, end of period	$ 221,663	$ —	$ 221,663	$ 360,285	$ 138,622

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, 2015

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 2015, CPS adopted the following GASB Statements:

- GASB 68, *Accounting and Financial Reporting for Pensions.* 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 resulted in an unfunded pension liability to be recognized on the Statement of Net Position. Based on the implementation of Statement No. 68, CPS' July 1, 2014 net position was restated by $6,230,440 because of the recognition of the net pension liability and deferred outflows of resources. See Note 12 for additional information on Pensions.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which had no impact on current year financial statements. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.
- GASB 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date.* 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. See Note 12 for additional information on Pensions.

- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which had no impact on current year financial statements. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

- GASB 72, *Fair Value Measurement and Application.* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ended June 30, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplemental information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the fiscal year ended June 30, 2018. Management believes this will have a material impact on its financial statements.
- GASB 77, *Tax Abatement Disclosures.* This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the fiscal year ended June 30, 2017. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 will be reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods and will be reported in a separate section after liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside CPS' taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

CPS reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of CPS. Interfund balances have been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. State and Federal grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, State aid, Federal aid, replacement taxes, IGA, and other revenue are considered to be available if earned and collected within 60 days of fiscal year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to derivatives, compensated absences, claims and judgments, other postemployment benefits, net pension liability and pollution remediation obligations, are recorded only when payment is due.

Funds

CPS reports its financial activities through the use of “fund accounting”. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

Governmental Funds

a. General Operating Fund

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

Educational Program
Supplementary General State Aid Program
School Food Service Program
Elementary and Secondary Education Act (ESEA) Program
Individuals with Disabilities Education Act (IDEA) Program
Workers’ and Unemployment Compensation/Tort Immunity Program
Public Building Commission Operations and Maintenance Program
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, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, based on quoted market prices.

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 2014 property taxes were levied for fiscal year 2015 in October 2014 and were billed in fiscal year 2015. In 2015, the installment due dates were March 3 and August 3. 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. Donated capital assets are recorded at estimated fair market value at date of donation. CPS also capitalizes internally developed software with a capitalization threshold of $75,000 or more.

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 are reported net of applicable bond premium or discount. 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 Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago and additions to/ deductions from the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago fiduciary net position have been determined on the same basis as they are reported by the Public School Teachers' Pension and

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Swaps

CPS enters into interest rate swap agreements to modify interest rates on outstanding debt. CPS reported the swaps according to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Please refer to Note 10 for required disclosures. Swaps are reported at fair value and if they meet the definition of a hedge, then a like amount is reported as a deferred item in the Statement of Net Position. If the swaps are not effective, the change in fair value is reported in the Statement of Activities. Swaps are not reported in the fund financial statements. However, transactions are accounted for if there is the receipt or disbursement of cash.

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, 2015.

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 2015, CPS's 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 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.

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 ended June 30, 2014, from which the summarized information was derived.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating, Capital Projects and Debt Service funds. All annual unencumbered appropriations lapse at fiscal year-end.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

The Capital Projects Fund is budgeted on a project-by-project basis. Budgeted amounts in the Capital Projects Fund represent the entire project budget for projects that were expected to commence in fiscal year 2015. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE

a. Property Taxes — CPS levies property taxes using tax levy rates established by statute and an equalized assessed valuation (EAV) estimated by CPS. The maximum billing (extension) of property taxes for the rate-limited Educational Levy in any calendar year is limited to the lesser of the tax rate established by statute multiplied by the EAV known at the time the final calendar year tax bills are calculated by the Cook and DuPage County Clerks, or the tax rates established by statute multiplied by the prior year EAV. Property taxes for the levies that are not rate-limited are levied based on the estimated requirements for such funds.

As part of the annual budgetary process, CPS adopts a resolution each December in which it is determined to levy real estate taxes. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in prescribed form must be published and a public hearing must be held if the aggregate annual levy exceeds 105% of the levy of the preceding year.

Since the 1994 levy year, CPS has been subject to the Property Tax Extension Limitation Law (PTELL). The PTELL, commonly known as the property-tax cap, is designed to limit the increases in property taxes billed for non-home rule taxing districts. The growth in a taxing district’s aggregate extension base is limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The CPI used is for all urban consumers for all items as published by the U.S. Department of Labor, Bureau of Labor Statistics. This limitation can be increased for a taxing body with voter approval. The PTELL allows a taxing district to receive a limited annual increase in tax extensions on existing property, plus an additional amount for new construction. This limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation.

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

Legal limitations on tax rates and the rates extended in calendar years 2015 and 2014 are shown below.

	Maximum 2015 Legal Limit	Tax Rates Extended Per $100 of EAV 2015	2014
General Operating Fund:			
Educational	(A)	$3.409	$3.519
Workers' and Unemployment Compensation/Tort Immunity	(B)	0.169	0.067
Debt Service Fund:			
Public Building Commission Leases Program	(C)	0.082	0.085
		$3.660	$3.671

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

C. 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.

b. State Aid — The components of State Aid as reported in the financial statements are as follows ($000's):

	Fund Financial Statements	Government Wide-Financial Statements
Revenues:		
General state aid unrestricted	$ 753,395	$ 753,395
Supplementary general state aid	261,000	261,000
Educational services block grant	483,720	477,624
Other restricted state revenue	348,954	343,058
Total state aid	$1,847,069	$1,835,077
Program Revenues:		
Operating grants and contributions		(343,058)
Non-program general state aid		$1,492,019

NOTE 4. CASH DEPOSITS AND INVESTMENTS

Cash and investments held in the name of the 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 the 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 Debt Service Fund represent the amount available for debt service payments on the Unlimited Tax General Obligation Bonds and PBC Leases. The cash and investments in escrow in the Capital Projects Fund represent the unspent proceeds from the Unlimited Tax General Obligation Bonds and other revenues.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

Cash

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.

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 requirements and or asset unless either: 1) the bank has assets exceeding $500.0 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. Repurchase agreement collateral shall not be less than 102%. 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 the CPS. Collateral shall be only those securities authorized as allowable investments.

As of June 30, 2015, the book amount of CPS' deposit accounts was $138.0 million. The bank balances totaled $767.6 million as of June 30, 2015. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2015. 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. CPS' Investment Policy is derived from this Act. 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 CPS' Investment Policy and meet certain other regulatory requirements.

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.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

At June 30, 2015, CPS had the following investments ($000's) and maturities:

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1-5 Years
Repurchase Agreements	Aaa/AA+/AAA	$ 73,913	$ 73,913	$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	189,835	76,149	113,686
U.S. Treasury Notes	Aaa/AA+/AAA	57,129	5,178	51,951
Commercial Paper	A1/A1+/P1	152,465	152,465	—
Money Market Mutual Funds	AAAm/Aaa-mf	104,140	104,140	—
Total Investments		$577,482	$411,845	$165,637
Cash and CDs		138,017		
Total Cash and Investments		$715,499		

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. CPS' Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2015 one issuer, ING US Funding, represented approximately 6.9% of total investments. No other issuer represented over 5%. Investments issued by the U.S. government and government agencies and investments in mutual funds are excluded from the concentration of credit risk.

Custodial Risk — The custodial risk for deposits or investments is the risk that, in the event of the failure of a depository financial institution or the counterparty to a transaction, a government will not be able to recover deposits, the value of investment, or collateral securities that are in the possession of an outside party. CPS' Investment Policy requires depository balances to be supported by collateral with aggregate market value equal to at least 102% of amounts on deposit. The collateral must be permissible under the CPS Investment Policy and held by a third-party custodian in the City of Chicago's name on behalf of CPS. For investments, the City Treasurer's Office (CTO) serves as a custodian for CPS. The CTO obtains custodial services at a bank that does not accept deposits, only investments. All otherwise uninvested balances are swept daily into a money market fund, and therefore no collateral is required.

Interest Rate Risk — Interest rate risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. 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.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

The following table provides a summary of CPS' total cash and investments as of June 30, 2015 ($000's):

Fund:	Amount
General Operating Fund	$155,158
Capital Projects Fund	13,315
Debt Service Fund	547,026
Total Cash and Investments	$715,499

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2015 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	$1,171,120	$ —	$26,814	$1,197,934	$1,197,934
Replacement taxes	33,183	—	—	33,183	33,183
State aid	589,052	15,770	—	604,822	604,822
Federal aid	112,232	178	3,103	115,513	115,513
Other	11,458	9,419	40,568	61,445	61,445
Total receivables	$1,917,045	$25,367	$70,485	$2,012,897	$2,012,897
Less: Allowance for uncollectibles — property tax	(81,293)	—	(1,861)	(83,154)	(83,154)
Less: Allowance for uncollectibles — state aid	(3,842)	—	—	(3,842)	(3,842)
Less: Allowance for uncollectibles — other	(3,355)	—	—	(3,355)	(3,355)
Total receivables, net	$1,828,555	$25,367	$68,624	$1,922,546	$1,922,546

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2015, the components of unavailable revenue reported in the fund financial statements are as follows ($000's):

Unavailable property tax revenue	$ 78,214
Other unavailable revenue	493,835
Total deferred inflows of resources	$572,049

FINANCIAL SECTION

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 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	$ 314,522	$ —	$ (1,084)	$ 313,438
Construction in progress	401,994	207,535	(163,343)	446,186
Total capital assets not being depreciated	$ 716,516	$ 207,535	$(164,427)	$ 759,624
Capital assets being depreciated:				
Buildings and improvements	$ 8,653,244	$ 256,540	$(158,272)	$ 8,751,512
Equipment and administrative software	205,783	18,612	(501)	223,894
Internally developed software	7,700	659	—	8,359
Total capital assets being depreciated	$ 8,866,727	$ 275,811	$(158,773)	$ 8,983,765
Total capital assets	$ 9,583,243	$ 483,346	$(323,200)	$ 9,743,389
Less accumulated depreciation for:				
Buildings and improvements	$(3,322,932)	$(250,010)	$ 128,890	$(3,444,052)
Equipment and administrative software	(79,180)	(16,127)	501	(94,806)
Internally developed software	(5,950)	(954)	—	(6,904)
Total accumulated depreciation	$(3,408,062)	$(267,091)	$ 129,391	$(3,545,762)
Capital assets, net of depreciation	$ 6,175,181	$ 216,255	$(193,809)	$ 6,197,627

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

Governmental activities:	
Instruction	$177,967
Pupil support services	25,145
Administrative support services	12,950
Facilities support services	19,479
Instructional support services	20,769
Food services	10,781
Total depreciation expense	$267,091

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.

NOTE 6. CAPITAL ASSETS (continued)

Construction Commitments

CPS had active construction projects as of June 30, 2015. These projects include new construction and renovations of schools. At year-end, CPS had approximately $62.1 million in outstanding construction commitments.

NOTE 7. INTERFUND TRANSFERS AND BALANCES

Interfund Transfers

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 Improvement Program	$ 146,549
Due to Capital Asset Program	(25,978)
Due to Bond Redemption and Interest Program	(5)
Total — Net due from (to) other funds	$ 120,566
Capital Projects Fund:	
Capital Assets Program — Due from General Operating Fund	$ 25,978
Capital Improvement Program — Due to General Operating Fund	(146,549)
Total — Net due from (to) other funds	$(120,571)
Debt Service Fund:	
Bond Redemption and Interest Program — Due from General Operating Fund	$ 5

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 Improvement Program to the General Operating Fund is expected to be repaid through a future bond issuance.

Transfers

In fiscal year 2015, CPS transferred from the General Operating Fund $12.9 million to the Debt Service Fund.

NOTE 8. LONG-TERM DEBT

2014 Tax Anticipation Notes

CPS closed on three series of 2014 tax anticipation notes during fiscal year 2015 for working capital purposes. The financings provided liquidity support within the fiscal year. The total capacity on the notes is $700.0 million.

On December 19, 2014, CPS issued $250.0 million (Series 2014A TANs) and $250.0 million (Series 2014B TANs) in Educational Purposes Tax Anticipation Notes in direct placements with PNC Bank NA and BMO Harris Bank, NA, respectively. On June 26, 2015, CPS issued $200.0 million (Series 2014C TANs) in Educational Purposes Tax Anticipation Notes in a direct placement with JP Morgan.

NOTE 8. LONG-TERM DEBT (continued)

Each of the TANs are backed by CPS' 2014 Education Property Tax Levy collected in two installments in 2015. The levy disbursements are intercepted by a trustee and used to repay each issue. When balances of the issues are fully repaid, all remaining levy monies are disbursed to CPS. The Series 2014A&B TANs are structured as revolving facilities that can be drawn and repaid until the earlier of 60 days after the second installment due date of tax year 2014 property taxes or December 18, 2015.

The Series 2014C TANs are structured as a single maturity issued at closing and they do not revolve. They mature on September 30, 2015 and they are subject to redemption by CPS in whole or in part at any time prior to maturity at the option of CPS on or after July 20, 2015.

Short-term debt activity for the year ended June 30, 2015 was as follows ($000's):

	Balance June 30, 2014	Draws	Repayments	Balance June 30, 2015
Tax anticipation notes	$ —	$1,804,430	$(1,104,430)	$700,000

General Obligation Bonds

Unlimited Tax General Obligation Line of Credit Bonds Series 2013BC

As of June 30, 2014, CPS had a total of $131.6 million outstanding on its Series 2013B and Series 2013C lines of credit. The purpose of these lines of credit is to reduce interest expense by delaying the issuance of long-term debt to finance capital expenditures. Accordingly, CPS first pays capital expenditures out of operating funds, then reimburses the operating fund from the lines of credit on an as-needed basis to meet liquidity needs. During fiscal year 2015 additional draws on the lines were made by CPS, and in April 2015, CPS refinanced the remaining amount owed of $208.6 million on the lines of credit through the issuance of Series 2015CE bonds. CPS terminated the lines of credit in May 2015. Activity for the year ended June 30, 2015 was as follows ($000's):

	Balance June 30, 2014	Draws	Repayments	Balance June 30, 2015
2013BC lines of credit	$131,600	$83,780	$(215,380)	$ —

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenue) Series 2015AG

In March 2015, CPS issued $178.1 million Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenue) as variable-rate, Series 2015A and 2015G. The proceeds of the Series 2015A Bonds were used to refund outstanding Series 2000B Bonds and the proceeds of the Series 2015G Bonds were used to refund outstanding Series 2011D Bonds.

Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2015C and 2015E Project Bonds

In April 2015, CPS issued $300.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) as fixed-rate, Series 2015C and 2015E. The proceeds of the Bonds were used to reimburse CPS for expenditures that were part of CPS' Capital Improvement Program (including green projects in the case of Series 2015E), repay the Series 2013BC lines of credit that had previously reimbursed CPS for capital expenditures, fund capitalized interest on the Bonds, and pay the cost of issuance of the Bonds and the Series 2015AG bonds.

Chicago Public Schools

FINANCIAL SECTION

NOTE 8. LONG-TERM DEBT (continued)

The following is a summary of the changes in bonds outstanding ($000's):

Series	Orginal Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding June 30, 2014	Accreted Interest
2015G	$ 88,900	Refunding	Variable	3/1/2032	$ —	$ —
2015E	20,000	Capital Improvement	5.13%	12/1/2032	—	—
2015C	280,000	Capital Improvement	5.25%	12/1/2039	—	—
2015A	89,200	Refunding	Variable	3/1/2032	—	—
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	114,920	—
2012B	109,825	Refunding	5.00%	12/1/2034	109,825	—
2012A	468,915	Capital Improvement	5.00%	12/1/2042	468,915	—
2011D	95,000	Refunding	Variable	3/1/2032	91,200	—
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—
2011C-1	51,000	Refunding	Variable	3/1/2032	49,200	—
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	64,575	—
2010F	183,750	Refunding	5.00%	12/1/2031	183,750	—
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	—
2009F	29,125	Capital Improvement	2.50% to 5.00%	12/1/2016	12,325	—
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	52,465	—
2008C	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	—
2008B	240,975	Refunding	Variable	3/1/2034	200,775	—
2008A	262,785	Refunding	Variable	12/1/2030	262,785	—
2007D	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	187,375	—
2007C	6,870	Refunding	4.00% to 4.375%	12/1/2021	4,915	—
2007B	197,765	Refunding	5.00%	12/1/2024	197,765	—
2006B	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	305,875	—
2006A	6,853	Capital Improvement	0.00%	6/1/2021	6,853	—
2005B	52,595	Refunding	5.00% to 5.50%	12/1/2021	38,030	—
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	187,490	—
2004G	56,000	Capital Improvement	4.00% to 6.00%	12/1/2022	11,195	—
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	186,580	—
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	34,820	—
2001B	9,440	Capital Improvement	0.00%	10/23/2015	9,440	—
2000B,C,D	303,000	Capital Improvement	Variable	3/1/2032	91,400	—
1999A	532,553	Capital Improvement/ Refunding	4.30% to 5.30%	12/1/2031	436,839	247,987
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	266,259	328,579
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	17,245	25,136
Total Bonds					$5,944,516	$601,702
Less Current Portion						
For Net Premium/ (Discount)						
Total Long-term Debt, net of Current Portion and Premium/Discount						

NOTE 8. LONG-TERM DEBT (continued)

Principal and Accreted Interest June 30, 2014	Issuances	Retirements	Principal Outstanding June 30, 2015	Accreted Interest	Principal and Accreted Interest June 30, 2015
$ —	$ 88,900	$ —	$ 88,900	$ —	$ 88,900
—	20,000	—	20,000	—	20,000
—	280,000	—	280,000	—	280,000
—	89,200	—	89,200	—	89,200
157,055	—	—	157,055	—	157,055
124,320	—	—	124,320	—	124,320
114,920	—	(7,990)	106,930	—	106,930
109,825	—	—	109,825	—	109,825
468,915	—	—	468,915	—	468,915
91,200	—	(91,200)	—	—	—
44,100	—	—	44,100	—	44,100
49,200	—	(2,000)	47,200	—	47,200
402,410	—	—	402,410	—	402,410
64,575	—	(25,985)	38,590	—	38,590
183,750	—	(7,120)	176,630	—	176,630
125,000	—	—	125,000	—	125,000
257,125	—	—	257,125	—	257,125
254,240	—	—	254,240	—	254,240
12,325	—	—	12,325	—	12,325
518,210	—	—	518,210	—	518,210
52,465	—	—	52,465	—	52,465
464,655	—	—	464,655	—	464,655
200,775	—	—	200,775	—	200,775
262,785	—	—	262,785	—	262,785
187,375	—	—	187,375	—	187,375
4,915	—	(375)	4,540	—	4,540
197,765	—	—	197,765	—	197,765
305,875	—	—	305,875	—	305,875
6,853	—	—	6,853	—	6,853
38,030	—	(15,295)	22,735	—	22,735
187,490	—	(6,405)	181,085	—	181,085
11,195	—	(11,195)	—	—	—
186,580	—	(54,845)	131,735	—	131,735
4,585	—	—	4,585	—	4,585
34,820	—	(3,150)	31,670	—	31,670
9,440	—	—	9,440	—	9,440
91,400	—	(91,400)	—	—	—
684,826	—	(17,279)	419,560	253,196	672,756
594,838	—	(9,215)	257,044	348,094	605,138
42,381	—	(6,113)	11,132	17,881	29,013
$6,546,218	$478,100	$(349,567)	$6,073,049	$619,171	$6,692,220
(161,955)					(158,490)
115,684					93,117
$6,499,947					$6,626,847

FINANCIAL SECTION

NOTE 8. LONG-TERM DEBT (continued)

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

Bonds	$(118,511)
Accreted Interest	(39,979)
Subtotal	$(158,490)
Lease Obligations	(38,865)
Total Current Portion	$(197,355)

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, General State Aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

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, 2015 are as follows ($000's):

Description	Amount Defeased	Amount Outstanding
Unlimited Tax General Obligation Bonds Series 2005C	$53,750	$33,200

Future debt and associated swap payments (see Note 10). Interest rates on fixed rate bonds range from 1.75% to 6.52%, except that CPS does not pay or accrue interest on the Series 2006A, Series 2003C Bonds, or the Series 2001B 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. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June 2015, and remain the same for the life of the bonds.

FINANCIAL SECTION

NOTE 8. LONG-TERM DEBT (continued)

Debt service requirements for the Unlimited Tax General Obligation Bonds and net swap payments are scheduled as follows ($000's):

	Fixed Rate Bonds		Variable Rate Bonds			
Fiscal Year(s)	Principal	Interest	Principal	Estimated Interest*	Interest Rate Swaps, Net**	Total***
2016	$ 100,406	$ 268,038	$ 18,105	$ 12,817	$8,596	$ 407,962
2017	131,208	264,479	24,260	15,520	—	435,467
2018	146,572	250,316	24,975	15,143	—	437,006
2019	149,030	245,178	28,555	14,730	—	437,493
2020	159,381	253,815	30,870	14,232	—	458,298
2021	182,995	263,222	32,505	13,685	—	492,407
2022	167,753	257,692	34,105	13,106	—	472,656
2023	174,878	251,983	35,590	12,495	—	474,946
2024	171,687	242,184	45,310	11,834	—	471,015
2025	177,918	235,686	47,565	11,087	—	472,256
2026	414,523	227,019	88,250	10,151	—	739,943
2027	166,215	218,302	92,700	8,942	—	486,159
2028	170,865	211,543	97,380	7,654	—	487,442
2029	125,397	258,715	102,270	6,298	—	492,680
2030	383,822	247,316	107,410	4,874	—	743,422
2031	157,304	234,924	112,820	3,334	—	508,382
2032	171,850	272,364	64,065	2,007	—	510,286
2033	99,735	93,473	42,185	1,097	—	236,490
2034	105,370	87,931	43,955	719	—	237,975
2035	126,725	81,751	30,375	359	—	239,210
2036	147,195	74,660	18,015	122	—	239,992
2037	162,740	66,574	—	—	—	229,314
2038	189,600	56,974	—	—	—	246,574
2039	200,140	46,141	—	—	—	246,281
2040	211,270	34,773	—	—	—	246,043
2041	176,070	24,076	—	—	—	200,146
2042	185,860	14,473	—	—	—	200,333
2043 +	195,275	4,882	—	—	—	200,157
Total	$4,951,784	$4,788,484	$1,121,265	$180,206	$8,596	$11,050,335

* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2015, calculated at:

Series 2008A — 0.93400% x outstanding principal
Series 2008B — 0.93400% x outstanding principal
Series 2011C-1 — 1.02000% x outstanding principal
Series 2011C-2 — 1.17000% x outstanding principal
Series 2013A-1 — 0.70810% x oustanding principal
Series 2013A-2 — 0.82000% x oustanding princpal

NOTE 8. LONG-TERM DEBT (continued)

Series 2013A-3 — 0.90000% x oustanding principal
Series 2015A — 4.07000% x outstanding principal
Series 2015G — 4.07000% x outstanding principal

** Swap interest assumes current LIBOR and SIFMA rates remain the same as of June 30, 2015, calculated at:

Series 2008A — Swaps terminated in FY 2015, see Note 10
Series 2008B — (3.771%-0.13055%) x swap principal (Swap terminated during FY 2016. See Note 10 and Subsequent Events)
Series 2013A-1 — (3.6617%-0.13076%) x swap principal (Swap terminated during FY 2016. See Note 10 and Subsequent Events)
Series 2013A-2 — (3.825%-0.13076%) x swap princpal (Swap terminated during FY 2016. See Note 10 and Subsequent Events)
Series 2013A-3 — (3.6617%-0.13076%) x swap principal (Swap terminated during FY 2016. See Note 10 and Subsequent Events)
Series 2011D — Swaps transferred to Series 2015G and subsequently terminated in FY 2015, see Note 10

*** Does not include debt backed by leases with the Public Building Commission, discussed in Note 9.
+ Final debt service payment on existing Tax General Obligation Bonds due in FY 2043.

Floating Rate Note Securities

In December 2011, CPS issued $51.0 million (Series 2011C-1) and $44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D. The interest rate for each series was placed in an initial index floating rate whereby it is reset monthly. For Series 2011C-1, the initial index floating rate is equal to the SIFMA Index plus 95 basis points. For Series 2011C-2, the initial index floating rate is equal to the SIFMA Index plus 110 basis points. The initial index floating rate on the 2011C-1 bonds expires on February 29, 2016, and the initial index floating rate on the 2011C-2 bonds expires on February 28, 2017. Beginning six months prior to the end of each initial index floating rate period, CPS has a call option to refinance or convert each series of bonds to a different interest mode. Any series of bonds that is not successfully converted or refinanced at the time of the initial index floating rate mode expiration will begin to bear interest at the Statutory Maximum Rate (9%) under Illinois law, but the scheduled final maturity of the bonds will not change.

In May 2013, CPS issued $122.6 million (Series 2013A-1), $124.3 million (Series 2013A-2), and $157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B. The interest rate for each series was placed in an initial index floating rate whereby it is reset either weekly or monthly. For Series 2013A-1, the initial index floating rate is equal to 70% of One Month Libor plus 58 basis points. For Series 2013A-2, the initial index floating rate is reset weekly and equal to the SIFMA Index plus 75 basis points. For Series 2013A-3, the initial index floating rate is reset weekly and equal to the SIFMA Index plus 83 basis points. The initial index floating rate on the 2013A-1 bonds expires on June 1, 2016, the initial index floating rate on the 2013A-2 bonds expires on June 1, 2017, and the initial index floating rate on the 2013A-3 bonds expires on June 1, 2018. Beginning six months prior to the end of each initial index floating rate period, CPS has a call option to refinance or convert each series of bonds to a different interest mode. Any series of bonds that is not successfully converted or refinanced at the time of the initial index floating rate expiration will begin to bear interest at the Statutory Maximum Rate under Illinois law, but the scheduled final maturity of the bonds will not change.

NOTE 8. LONG-TERM DEBT (continued)

In March 2015, CPS issued $89.2 million (Series 2015A) and 89.9 million (2015G) variable rate bonds. The bonds refunded the former Series 2000B and 2011D. The interest rate for each series was placed in an initial index floating rate whereby it is reset either weekly or monthly. For 2015A the initial index floating rate is reset weekly and equal to SIFMA Index plus 400 basis points. For 2015G the initial index floating rate reset is weekly and equal to SIFMA Index plus 400 basis points. The initial index floating rate on the 2015A and 2015G bonds expires on March 1, 2017. Beginning six months prior to the end of each initial index floating rate period, CPS has a call option to refinance or convert each series of bonds to a different interest mode. Any series of bonds that is not successfully converted or refinanced at the time of the initial index floating rate expiration will begin to bear interest at the Statutory Maximum Rate under Illinois law, but the scheduled final maturity of the bonds will not change.

Direct Placements

In May 2008, CPS 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. The bonds are subject to optional redemption prior to their Maturity Date at the option of CPS, in whole or in part [and, if in part, in an Authorized Denomination ($100,000 and any integral multiple 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.

Accreted Interest

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows ($000's):

Series	Accreted Interest June 30, 2014	Increase	Payment	Accreted Interest June 30, 2015
1997A	$ 25,136	$ 1,877	$ (9,132)	$ 17,881
1998B-1	328,579	30,700	(11,185)	348,094
1999A	247,987	23,075	(17,866)	253,196
	$601,702	$55,652	$(38,183)	$619,171

NOTE 9. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the Public Building Commission (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 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, 2015 amounted to $0.5 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

NOTE 9. LEASE OBLIGATIONS (continued)

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.

Future PBC lease rentals and other capitalized leases due at June 30, 2015, are as follows ($000's):

Fiscal Year(s)	PBC Lease Rentals	Other	Total
2016	$ 51,997	$ 424	$ 52,421
2017	52,020	424	52,444
2018	52,069	424	52,493
2019	52,099	424	52,523
2020	30,635	424	31,059
2021	—	647	647
Total Rentals	$238,820	$ 2,767	$241,587
Less — Interest and other costs	(42,350)	(1,367)	(43,717)
Principal amount of rental due	$196,470	$ 1,400	$197,870

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
PBC Leases	$232,940	$ —	$(36,470)	$196,470
Other Capitalized Leases	1,575	—	(175)	1,400
Total Lease Obligations	$234,515	$ —	$(36,645)	$197,870
Less: Current Portion PBC Leases				(38,690)
Current Portion Other Capitalized Leases				(175)
Total Long-Term Leases Outstanding				$159,005

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.

In fiscal year 2015 CPS relocated the headquarters office to 42 West Madison Street. CPS leased a portion of the building for fifteen years from November 2014 through November 2029.

Total expenditures for operating leases for the fiscal year ending June 30, 2015 were $17.9 million. The following is a summary of operating lease commitments as of June 30, 2015 (000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2016	$ 3,838	$ 15,011	$ 18,849
2017	2,625	13,678	16,303
2018	1,554	13,590	15,144
2019	193	13,872	14,065
2020	1	13,530	13,531
2021-2025	—	65,818	65,818
2026-2030	—	28,519	28,519
Total Operating Lease Commitments	$ 8,211	$164,018	$172,229

NOTE 10. DERIVATIVE INSTRUMENTS

Interest Rate Derivatives

Interest rate derivatives (swaps) are financing structures which exchange interest payments and are used as risk management or investment tools. GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments, addresses the recognition, measurement and disclosure of derivative instruments entered into by state and local governments. The statement divides all derivatives into two types: 1) "hedging derivative instruments", which are used to manage risk, and 2) "investment derivative instruments", which are used for any other purpose or do not meet the requirements of an effective hedging derivative instrument. GASB Statement 53 requires governments to measure derivative instruments at fair market value in their financial statements. Derivative instruments can expose governments to risks and liabilities, one of which is changes in fair market value of the derivative instruments.

Breakdown of Outstanding Derivatives

In March 2015, in connection with the refunding of the Series 2011D Bonds, CPS transferred the Series 2011D swap to the Series 2015G refunding bonds. The counterparty Royal Bank of Canada remained.

In May and June 2015, CPS terminated four outstanding swaps and transferred and modified certain thresholds with respect to Additional Termination Events (ATE) on four additional swaps.

The four terminated swaps were (1) Series 2005A basis swap with Merrill Lynch for a total termination payment of $0.3 million, (2) Series 2008A swap with Bank of America for a total termination payment of $40.6 million, (3) Series 2008A swap with Royal Bank of Canada for a total termination payment of $53.3 million, and (4) Series 2015G swap with Royal Bank of Canada for a total termination payment of $16.1 million.

CPS transferred all three swaps with Loop Financial Products I LLC to Deutsche Bank AG. At the same time, the ATE rating threshold on these swaps for any two of Fitch, S&P and Moody's was reduced to withdrawn or below "BBB-" in the case of Fitch, "BBB" in the case of S&P, and "Baa3" in the case of Moody's. In addition, the ATE Rating threshold on one remaining swap with Royal Bank of Canada related to the Series 2013A-2 Bonds ($124.3 million notional amount) for any two ratings of Fitch, S&P and Moody's was reduced to withdrawn or below "BB" in the case of Fitch, "BB" in the case of S&P and "Ba2" in the case of Moody's.

FINANCIAL SECTION

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

CPS has six interest rate swaps as of June 30, 2015. There are five pay-fixed, receive-variable interest rate swaps, known as “synthetic fixed”, and there is one swap that exchanges two variable interest rate indices, known as a “basis swap”. The following table summarizes the interest rate swaps outstanding as of the end of the period:

Type	Current Notional Amount ($000’s)	Current Series	Trade Date	Effective Date	End Date	Terms	Fair Values ($000’s)	Counterparty (Rating M/SP/F)
Effective Hedges:								
Synthetic Fixed	90,000	2008B	12/08/03	12/12/03	03/01/34	Pay 3.771% Receive 70% of 1ML	(18,363)	Goldman Sachs Capital Markets, L.P. (A3/A-/A)
Synthetic Fixed	95,350	2008B	12/08/03	12/12/03	03/01/34	Pay 3.771% Receive 70% of 1ML	(19,455)	Goldman Sachs Bank USA (A3/A-/A)
Synthetic Fixed	106,930	2013A-1	11/30/05	12/08/05	03/01/26	Pay 3.6617% Receive 70% of 1ML	(13,359)	Deutsche Bank AG (A3/BBB+/A)
Synthetic Fixed	124,320	2013A-2	02/13/07	03/01/07	03/01/35	Pay 3.825% Receive 70% of 1ML	(30,670)	Royal Bank of Canada (Aa3/AA-/AA)
Synthetic Fixed	157,055	2013A-3	11/30/05	12/08/05	03/01/36	Pay 3.6617% Receive 70% of 1ML	(37,932)	Deutsche Bank AG (A3/BBB+/A)

* 1ML — One month London Interbank Offered Rate (LIBOR)

Type	Current Notional Amount ($000’s)	Current Series ($000’s)	Trade Date	Effective Date	End Date	Terms	Fair Value ($000’s)	Counterparty (Rating M/SP/F)
Investment Derivatives:								
Basis Swap	108,651	2005A	10/05/05	11/01/05	12/01/31	Pay SIFMA Receive 70% 1ML + 0.524%	2,561	Deutsche Bank AG (A3/BBB+/A)
TOTAL							$(117,218)	

Amounts Presented in the Statement of Net Position:

Assets:	
Derivative instrument	$ 1,353
Liabilities:	
Derivative instrument liability	(37,818)
Swap implicit borrowing	(80,753)
Total interest rate swaps	$(117,218)

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

Fair Value

The following table summarizes changes in fair value for fiscal year 2015 ($000's):

	Current Notional Amount	Fair Value at June 30, 2014	Change in Fair Value*	Fair Value at June 30, 2015
Effective Hedges:				
Synthetic fixed swaps	$573,655	(215,126)	$95,347	$(119,779)
Investment Derivatives:				
Basis Swaps	108,651	87	2,474	2,561
TOTAL	$682,306	$(215,039)	$97,821	$(117,218)

* Includes termination payments of $110 million made in fiscal year 2015.

Credit Risk

As of June 30, 2015, CPS' hedging derivatives are all net liabilities. CPS has interest rate swaps with three different counterparties. CPS monitors counterparty credit risk on an ongoing basis. The associated credit risk for the hedging derivatives is not considered material. All of CPS' interest rate swap counterparties are currently rated A or higher by Fitch, BBB+ or higher by S&P, and A3 or higher by Moody's. CPS manages credit risk by requiring its counterparties to post collateral in certain events. CPS is entitled to collateral from its counterparties if a net position with a counterparty is an asset of $25 million or more and the counterparty is rated below AA by Fitch and/or S&P, or Aa3 by Moody's. CPS is currently only required to post collateral under the terms of the revised swap agreement with Royal Bank of Canada equal to 50% of their exposure should the CPS credit rating be withdrawn or reduced by any two of Fitch, S&P and Moody's to or below "BB" in the case of Fitch, "BB" in the case of S&P and "Ba2" in the case of Moody's. As of the date of this report CPS had no collateral posted.

Interest Rate Risk

All hedging derivatives are pay-fixed, receive-variable, cash flow hedges hedging a portion of CPS' variable rate debt.

Basis Risk

CPS is exposed to basis risk to the degree that variable payments on the hedged item are not offset by the variable receipts from the hedging derivative. All of CPS' hedged variable rate bonds, the Series 2008B, and 2013A-1, A-2, A-3 are index variable rate bonds. There is little basis risk on the hedged portion of the 2008B, or 2013A-1 indexed bonds because the hedged variable payments are based on the same index, 1-Month LIBOR, as the variable receipts from the hedging derivative. In the hedged portion of the Series 2005A, 2013A-2 and A-3, CPS is exposed to basis risk because the variable rate receipts from the hedging derivatives are based on a rate or index other than the interest rates CPS pays on the bonds.

Termination Risk

CPS or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, CPS' swap counterparties have the right to terminate a derivative if the credit rating of CPS' unenhanced, unlimited tax general obligation bonds is withdrawn or reduced to a certain level. Under the terms of the Goldman Sachs swap agreements, the CPS credit rating by both, Moody's, and S&P must be withdrawn or reduced below BBB in the case of S&P, and

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

Baa2 in the case of Moody's. Under the terms of the Royal Bank of Canada swap agreement, the CPS credit rating must be withdrawn or reduced by any two of Fitch, S&P and Moody's below "BB" in the case of Fitch, "BB" in the case of S&P and "Ba2" in the case of Moody's. Under the terms of the Deutsche Bank swap agreements, the CPS credit rating by any two of Fitch, S&P and Moody's must be withdrawn or reduced below "BBB-" in the case of Fitch, "BBB-" in the case of S&P and "Baa3" in the case of Moody's.

If such an event occurs, CPS could be forced to terminate a derivative in a liability position. As of June 30, 2015, CPS' unenhanced, unlimited tax general obligation bonds are rated "BBB-" by Fitch, "A-" by S&P, and "Ba3" by Moody's.

Rollover Risk

Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. As of June 30, 2015, rollover risk is not considered material.

Foreign Currency Risk

All hedging derivatives are denominated in US Dollars and therefore CPS is not exposed to foreign currency risk.

NOTE 11. OTHER BENEFITS AND CLAIMS

Sick Pay Benefits

CPS provides sick pay benefits for substantially all of its employees. Eligible employees were able to accumulate a maximum of 325 sick days granted before July 1, 2012. If an employee either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement, or dies, the employee is entitled to receive, as additional cash compensation, all or a portion of 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.

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

Workers' Compensation, General and Automobile and Tort Liabilities and Other Claims

CPS is substantially self-insured and assumes risk of loss as follows:

CPS maintains commercial excess property insurance for "all risks" of physical loss or damage with limits of $250.0 million and Boiler and Machinery Insurance with limits of $100.0 million with the following deductibles:

Data processing equipment and media (property)	$ 25,000
Mechanical breakdown	$ 50,000
All other losses (property)	$1,000,000

CPS maintains commercial excess liability insurance with limits of $50.0 million in excess of a $5.0 million self-insured retention per loss for claims arising from general, automobile, school board legal, employment practices, and miscellaneous professional liability; additional coverage includes special events, crime, fiduciary, special crime, pollution, and catastrophic student accident insurance (under Public Act 98-0166, also known as "Rocky's Law"). During fiscal years 2015, 2014, and 2013 there were no casualty claims made in excess of the self-insured retention.

As discussed in Note 14, there are pending workers' compensation and tort claims involving CPS which have arisen out of the ordinary conduct of business. CPS budgets an amount each year in the Workers' and Unemployment Compensation/Tort Immunity Fund for the estimated claims, of which the expenditures are met through an annual tax levy.

CPS' estimate of liabilities for workers' compensation claims, general and automobile claims are actuarially determined based on loss estimates established by the respective claim administrators. Tort liabilities are based on loss estimates established by the respective trial attorneys. CPS accrues for the estimated workers' compensation, general and automobile claims and tort claims in the General Operating Fund when there is likelihood that an unfavorable outcome is probable and those expenditures will be liquidated with expendable available financial resources. Total expenditures reported in the fund financial statements amounted to $37.3 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, 2014	Increase/ (Decrease)	Payments	Balance June 30, 2015
Accrued sick pay benefits	$357,321	$10,605	$(25,633)	$342,293
Accrued vacation pay benefits	60,992	5,299	(7,247)	59,044
Accrued workers' compensation claims	129,280	28,424	(25,005)	132,699
Accrued general and automobile claims	6,218	2,927	(933)	8,212
Tort liabilities and other claims	10,778	10,800	—	21,578
Total	$564,589	$58,055	$(58,818)	$563,826
Less: Current portion of accrued sick pay benefits				(43,092)
Less: Current portion of accrued vacation pay benefits				(11,068)
Less: Current portion of accrued workers' compensation claims				(25,180)
Less: Current portion of accrued general and automobile claims				(3,225)
Total long-term other benefits and claims				$481,261

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

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

Balance July 1, 2013	Additions	Payments	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
$120,076	$41,062	$(25,640)	$135,498	$31,351	$(25,938)	$140,911

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of $52.7 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes $26.4 million for estimated medical claims incurred but not reported as of June 30, 2015. The following is the activity related to medical claims for which CPS is self-insured ($000's):

Balance July 1, 2013	Additions	Payments	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
$49,956	$383,721	$(385,516)	$48,161	$391,441	$(388,898)	$52,704

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated)

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CPS' contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Pension — Certified Teachers and Administrators

Plan Description: Pension benefits for certified teachers and administrators are provided under a defined benefit cost-sharing multiple employer plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago (the "CTPF") in which the CPS is the major contributor. Copies of the Pension Fund Annual Report are available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

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, 2014, CTPF Annual report, there were 30,654 active participants in the Pension Fund, substantially all of whom were employees of CPS.

Benefits Provided: A member of the Pension Fund who became a participant prior to January 1, 2011 with at least 20 years of service is entitled to a pension upon attainment of age 55. A member with at least 5 but less than 20 years of service is entitled to a pension upon attainment of age 62. The pension benefit is based upon years of service and salary level.

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 $1.5 per month, whichever is greater.

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, a member is entitled to a pension after attainment of age 67 with at least 10 years of service. However, 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 the social security wage base of $110.6 for 2014 and shall be increased by the lesser of 3% or 0.5% change in the Consumer Price Index-U during the preceding 12-month 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 2015, total employee contributions were $168,129, as in previous fiscal years, CPS paid a portion (7% or $129,651) of the required employees' contribution, which has been recorded as a deferred outflow of resources in the accompanying financial statements. A portion of grant funds from the Federal government and General Operating Fund revenues provides the funding of the 7% portion. The remaining portion (2%) is withheld from teachers' salaries.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

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, 2015, total contributions to the plan were $696,522. Of this amount, $20,804 were Charter School contributions and $62,145 were Contributions from the State of Illinois. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows:

Retirement benefit contributions:	
A contribution to increase funded ratio to 90%	$593,129
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded programs	20,444
Charter school contributions	20,804
CPS contributions on-behalf of employees	129,651
Sub-total employer contributions	764,028
Contributions from the State of Illinois	62,145
Total CTPF contributions	$826,173

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability recognized by CPS is $9.501 billion or 100%. CPS recorded 100% of the plan's liability as part of implementing GASB 68. 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, 2014, 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 2015 fiscal year was $919,796.

Employer Deferral of Fiscal Year 2015 Pension Contributions: CPS paid $764,028 in contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date as of June 30, 2014. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2015. As June 30, 2015, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources:

	Deferred inflow of resources	Deferred outflow of resources
Difference between expected and actual experience	$ 12,152	$ —
Net difference between projected and actual investment earnings on pension plan investments	765,115	—
Contributions after the measurement date	—	$764,028
Totals	$777,267	$764,028

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

The $764,028 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:	Deferred Inflow of Resources
2016	$193,304
2017	193,304
2018	193,304
2019	193,304
2020	2,025
Thereafter	2,026
Total	$777,267

Assumptions and Other Inputs

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25% to 15.75%, varying by age
Inflation	2.75%
Cost-of-living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA. The RP-2000 Disabled Mortality Table, set back 3 years. The mortality tables specified above without future generational improvement reasonably reflect the projected mortality experience of the Fund as of the measurement date. The healthy mortality table was then adjusted to future years using additional generational improvement using Scale AA to anticipate future mortality improvement.

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

FINANCIAL SECTION

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	62.5%	7.70%
Fixed Income	19.5%	3.10%
Real Estate	9.0%	6.20%
Private Equity	3.0%	8.70%
Hedge Funds	2.0%	5.10%
Commodities	2.0%	2.80%
Cash Equivalents	2.0%	2.00%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made as specified by Public Act 96-0889. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents CPS' net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
$12,136,287	$9,501,206	$7,312,538

Additional information regarding the CTPF basic financial statements including the Plan Net Position can be found in the CTPF comprehensive annual financial report by accessing the website at www.ctpf.org.

Pension — Other Personnel

Plan Description: All career service employees of CPS, except CPS employees who are members of the Public School Teachers' Pension and Retirement Fund, participate in the Municipal Employees' Annuity and Benefit Fund of Chicago (the "MEABF"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2014, CPS employed approximately 16,732 of the 30,160 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.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

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 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 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 1/2 percent for each full month the employee is under age 65. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

The highest salary for annuity purposes may not exceed the base of $110.6 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 FY2014 and FY2015 were $110.6 and $111.6, respectively.

Contributions: Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (9.0%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of $106.8 adjusted by inflation. In fiscal year 2015, as in previous fiscal years, CPS agreed to pay a portion (7% — $38.6 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 $102.0 million, $38.6 million of this amount represents the required employees' contribution paid by CPS on behalf of its employees; $58.2 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $5.2 million is funded under Federally-funded programs. The portion funded by the City of Chicago and Federal Government is also reflected as revenue in the General Operating Fund. In fiscal year 2016, CPS proportionate share of contributions on behalf of employees decreased from 7% to 5%.

Employer Proportionate Share of Net Pension Liability: At December 31, 2014, the MEABF reported a net pension liability (NPL) of $7,127,608. 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 the CPS is $2,779,767 or 38.9%. The net pension liability was measured as of December 31, 2014. The basis of allocation used in the proportionate share of net pension liability are the actual reported contributions of the covered members during fiscal year 2015.

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

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

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 2015. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of $58,258 for fiscal year 2015.

Employer Deferral of Fiscal Year 2015 Pension Contributions: CPS paid $5.2 million in federal, trust or grant contributions for the fiscal year ended June 30, 2015. Some contributions were made subsequent to the pension liability measurement date of December 31, 2014. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2015. Total pension expense for fiscal year 2015 was $102.0 million.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 – December 31, 2009. They are the same as the assumptions used in the December 31, 2013 actuarial valuation. The total pension liability in the December 31, 2014 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, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.00%
Inflation	3.00%

The RP-2000 Combined Healthy Mortality Table, with mortality improvements projected statically to 2010 using Scale AA (adopted December 31, 2010). The mortality rates for pre-retirement are the Post-retirement mortality multiplied by 85% for males and 70% for females (adopted December 31, 2010). The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26%	5.1%
International Equity	22%	5.8%
Fixed Income	27%	0.2%
Real Estate	10%	6.1%
Private Equity	5%	11.1%
Hedge Funds	10%	3.6%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made as specified by Public Act 98-0641. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MEABF's Net Pension Liability to Changes in the Discount Rate: The amount of the proportionate share of the net pension liability recognized for CPS is $0. Therefore, changes in the discount rate would not affect CPS. However, regarding the sensitivity of MEABF's net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, 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:

1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
$8,511,386	$7,127,608	$5,955,121

Additional information regarding the MEABF basic financial statements including the Plan Net Position can be found in the MEABF comprehensive annual financial report by accessing the website at www.meabf.org.

Other Post-Employment Benefits (OPEB)

Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple employer plan administered by the Pension Fund. The actuarial analysis is contained in the Pension Fund Annual Report and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

The Pension Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in a health insurance program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers. Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 50% of the individual member's cost for calendar years 2015, 2014 and 2013. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB 45. The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although CPS does not contribute directly to retirees' health care premiums, the impact does require increased contributions by CPS to build assets to the 90% requirement. As of June 30, 2014, there were 18,171 retirees and beneficiaries currently receiving health benefits in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CPS' annual OPEB costs for fiscal year 2015 are as follows:

Annual required contribution	$ 135,729
Interest on net OPEB obligation	75,611
Adjustment to annual required contribution	(102,146)
Annual OPEB cost	109,194
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	109,194
Net OPEB obligation, beginning of year	1,680,247
Net OPEB obligation, end of year	$1,789,441

The three-year trend information for the fund is as follows:

	2015	2014	2013
Annual OPEB cost	$ 109,194	$ 143,654	$ 200,665
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	$1,789,441	$1,680,247	$1,536,593

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (in $000's unless otherwise stated) (continued)

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	29 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	4.50%
Medical trend rate	8.00%
Inflation	2.75%

As of the June 30, 2014 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $1.939 billion, and the actuarial value of assets was $36.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.903 billion, and a funded ratio of 1.86%. The covered payroll (annual payroll of active employees covered by the plan) was $2.233 billion, and the ratio of the UAAL to the covered payroll was 85.21%.

Other Personnel

Actuarial studies on other personnel (personnel other than teachers and administrators) determined that no OPEB liability exists for those employees as of June 30, 2015.

NOTE 13. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

At the end of the 2015 fiscal year, the General Operating Fund reported:

- $429 thousand of nonspendable fund balance for donations in which the principal may not be spent.
- Restricted fund balance consisted of $64.2 million for grants and donations and $41.4 million for tort liabilities.
- Assigned fund balance consisted of $79.2 million appropriated for the 2016 budget and $73.1 million for commitments and contracts.

b. Statement of Net Position

The Statement of Net Position reports $551.7 million of restricted fund balance, of which $445.7 million is restricted for debt service, $64.6 million is restricted for programs funded by grants and donations, and $41.4 million is restricted for workers' comp/tort immunity.

NOTE 14. LITIGATION AND CONTINGENCIES

a. State and Federal Aid Receipts

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of CPS management any potential adjustments to the Federal or State aid recorded by CPS through June 30, 2015 resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements at June 30, 2015.

NOTE 14. LITIGATION AND CONTINGENCIES (continued)

b. Pollution Remediation Obligation

In fiscal year 2015, CPS recorded a pollution remediation obligation of $8.1 million as current year expense in the Statement of Activities.

Several CPS facilities contain hazardous contaminates such as lead and asbestos, which is continually monitored by the school district. CPS' pollution remediation obligation is primarily related to the removal of lead and asbestos during the remodeling and/or expansion of CPS facilities. The pollution remediation obligation is derived from construction contracts and the amount assumes no unexpected change orders.

c. Vacant Property

In fiscal year 2013, CPS closed 47 schools of which some of the schools were identified to be demolished. In accordance with GASB 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* CPS recorded a liability for the estimated demolition cost of $18.7 million at June 30, 2013. As of June 30, 2015, the estimated liability remains at $18.7 million.

d. Financial Guarantees

As of June 30, 2015, CPS has entered into one nonexchange financial guarantee. The guarantee agreement is with Perspectives Charter Schools, effective July 1, 2003, which is a Charter School under the Chicago Board of Education. Perspectives Charter Schools has a Reimbursement Agreement with Harris Trust and Savings Bank and CPS has guaranteed to pay Harris Trust and Savings Bank all outstanding debt if Perspectives Charter Schools defaults in reimbursing the Bank according to the terms listed in the reimbursement agreement. This amount is not to exceed the lesser of $4,500,000 (Principal Amount) or the carrying debt amount less $1,000,000. 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 $1,000,000 or less. The gross available amount is scheduled to be reduced to $1,000,000 as of July 1, 2031. Per the June 30, 2015 audited financial statements of Perspectives Charter Schools, the most recent financial information available, the outstanding balance of the revenue bonds is $4,300,000. This guarantee is still in place as of June 30, 2015, and CPS is not aware of any qualitative factors that would trigger an event of default. Therefore, CPS is not required to record a liability for this guarantee under GASB 70.

e. Other Litigation and Claims

There are approximately four lawsuits and four union grievances 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 2015.

There are numerous other claims and pending legal actions involving CPS, including actions concerned with civil rights of employees, workers' compensation, torts, property tax objections, 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, 2015, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However, CPS has recorded a general accrual not specific to any pending legal action for these amounts. 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, 2015.

The liability for other litigation and claims increased by $10.8 million from $10.8 million in fiscal year 2014 to $21.6 million in fiscal year 2015.

NOTE 15. SUBSEQUENT EVENTS

Ratings Agency Downgrades

Standard & Poor's downgraded its long-term bond rating of CPS to "BBB" on July 2, 2015. Fitch Ratings lowered its rating to "BB+" on July 27, 2015. Following the initial release of the proposed fiscal year 2016 Budget, Standard & Poor's further lowered its rating to "BB" on August 14, 2015. Immediately following the fiscal year 2016 Budget's adoption, Kroll Bond Rating Agency lowered its rating to "BBB-" on August 27, 2015. All rating agencies expressed concern about continued fiscal imbalance and rising pension obligations of the Board. The current views by each agency are: Outlook Negative from Moody's Investor Service, Negative Watch from Fitch Ratings, Negative from Kroll Bond Rating Agency, and Credit Watch Negative from Standard & Poor's.

Swap Terminations

Since the end of fiscal year 2015, CPS has terminated all five remaining swaps. The five terminated swaps were: (1) Series 2005A basis swap with Deutsche Bank for a total termination payment to CPS of $2.7 million, (2) Series 2008B swap with Goldman Sachs for a total termination payment of $17.7 million to Goldman Sachs, (3) Series 2008B swap with Goldman Sachs for a total termination payment of $18.7 million to Goldman Sachs, (4) Series 2013A-1 and A-3 swap with Deutsche Bank for a total termination payment of $55.3 million to Deutsche Bank, and (5) Series 2013A-2 swap with Royal Bank of Canada for a total termination payment of $35.0 million to Royal Bank of Canada.

Repayment of 2014 Tax Anticipation Notes

On August 4, 2015, CPS repaid and ended its Education Purposes Tax Anticipation Notes (Series 2014C TANs). On August 28, 2015, CPS repaid and ended its Education Purposes Tax Anticipation Notes (Series 2014A&B TANs).

Issuance of 2015 Tax Anticipation Notes

CPS closed on three new series of Education Purposes Tax Anticipation Notes after the end of fiscal year 2015 for working capital purposes. The financings continue to provide liquidity support within the fiscal year. Each of the issues are backed by CPS' 2015 Education Property Tax Levy to be collected in two installments in 2016. The levy disbursements will be intercepted by a trustee, and after the second installment due date of the levy, it will be used to repay each issue.

(1) $250.0 million Education Purposes Tax Anticipation Notes (Series 2015A-1 TANs) closed on October 14, 2015. These notes were privately placed with JPMorgan. The interest rate on the Series 2015A-1 TANs is variable at 70% of One-Month LIBOR plus a margin of 2.75%. The Series 2015A-1 TANs are subject to redemption by CPS at any time on or after August 1, 2016. (2) $250.0 million Education Purposes Tax Anticipation Notes (Series 2015A-2 TANs) closed on October 28, 2015. These notes were privately placed with JP Morgan. The interest rate on the Series 2015A-2 TANs is fixed at 3.25%. The Series 2015A-2 TANs are subject to redemption on March 31, 2016 only and at any time on or after August 1, 2016. (3) $370.0 million Education Purposes Tax Anticipation Notes (Series 2015B TANs) closed on August 28, 2015. This issue was purchased by Barclays Bank. CPS has the ability to revolve the Series 2015B TANs after repayment so long as the outstanding aggregate amount of all tax anticipation notes outstanding payable from the pledged taxes does not exceed the lesser of: (a) $935.0 million and (b) eighty percent (80%) of all remaining uncollected pledged taxes. The interest rate on the Series 2015B TANs is variable at 70% of One-Month LIBOR plus a margin of 3%, and there is a fee of 2% on unutilized credit amounts under the $370.0 million capacity.

As of the date of this report, CPS has requested draws totaling $870.0 million on the 2015 Educational Purposes Tax Anticipation Notes. Each series of tax anticipation notes matures the earlier of (i) December 27, 2016 or (ii) (A) September 30, 2016, if the second installment of the pledged property tax levy (the **"Tax Penalty Date"**) is on or prior to August 1, 2016 or (B) the 60th day following the Tax

NOTE 15. SUBSEQUENT EVENTS (continued)

Penalty Date, if the Tax Penalty Date is later than August 1, 2016. On December 16, 2015, the Board also authorized the issuance of an additional amount of Education Purposes Tax Anticipation Notes in the aggregate amount up to $195.0 million. These proposed issues when completed would be on parity with the existing transactions and payable from the 2015 Education Property Tax levy.

Approval of Capital Improvement Tax Levy

In October 2015, as part of the City of Chicago's fiscal year 2016 budget, a new Capital Improvement Tax Levy for CPS was approved. The Capital Improvement Tax Levy was created by the Illinois State legislature in 2002, but not previously implemented. The Capital Improvement Tax Levy is outside of CPS's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the Capital Improvement Tax 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.

NOTE 16. CHANGE IN ACCOUNTING METHODOLOGY

Effective July 1, 2014, CPS changed its measurement period for revenue recognition for governmental funds to consider revenues to be available if collected within 60 days after the fiscal year-end. Management believes this change is preferable as it more closely aligns CPS' governmental fund available revenues to amounts used by CPS to pay current liabilities at fiscal year-end in accordance with the modified accrual basis of accounting. The cumulative effect of the restatement on beginning fund balances for fiscal year 2015 is as follows:

	June 30, 2014		
	Fund Balance as Reported	Fund Balance as Restated	Cumulative Effect of Restatement
General Operating Fund	$ 436,008	$1,083,982	$647,974
Capital Projects Fund	(91,953)	(88,016)	3,937
Debt Service Fund	685,429	726,823	41,394
	$1,029,484	$1,722,789	$693,305

NOTE 17. FUTURE SUSTAINABILITY

As of June 30, 2015, the total fund balance in the General Fund was $360.3 million. The Net Position as reported in the Government-Wide Financial Statements, is a deficit of $11,211.9 million. The fiscal year 2016 budget report was approved by the Board on August 25, 2015 and is available at http://cps.edu/budget. For fiscal year 2016, the unaudited budget report (table 1) estimates resources of $5,687.7 million, a decrease of $68.5 million from fiscal year 2015. Included in the estimate of resources is $480.0 million State Pension Equity Funding that has not yet been approved or appropriated by the State, and $200 million in debt proceeds to pay current year principal and interest payments. Without additional funding from the State, CPS will need to make difficult decisions to balance fiscal year 2017 and future budgets.

The 2016 Budget plan reflects a reduction of state funding as well as increasing personnel and operating costs, teacher pension costs and debt service costs. CPS has three main sources of revenues: 1) property taxes 2) state revenues and 3) federal revenues (some have restricted use). Property taxes, the District's largest single source of revenue has been increasing, although growth is capped at the rate of inflation (on existing properties). Federal revenues is the third major source of funding which has remained relatively stable. However between years 2011-2015, CPS has experienced a $102.7 million decline in state funding for education. The decline in state revenue over the past 5 years is a contributing factor driving budget deficit. Additionally, increasing pension, personnel and other operating costs have added budgetary pressures on the expense side.

Year over year CPS' annual budget deficits have increased due in large part to escalating pension costs, contractual increases in labor costs and declining operating revenue sources. Despite significant

NOTE 17. FUTURE SUSTAINABILITY (continued)

cuts to central office and administrative expenditures and improved efficiencies, CPS' budget deficit has grown. The increase in pension costs is largely due to recent pension UAAL contribution deferrals, lower than expected returns on plan investments, a growing unfunded balance and a change to State law requiring the plan to be 90% funded by 2059. In fiscal year 2015, CPS contributed $634.4 million to the Chicago Teachers Pension Fund (CTPF), up from $600.8 million in fiscal year 2014, forcing CPS to extend their short-term borrowings by an additional $200 million to cover a portion of the payment. In fiscal year 2016, CPS expects to be required to contribute $674 million in pension contribution funding.

Due in large part to the structural deficit and increasing obligations, CPS' credit rating has been downgraded. Moody's cut the District's rating to Ba3 in May 2015. Fitch downgraded CPS general obligation bonds by one notch to 'BB+' from BBB- in July 2015. In August 2015, Standard & Poor's Ratings Services cut the credit rating for CPS to a rating of 'BB' from 'BBB'. Kroll Rating agency still rates CPS as investment grade. These downgrades expose CPS to higher interest rates in future periods. To mitigate these risks, CPS monitors credit markets to determine the most advantageous conditions for debt issuance.

Despite recent downgrades, CPS continues to have borrowing capacity and access to the credit market and intends to continue to issue long-term and short-term debt to finance capital expenditures, restructure existing debt, and meet its cash flow needs, as required. Furthermore, the District has no reason to believe they will not receive an extension of their existing variable rate lines of credit. CPS anticipates, and the Board has approved, an issuance of debt in the third quarter of fiscal year 2016.

The District's budget deficit will have to be resolved with a combined CPS, City, State, and labor solution. In order to address the deteriorating financial situation, CPS has brought in a new management team in July of 2015. The team immediately performed an extensive review of operations and has identified areas for sustainable cost savings and efficiencies and potential revenue increases.

CPS has a myriad of tools and remedies to improve its financial condition and liquidity position. CPS is in the process of implementing sustainable solutions to minimize the budget deficit and improve liquidity through a variety of remedies. CPS has taken, and will continue to take, action to reduce costs in several ways including, but not limited to:

- Administrative workforce reductions
- Operating expenditure reductions
- Operational efficiencies
- Property tax increases
- Short and long term financing
- School level budget reductions
- Labor concessions
- Health Care cost reductions
- Debt restructuring

In addition to these, other tools outside of CPS' direct control include, but are not limited to:

- The City's support for a new property tax levy for pensions
- Equitable increase in state funding, request pending with the State government

CPS believes these actions, when combined with City and State action, will sufficiently address the CPS deficit and provide adequate liquidity. Without these actions, CPS may be in a deficit cash position in fiscal year 2016.

It is critical to note that CPS is the third largest school district in the nation and the second largest employer in the City of Chicago and CPS provides a statutorily required and highly demanded "essential" service.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago:

	2015
CPS' Proportion of the Net Pension Liability	100.000%
CPS' Proportionate Share of the Net Pension Liability	$9,501,206
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	—
Total	$9,501,206
CPS' Covered Employee Payroll	$2,149,842
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	441.95%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%

Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015
CPS' Proportion of the Net Pension Liability	0.000%
CPS' Proportionate Share of the Net Pension Liability	$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with CPS	2,779,767
Total	$2,779,767
Covered Employee Payroll	$ 625,161
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%

NOTES:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

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

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS
For the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

	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
Year Ended June 30, 2015	$696,522	$62,145	$634,377	$696,522	$ —	$2,149,842	32.40%

Municipal Employees' Annuity and Benefit Fund of Chicago

	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
Year Ended 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.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF FUNDING PROGRESS
Other Post-employment Benefits
(Thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	$35,977	$1,938,856	$1,902,878	1.86%	$2,233,281	85.21%
6/30/2013	35,797	2,386,106	2,350,309	1.50%	2,239,347	104.96%
6/30/2012	34,125	3,110,316	3,076,191	1.10%	2,224,903	138.26%
6/30/2011	31,325	3,071,517	3,040,192	1.02%	2,090,132	145.45%
6/30/2010	34,858	2,864,877	2,830,019	1.22%	2,107,934	134.26%
6/30/2009	49,692	2,670,283	2,620,591	1.86%	1,996,194	131.28%

Chicago Public Schools

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; 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, 2015

With Comparative Amounts for the Fiscal Year Ended June 30, 2014

(Thousands of dollars)

	Final Budget	Fiscal Year 2015 Actual	Over (Under) Budget	Fiscal Year 2014 Actual as restated	2015 Over (Under) 2014
Revenues:					
Property taxes	$2,178,493	$2,252,828	$ 74,335	$2,152,753	$ 100,075
Replacement taxes	132,735	143,867	11,132	131,075	12,792
State aid	1,507,740	1,579,324	71,584	1,629,892	(50,568)
Federal aid	863,628	767,548	(96,080)	867,512	(99,964)
Interest and investment earnings	80	198	118	4,458	(4,260)
Other	211,246	165,819	(45,427)	156,115	9,704
Total revenues	$4,893,922	$4,909,584	$ 15,662	$4,941,805	$ (32,221)
Expenditures:					
Teachers' salaries	$1,926,907	$1,953,938	$ 27,031	$1,921,969	$ 31,969
Career service salaries	626,212	622,591	(3,621)	619,462	3,129
Energy	76,713	74,516	(2,197)	87,547	(13,031)
Food	102,844	99,573	(3,271)	96,816	2,757
Textbooks	63,241	55,254	(7,987)	52,871	2,383
Supplies	62,266	50,571	(11,695)	55,223	(4,652)
Other commodities	636	474	(162)	648	(174)
Professional fees	411,309	395,221	(16,088)	441,667	(46,446)
Charter schools	669,454	662,553	(6,901)	580,652	81,901
Transportation	114,622	103,891	(10,731)	104,430	(539)
Tuition	96,443	90,901	(5,542)	66,396	24,505
Telephone and telecommunications	28,127	28,061	(66)	30,297	(2,236)
Other services	27,755	14,133	(13,622)	14,126	7
Equipment — educational	67,432	60,962	(6,470)	62,757	(1,795)
Repair and replacements	27,535	27,291	(244)	31,679	(4,388)
Capital outlay	32	5	(27)	—	5
Teachers' pension	801,070	826,304	25,234	740,419	85,885
Career service pension	103,114	102,012	(1,102)	101,885	127
Hospitalization and dental insurance	361,284	357,124	(4,160)	343,308	13,816
Medicare	36,794	36,557	(237)	35,951	606
Unemployment compensation	8,245	8,138	(107)	16,426	(8,288)
Workers' compensation	27,472	25,926	(1,546)	25,646	280
Rent	14,688	13,030	(1,658)	12,164	866
Other fixed charges	102,046	11,340	(90,706)	7,792	3,548
Total expenditures	$5,756,241	$5,620,366	$(135,875)	$5,450,131	$ 170,235
Revenues in excess of (less than) expenditures	$ (862,319)	$ (710,782)	$ 151,537	$ (508,326)	$(202,456)
Other financing sources (uses):					
Transfers in	$ —	$ (12,915)	$ (12,915)	$ 161	$ (13,076)
Total other financing sources (uses)	$ —	$ (12,915)	$ (12,915)	$ 161	$ (13,076)
Net change in fund balances	$ (862,319)	$ (723,697)	$ 138,622	$ (508,165)	$(215,532)
Fund balances, beginning of period as restated	1,083,982	1,083,982	—	1,592,147	(508,165)
Fund balances, end of period	$ 221,663	$ 360,285	$ 138,622	$1,083,982	$(723,697)

FINANCIAL SECTION

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 General Obligation 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
SCHEDULE OF REVENUES, EXPENDITURES,
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
State aid	$ —	$ 31,587	$ 31,587
Federal aid	—	6,498	6,498
Interest and investment earnings	—	368	368
Other	—	107,171	107,171
Total revenues	$ —	$ 145,624	$ 145,624
Expenditures:			
Capital outlay	$ 15,366	$ 359,387	$ 374,753
Total expenditures	$ 15,366	$ 359,387	$ 374,753
Revenues (less than) expenditures	$(15,366)	$(213,763)	$(229,129)
Other financing sources:			
Gross amounts from debt issuances	$ —	$ 148,530	$ 148,530
Sales of general capital assets	37,504	—	37,504
Total other financing sources	$ 37,504	$ 148,530	$ 186,034
Net change in fund balances	$ 22,138	$ (65,233)	$ (43,095)
Fund balances, beginning of period	3,908	(91,924)	(88,016)
Fund balances, end of period	$ 26,046	$(157,157)	$(131,111)

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, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2015	Variance	Fiscal Year 2014 (as restated)	2015 Over (Under) 2014
Expenditures:					
Capital outlay	$20,574	$ 15,366	$ (5,208)	$ 4,763	$ 10,603
Total expenditures	$ —	$ 15,366	$ (5,208)	$ 4,763	$ 10,603
Revenues in excess of (less than) expenditures	$ —	$(15,366)	$ 5,208	$(4,763)	$(10,603)
Other financing sources:					
Sales of general capital assets	$ —	$ 37,504	$37,504	$ 7,301	$ 30,203
Total other financing sources	$ —	$ 37,504	$37,504	$ 7,301	$ 30,203
Net change in fund balance	$ —	$ 22,138	$22,138	$ 2,538	$ 19,600
Fund balance, beginning of period as restated	3,908	3,908	—	1,370	2,538
Fund balance, end of period	$ 3,908	$ 26,046	$22,138	$ 3,908	$ 22,138

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, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2015	Variance	Fiscal Year 2014 (as restated)	2015 Over (Under) 2014
Revenues:					
State aid	$ 72,400	$ 31,587	$ (40,813)	$ 37,821	$ (6,234)
Federal aid	8,860	6,498	(2,362)	14,920	(8,422)
Interest and investment earnings	—	368	368	820	(452)
Other	108,760	107,171	(1,589)	31,213	75,958
Total revenues	$ 190,020	$ 145,624	$ (44,396)	$ 84,774	$ 60,850
Expenditures:					
Salaries	$ 944	$ 492	$ (452)	$ 364	$ 128
Services	15,469	3,665	(11,804)	4,456	(791)
Educational equipment	—	6,278	6,278	11,147	(4,869)
Capital outlay	472,774	348,811	(123,963)	466,153	(117,342)
Career service pension	89	89	—	66	23
Hospitalization and dental insurance	38	38	—	25	13
Medicare	7	7	—	5	2
Unemployment compensation	2	2	—	3	(1)
Workers' compensation	5	5	—	4	1
Total expenditures	$ 489,328	$ 359,387	$(129,941)	$ 482,223	$(122,836)
Revenues less than expenditures	$(299,308)	$(213,763)	$ 85,545	$(397,449)	$ 183,686
Other financing sources (uses):					
Gross amounts from debt issuances	$ 340,000	$ 148,530	$(191,470)	$ 131,305	$ 17,225
Premiums	—	—	—	—	—
Transfers out	—	—	—	—	—
Total other financing sources (uses)	$ 340,000	$ 148,530	$(191,470)	$ 131,305	$ 17,225
Net change in fund balance	$ 40,692	$ (65,233)	$(105,925)	$(266,144)	$ 200,911
Fund balance, beginning of period as restated	(91,924)	(91,924)	—	174,220	(266,144)
Fund balance, end of period	$ (51,232)	$(157,157)	$(105,925)	$ (91,924)	$ (65,233)

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
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ —	$51,828	$ 51,828
Replacement taxes	58,281	—	58,281
State aid	236,158	—	236,158
Federal aid	24,885	—	24,885
Interest and investment earnings	(93,389)	(2)	(93,391)
Other	104,296	—	104,296
Total revenues	$ 330,231	$51,826	$ 382,057
Expenditures:			
Debt service	$ 481,464	$52,029	$ 533,493
Total expenditures	$ 481,464	$52,029	$ 533,493
Revenues in excess of (less than) expenditures	$(151,233)	$ (203)	$(151,436)
Other financing sources (uses):			
Gross amounts from debt issuances	$ 413,350	$ —	$ 413,350
Bond Discounts	(12,502)	—	(12,502)
Payment to refunded bond escrow agent	(386,710)	—	(386,710)
Transfers (out)	12,920	(5)	12,915
Total other financing sources (uses)	$ 27,058	$ (5)	$ 27,053
Net change in fund balances	$(124,175)	$ (208)	$(124,383)
Fund balances, beginning of period	668,706	58,117	726,823
Fund balances, end of period	$ 544,531	$57,909	$ 602,440

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 CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2015 Actual	Variance	Fiscal Year 2014 Actual (as restated)	2015 Over (Under) 2014
Revenues:					
Property taxes	$ 3,178	$ —	$ (3,178)	$ —	$ —
Replacement taxes	56,165	58,281	2,116	56,966	1,315
State aid	254,382	236,158	(18,224)	173,092	63,066
Federal aid	24,748	24,885	137	24,809	76
Interest and investment earnings	—	(93,389)	(93,389)	10,313	(103,702)
Other	97,004	104,296	7,292	99,144	5,152
Total revenues	$ 435,477	$ 330,231	$(105,246)	$364,324	$ (34,093)
Expenditures:					
Debt service	$ 551,763	$ 481,464	$ (70,299)	$415,922	$ 65,542
Total expenditures	$ 551,763	$ 481,464	$ (70,299)	$415,922	$ 65,542
Revenues in excess of (less than) expenditures	$(116,286)	$(151,233)	$ (34,947)	$ (51,598)	$ (99,635)
Other financing sources (uses):					
Gross amounts from debt issuances	$ —	$ 413,350	$ 413,350	$ 295	$ 413,055
Discounts	—	(12,502)	(12,502)	—	(12,502)
Payment to refunded bond escrow agent	—	(386,710)	(386,710)	—	(386,710)
Transfers in (out)	—	12,920	12,920	(157)	13,077
Total other financing sources (uses)	$ —	$ 27,058	$ 27,058	$ 138	$ 26,920
Net change in fund balance	$(116,286)	$(124,175)	$ (7,889)	$ (51,460)	$ (72,715)
Fund balance, beginning of period as restated	668,706	668,706	—	720,166	(51,460)
Fund balance, end of period	$ 552,420	$ 544,531	$ (7,889)	$668,706	$(124,175)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PUBLIC BUILDING COMMISSION LEASES PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2015 Actual	Variance	Fiscal Year 2014 Actual (as restated)	2015 Over (Under) 2014
Revenues:					
Property taxes	$52,029	$51,828	$(201)	$51,499	$ 329
Interest and investment earnings	—	(2)	(2)	5	(7)
Total revenues	$52,029	$51,826	$(203)	$51,504	$ 322
Expenditures:					
Debt service	$52,029	$52,029	$ —	$51,982	$ 47
Total expenditures	$52,029	$52,029	$ —	$51,982	$ 47
Revenues in excess of (less than) expenditures	$ —	$ (203)	$(203)	$ (478)	$ 275
Other financing uses:					
Transfers out	$ —	$ (5)	$ (5)	$ (4)	$ (1)
Total other financing uses	$ —	$ (5)	$ (5)	$ (4)	$ (1)
Net change in fund balance	$ —	$ (208)	$(208)	$ (482)	$ 274
Fund balance, beginning of period as restated	58,117	58,117	—	58,599	(482)
Fund balance, end of period	$58,117	$57,909	$(208)	$58,117	$(208)

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)

	2006	2007	2008	2009 (1) (as restated)
Net investment in capital assets	$ 268,190	$ 267,249	$ 133,440	$ 30,202
Restricted for:				
Debt service	357,409	413,747	445,782	391,392
Donations	1,503	1,765	1,826	3,695
Enabling legislation	84,388	129,597	102,695	101,072
Grants and donations	—	—	—	—
Workers' comp/tort immunity	—	—	—	—
Unrestricted	(538,879)	(698,809)	(784,702)	(1,017,248)
Total net position	$ 172,611	$ 113,549	$(100,959)	$ (490,887)

NOTES:

1) For FY2009, the amounts for net position restricted for debt service and unrestricted net position were restated to reflect the effects of GASB 53 adopted in FY2010.

2) Certain items in the FY2010 financial statements were reclassified to conform with the FY2011 presentation. These reclassifications had no impact in the total net position as previously reported.

3) Certain items in the FY2011 financial statements were reclassified to conform with the FY2012 presentation. These reclassifications had no impact in the total net position as previously reported.

4) Certain items in the FY2012 financial statements were restated to reflect the effects of GASB 63 and GASB 65 adopted in FY2013.

2010 (2)	2011 (3)	2012 (4) (as restated)	2013	2014	2015
$ 440,099	$ 370,159	$ 310,028	$ 80,009	$ (37,194)	$ (159,007)
442,851	276,097	282,253	345,399	368,794	445,663
5,825	—	—	—	—	—
109,163	—	—	—	—	—
—	70,045	70,302	63,862	61,451	64,584
—	91,036	92,680	64,985	19,838	41,373
(1,916,207)	(2,009,152)	(2,552,441)	(3,358,734)	(4,372,335)	(11,604,516)
$ (918,269)	$(1,201,815)	$(1,797,178)	$(2,804,479)	$(3,959,446)	$(11,211,903)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Thousands of dollars)

	2006	2007	2008	2009
Governmental Activities:				
Expenses:				
Instruction	$ 3,107,897	$ 3,096,529	$ 3,138,036	$ 3,324,936
Pupil support services	346,434	360,628	384,765	408,705
Administrative support services	161,802	178,891	205,693	233,361
Facilities support services	422,731	461,265	519,982	582,539
Instructional support services	465,106	481,477	496,708	512,427
Food services	179,725	186,297	193,614	203,880
Community services	46,205	45,203	46,779	56,392
Interest expense	217,848	219,826	274,356	259,850
Other	23,404	8,126	10,652	8,504
Total governmental activities	$ 4,971,152	$ 5,038,242	$ 5,270,585	$ 5,590,594
Program revenues:				
Charges for services				
Instruction	$ 3,145	$ 3,748	$ 3,940	$ 5,189
Food services	9,317	8,784	8,537	8,298
Operating grants and contributions	896,916	862,674	945,723	1,250,526
Capital grants and contributions	66,732	97,477	128,570	151,405
Total program revenues	$ 976,110	$ 972,683	$ 1,086,770	$ 1,415,418
Revenues (less than) expenditures	$(3,995,042)	$(4,065,559)	$(4,183,815)	$(4,175,176)
General revenues and other changes in net position:				
Taxes:				
Property taxes	$ 1,768,457	$ 1,813,006	$ 1,861,781	$ 1,936,656
Replacement taxes	184,700	201,509	215,489	188,503
Non-program state aid	1,532,169	1,651,730	1,756,386	1,603,926
Interest and investment earnings	71,972	116,907	85,896	43,692
Gain recognized from swaptions earnings	—	37,647	—	—
Gain on sale of capital assets	5,312	22,919	45,386	91
Other	73,629	162,779	4,369	56,132
Extraordinary item - gain on impairment of capital assets	—	—	—	708
Total general revenues and extraordinary item	$ 3,636,239	$ 4,006,497	$ 3,969,307	$ 3,829,708
Change in net position	$ (358,803)	$ (59,062)	$ (214,508)	$ (345,468)

STATISTICAL SECTION

2010	2011	2012	2013	2014	2015
$ 3,507,221	$ 3,712,681	$ 3,742,788	$ 4,040,352	$ 4,139,906	$ 4,217,996
438,164	545,428	483,167	494,076	487,139	484,745
201,908	187,559	192,605	211,294	241,913	249,662
481,245	499,093	455,342	490,381	654,971	477,892
523,851	541,714	473,202	491,137	474,926	492,232
207,127	215,609	219,382	234,659	205,989	207,834
50,879	47,021	38,941	39,946	37,507	37,997
258,360	285,577	310,452	337,053	335,237	332,023
12,919	8,845	8,115	7,043	6,134	6,319
$ 5,681,674	$ 6,043,527	$ 5,923,994	$ 6,345,941	$ 6,583,722	$ 6,506,700
$ 4,308	$ 692	$ 727	$ 700	$ 657	$ 571
6,881	6,404	6,083	5,554	3,485	1,303
1,376,744	1,368,118	1,196,073	963,325	1,086,885	1,051,655
99,054	184,837	112,914	186,394	162,403	356,189
$ 1,486,987	$ 1,560,051	$ 1,315,797	$ 1,155,973	$ 1,253,430	$ 1,409,718
$(4,194,687)	$(4,483,476)	$(4,608,197)	$(5,189,968)	$(5,330,292)	$(5,096,982)
$ 1,896,265	$ 2,053,119	$ 2,089,016	$ 2,156,943	$ 2,218,033	$ 2,302,881
152,497	197,762	181,927	185,884	188,040	202,148
1,532,679	1,792,747	1,611,726	1,688,611	1,572,564	1,492,019
12,734	17,101	20,683	7,879	15,563	(47,720)
—	—	—	—	—	—
—	—	—	—	—	—
173,130	139,201	147,550	143,350	181,125	125,638
—	—	—	—	—	—
$ 3,767,305	$ 4,199,930	$ 4,050,902	$ 4,182,667	$ 4,175,325	$ 4,074,966
$ (427,382)	$ (283,546)	$ (557,295)	$(1,007,301)	$(1,154,967)	$(1,022,016)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2006	2007	2008	2009
General operating fund				
Reserved	$188,177	$ 229,093	$ 237,205	$215,452
Unreserved	307,720	404,843	432,391	311,422
Nonspendable	—	—	—	—
Restricted for grants and donations	—	—	—	—
Restricted for workers' comp/tort immunity	—	—	—	—
Assigned for educational services	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—
Assigned for commitments and contracts	—	—	—	—
Unassigned	—	—	—	—
Total general operating fund	$495,897	$ 633,936	$ 669,596	$526,874
All other governmental funds				
Reserved	$574,232	$ 463,935	$ 541,068	$373,010
Unreserved, reported in:				
Capital projects fund	284,019	481,445	337,506	—
Debt service fund	—	158,480	178,489	154,616
Nonspendable	—	—	—	—
Restricted for capital improvement program	—	—	—	—
Restricted for debt service	—	—	—	—
Assigned for debt service	—	—	—	—
Unassigned (deficit)	—	—	—	—
Total all other governmental funds	$858,251	$1,103,860	$1,057,063	$527,626

NOTE:

1) Since FY2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

STATISTICAL SECTION

2010	2011 (1)	2012	2013	2014	2015
$226,154	$ —	$ —	$ —	$ —	$ —
198,461	—	—	—	—	—
—	1,972	3,329	1,720	429	429
—	69,616	69,873	63,434	61,022	64,155
—	91,036	92,680	64,985	19,838	41,373
—	289,000	—	—	—	—
—	181,300	348,900	562,682	267,652	79,225
—	102,163	110,397	105,664	87,067	73,101
—	5,293	443,575	150,658	—	102,002
$424,615	$740,380	$1,068,754	$949,143	$436,008	$ 360,285
$604,733	$ —	$ —	$ —	$ —	$ —
33,846	—	—	—	—	—
124,556	—	—	—	—	—
—	—	5,674	4,388	—	—
—	182,884	88,762	169,368	—	—
—	271,643	332,517	466,966	491,552	545,383
—	231,413	254,967	269,167	193,877	57,057
—	—	—	—	(91,953)	(131,111)
$763,135	$685,940	$ 681,920	$909,889	$593,476	$ 471,329

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Thousands of dollars)

	2006	2007	2008	2009
Revenues:				
Property taxes	$1,718,249	$1,767,760	$1,813,917	$1,896,540
Replacement taxes	184,700	201,509	215,489	188,503
State aid	1,602,635	1,701,585	1,846,034	1,511,886
Federal aid	775,631	746,029	876,041	1,125,580
Interest and investment earnings	71,947	116,907	85,895	43,693
Other	163,765	286,230	181,028	253,376
Total revenues	$4,516,927	$4,820,020	$5,018,404	$5,019,578
Expenditures:				
Current:				
Instruction	$2,538,909	$2,491,653	$2,575,124	$2,773,440
Pupil support services	333,968	349,324	362,325	390,399
General support services	893,041	914,117	986,905	1,057,672
Food services	172,774	179,902	181,778	194,603
Community services	46,179	45,467	45,708	56,003
Teachers' pension and retirement benefits	75,398	155,563	206,651	237,011
Other	23,404	8,126	10,652	8,504
Capital outlay	310,817	345,963	466,895	672,412
Debt service:				
Principal	49,049	180,767	60,568	81,351
Interest	158,997	154,669	206,028	212,934
Other charges	6,606	6,743	15,546	7,921
Total expenditures	$4,609,142	$4,832,294	$5,118,180	$5,692,250
Revenues (less than) expenditures	$ (92,215)	$ (12,274)	$ (99,776)	$ (672,672)
Other financing sources (uses):				
Gross amounts from debt issuances	$ 385,603	$ 355,805	$1,674,555	$ 225,675
Premiums on bonds issued	4,124	14,444	41,226	—
Insurance proceeds	—	—	—	1,155
Sales of general capital assets	7,596	25,673	6,404	91
Payment to refunded bond escrow agent	—	—	(1,474,081)	(226,408)
Transfers in	2,796	1,904	3,813	20,389
Transfers out	(2,796)	(1,904)	(3,813)	(20,389)
Proceeds from notes	—	—	—	—
Discounts on bonds issued	(326)	—	—	—
Capital leases	3,700	—	—	—
Total other financing sources (uses)	$ 400,697	$ 395,922	$ 248,104	$ 513
Net changes in fund balances	$ 308,482	$ 383,648	$ 148,328	$ (672,159)
Debt service as a percentage of noncapital expenditures	4.79%	7.35%	5.61%	5.71%

NOTES:

1) This schedule was prepared using the modified accrual basis of accounting.
2) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

STATISTICAL SECTION

2010	2011	2012	2013	2014 (2)	2015
$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$ 2,304,656
152,497	197,762	181,927	185,884	188,041	202,148
1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069
1,180,148	1,144,884	935,951	845,796	907,241	798,931
12,483	13,399	20,760	7,303	15,596	(92,825)
359,661	417,516	303,744	322,128	286,472	377,286
$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265
$2,898,855	$2,955,772	$2,992,481	$3,034,509	$3,126,689	$ 3,253,484
416,502	508,803	469,366	454,240	457,939	459,672
1,010,637	1,023,004	967,692	941,270	987,048	972,526
196,828	201,325	213,115	215,739	193,642	197,084
50,331	45,848	39,794	39,656	37,460	38,003
294,424	149,377	183,499	227,766	593,225	676,078
11,928	8,845	8,115	7,043	6,134	6,319
705,691	580,363	591,148	519,604	534,980	391,953
141,977	70,848	88,466	73,423	148,272	214,707
236,261	249,975	275,707	304,788	315,927	310,923
8,359	11,274	10,321	12,198	3,705	7,863
$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$ 6,528,612
$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,091,347)
$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600	$ 561,880
6,459	14,700	1,229	47,271	—	—
—	—	—	—	—	—
—	—	—	723	7,301	37,504
(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	(12,502)
—	—	—	—	—	—
$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 200,172
$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)
7.07%	6.09%	6.89%	7.02%	7.64%	8.47%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES BY SOURCE — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2006		2007		2008	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$1,718,249	38.0%	$1,767,760	36.7%	$1,813,917	36.1%
Replacement taxes	184,700	4.1%	201,509	4.2%	215,489	4.3%
State aid	1,602,635	35.5%	1,701,585	35.3%	1,846,034	36.8%
Federal aid	775,631	17.2%	746,029	15.5%	876,041	17.5%
Interest and investment earnings	71,947	1.6%	116,907	2.4%	85,895	1.7%
Other	163,765	3.6%	286,230	5.9%	181,028	3.6%
Total revenues	$4,516,927	100.0%	$4,820,020	100.0%	$5,018,404	100.0%

	2013		2014 (as restated)		2015	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$2,211,568	41.1%	$2,204,252	40.5%	$2,304,656	42.4%
Replacement taxes	185,884	3.4%	188,041	3.5%	202,148	3.7%
State aid	1,815,798	33.7%	1,840,805	33.9%	1,847,069	34.0%
Federal aid	845,796	15.7%	907,241	16.7%	798,931	14.7%
Interest and investment earnings	7,303	0.1%	15,596	0.3%	(92,825)	-1.7%
Other	322,128	6.0%	286,472	5.3%	377,286	6.9%
Total revenues	$5,388,477	100.0%	$5,442,407	100.0%	$5,437,265	100.0%

NOTES:

This schedule was prepared using the modified accrual basis of accounting.

2014 Revenue was restated due to a change in Revenue recognition, from 30 days to 60 days.

2009		2010		2011		2012	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$1,896,540	37.8%	$2,047,163	38.6%	$1,936,655	34.2%	$2,352,136	40.8%
188,503	3.8%	152,497	2.9%	197,762	3.5%	181,927	3.2%
1,511,886	30.1%	1,552,076	29.3%	1,949,781	34.5%	1,965,901	34.1%
1,125,580	22.4%	1,180,148	22.3%	1,144,884	20.2%	935,951	16.2%
43,693	0.9%	12,483	0.2%	13,399	0.2%	20,760	0.4%
253,376	5.0%	359,661	6.7%	417,516	7.4%	303,744	5.3%
$5,019,578	100.0%	$5,304,028	100.0%	$5,659,997	100.0%	$5,760,419	100.0%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

EXPENDITURES BY FUNCTION — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2006		2007		2008	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$2,538,909	55.2%	$2,491,653	51.6%	$2,575,124	50.3%
Pupil support services	333,968	7.2%	349,324	7.2%	362,325	7.1%
General support services	893,041	19.4%	914,117	18.9%	986,905	19.3%
Food services	172,774	3.7%	179,902	3.7%	181,778	3.6%
Community services	46,179	1.0%	45,467	0.9%	45,708	0.9%
Teachers' pension and retirement benefits	75,398	1.6%	155,563	3.2%	206,651	4.0%
Other	23,404	0.5%	8,126	0.2%	10,652	0.2%
Capital outlay	310,817	6.7%	345,963	7.2%	466,895	9.1%
Debt service	214,652	4.7%	342,179	7.1%	282,142	5.5%
Total expenditures	$4,609,142	100.0%	$4,832,294	100.0%	$5,118,180	100.0%

	2013		2014		2015	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$3,034,509	52.0%	$3,126,689	48.8%	$3,253,484	49.9%
Pupil support services	454,240	7.9%	457,939	7.1%	459,672	7.1%
General support services	941,270	16.1%	987,048	15.4%	972,526	14.9%
Food services	215,739	3.7%	193,642	3.0%	197,084	3.0%
Community services	39,656	0.7%	37,460	0.6%	38,003	0.6%
Teachers' pension and retirement benefits	227,766	3.9%	593,225	9.3%	676,078	10.4%
Other	7,043	0.1%	6,134	0.1%	6,319	0.1%
Capital outlay	519,604	8.9%	534,980	8.4%	391,953	6.0%
Debt service	390,409	6.7%	467,904	7.3%	533,493	8.0%
Total expenditures	$5,830,236	100.0%	$6,405,021	100.0%	$6,528,612	100.0%

NOTE:
This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

2009		2010		2011		2012	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$2,773,440	48.7%	$2,898,855	48.5%	$2,955,772	50.9%	$2,992,481	51.3%
390,399	6.9%	416,502	7.0%	508,803	8.8%	469,366	8.0%
1,057,672	18.6%	1,010,637	17.0%	1,023,004	17.6%	967,692	16.6%
194,603	3.4%	196,828	3.3%	201,325	3.5%	213,115	3.7%
56,003	1.0%	50,331	0.8%	45,848	0.8%	39,794	0.7%
237,011	4.2%	294,424	4.9%	149,377	2.6%	183,499	3.1%
8,504	0.1%	11,928	0.2%	8,845	0.1%	8,115	0.1%
672,412	11.8%	705,691	11.8%	580,363	10.0%	591,148	10.1%
302,206	5.3%	386,597	6.5%	332,097	5.7%	374,494	6.4%
$5,692,250	100.0%	$5,971,793	100.0%	$5,805,434	100.0%	$5,839,704	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, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014 (as restated)	2015 Over (Under) 2014
Revenues:			
Local taxes:			
Property taxes	$2,252,828	$2,152,753	$ 100,075
Replacement taxes	143,867	131,075	12,792
Total revenue from local taxes	$2,396,695	$2,283,828	$ 112,867
Local nontax revenue:			
Interest and investment earnings	$ 198	$ 4,458	$ (4,260)
Lunchroom operations	1,302	3,485	(2,183)
Other	164,517	152,630	11,887
Total revenue from nontax revenue	$ 166,017	$ 160,573	$ 5,444
Total local revenue	$2,562,712	$2,444,401	$ 118,311
State grants and subsidies:			
General state aid	$ 847,420	$ 972,572	$(125,152)
Block grants	621,625	628,207	(6,582)
Other	110,279	29,113	81,166
Total state grants & subsidies	$1,579,324	$1,629,892	$ (50,568)
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 253,514	$ 342,915	$ (89,401)
American Recovery and Reinvestment Act (ARRA) (1)	22,405	36,283	(13,878)
School lunch program	200,412	189,336	11,076
Individuals with Disabilities Education Act (IDEA)	103,899	100,092	3,807
Other	187,318	198,886	(11,568)
Total federal grants and subsidies	$ 767,548	$ 867,512	$ (99,964)
Total revenues	$4,909,584	$4,941,805	$ (32,221)

NOTE:

1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	2015 Over (Under) 2014
Expenditures:			
Instruction:			
Salaries	$1,844,868	$1,805,207	$ 39,661
Commodities	70,757	72,194	(1,437)
Services	843,073	765,519	77,554
Equipment — educational	43,836	43,884	(48)
Building and sites	4,264	2,750	1,514
Fixed charges	446,686	437,135	9,551
Total instruction	$3,253,484	$3,126,689	$126,795
Pupil support services:			
Salaries	$ 241,575	$ 242,106	$ (531)
Commodities	4,767	4,818	(51)
Services	137,439	136,881	558
Equipment — educational	1,883	1,122	761
Building and sites	65	66	(1)
Fixed charges	73,943	72,946	997
Total pupil support services	$ 459,672	$ 457,939	$ 1,733
Administrative support services:			
Salaries	$ 80,332	$ 86,540	$ (6,208)
Commodities	11,106	8,757	2,349
Services	110,243	96,184	14,059
Equipment — educational	1,460	2,346	(886)
Building and sites	643	561	82
Fixed charges	32,964	33,024	(60)
Total administrative support services	$ 236,748	$ 227,412	$ 9,336

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2015

With Comparative Amounts for the Fiscal Year Ended June 30, 2014

(Thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	2015 Over/(Under) 2014
Facilities support services:			
Salaries	$ 77,376	$ 82,804	$ (5,428)
Commodities	80,751	97,012	(16,261)
Services	134,757	151,710	(16,953)
Equipment — educational	2,196	1,692	504
Building and sites	20,268	26,420	(6,152)
Fixed charges	40,755	41,307	(552)
Total facilities support services	$356,103	$400,945	$(44,842)
Instructional support services:			
Salaries	$255,400	$242,640	$ 12,760
Commodities	10,413	9,559	854
Services	45,286	42,696	2,590
Equipment — educational	5,510	3,396	2,114
Building and sites	1,969	1,860	109
Fixed charges	61,097	58,540	2,557
Total instructional support services	$379,675	$358,691	$ 20,984
Food services:			
Salaries	$ 60,299	$ 60,707	$ (408)
Commodities	96,522	94,035	2,487
Services	4,066	3,182	884
Equipment — educational	620	19	601
Building and sites	—	—	—
Fixed charges	35,577	35,699	(122)
Total food services	$197,084	$193,642	$ 3,442

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2015

With Comparative Amounts for the Fiscal Year Ended June 30, 2014

(Thousands of dollars)

	Fiscal Year 2015	Fiscal Year 2014	2015 Over/(Under) 2014
Community services:			
Salaries	$ 13,283	$ 12,952	$ 331
Commodities	2,377	1,417	960
Services	17,552	18,465	(913)
Equipment — educational	436	159	277
Building and sites	—	—	—
Fixed charges	4,355	4,467	(112)
Total community services	$ 38,003	$ 37,460	$ 543
Teacher's Pension:			
Fixed charges	$ 676,078	$ 593,225	$ 82,853
Total teachers' pension	$ 676,078	$ 593,225	$ 82,853
Capital outlay:			
Salaries	$ 3,213	$ 8,235	$ (5,022)
Commodities	3,686	5,303	(1,617)
Services	2,311	22,910	(20,599)
Equipment — educational	5,020	10,136	(5,116)
Building and sites	86	22	64
Fixed charges	2,884	1,388	1,496
Total capital outlay	$ 17,200	$ 47,994	$ (30,794)
Other:			
Salaries	$ 184	$ 239	$ (55)
Commodities	9	10	(1)
Services	32	23	9
Equipment — educational	—	2	(2)
Building and sites	—	—	—
Fixed charges	6,094	5,860	234
Total other	$ 6,319	$ 6,134	$ 185
Total expenditures	$5,620,366	$5,450,131	$170,235

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2006	2007	2008	2009
General operating fund:				
Capital leases	$ 3,700	$ —	$ —	$ —
Transfers in/(out)	445	1,904	3,813	20,389
Total general operating fund	$ 4,145	$ 1,904	$ 3,813	$ 20,389
All other governmental funds:				
Gross amounts from debt issuances	$385,603	$355,805	$ 1,674,555	$ 225,675
Premiums on bonds issued	4,124	14,444	41,226	—
Insurance proceeds	—	—	—	1,155
Sales of general capital assets	—	25,673	6,404	91
Payment to refunded bond escrow agent	—	—	(1,474,081)	(226,408)
Transfers in/(out)	(445)	(1,904)	(3,813)	(20,389)
Amount from notes	—	—	—	—
Discounts on bonds issued	(326)	—	—	—
Proceeds from swaps	19,345	—	—	—
Total all other governmental funds	$408,301	$394,018	$ 244,291	$ (19,876)

STATISTICAL SECTION

2010	2011	2012	2013	2014	2015
$ —	$ —	$ —	$ —	$ —	$ —
17,851	109,830	62	439	161	(12,915)
$ 17,851	$ 109,830	$ 62	$ 439	$ 161	$ (12,915)
$1,083,260	$ 638,790	$ 592,510	$ 982,720	$131,600	$ 561,880
6,459	14,700	1,229	47,271	—	—
—	—	—	—	—	—
—	—	—	723	7,301	37,504
(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)
(17,851)	(109,830)	(62)	(439)	(161)	12,915
—	—	—	—	—	—
—	—	—	—	—	(12,502)
—	—	—	—	—	—
$ 783,164	$ 274,177	$ 403,577	$ 549,678	$138,740	$ 213,087

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RATIO OF DEBT SERVICE TO NON-CAPITAL EXPENDITURES
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

Fiscal Year	Debt Service	Non-Capital	Ratio
2006	214,652	4,298,325	0.05 : 1
2007	342,179	4,486,331	0.08 : 1
2008	260,438	4,651,285	0.06 : 1
2009	301,169	5,019,838	0.06 : 1
2010	383,887	5,266,102	0.07 : 1
2011	332,097	5,225,071	0.06 : 1
2012	374,494	5,248,556	0.07 : 1
2013	390,409	5,310,632	0.07 : 1
2014	467,904	5,870,041	0.08 : 1
2015	533,493	6,136,659	0.09 : 1

Chicago Public Schools

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	2006	2007	2008 (A)
Education	$2.143	$2.078	$2.376
Worker's and Unemployment Compensation/Tort Immunity	0.228	0.021	0.191
PBC Operation & Maintenance	0.565	0.521	—
Public Building Commission	0.090	0.077	0.016
Total direct rate	$3.026	$2.697	$2.583
Chicago Finance Authority	$0.127	$0.118	$0.091
City of Chicago	1.243	1.062	1.044
Chicago City Colleges	0.234	0.205	0.159
Chicago Park District	0.443	0.379	0.355
Metropolitan Water Reclamation District	0.315	0.284	0.263
Cook County	0.533	0.500	0.446
Cook County Forest Preserve	0.060	0.057	0.053
Total for all governments	$5.981	$5.302	$4.994

Source: Cook County Clerk's Office

NOTES:

A) Beginning in fiscal year 2008, the tax levy for PBC Operations & Maintenance has been consolidated with the Education tax rate.

B) Beginning in fiscal year 2009, the tax levy for Chicago Finance Authority has been consolidated with the Education tax rate.

2009 (B)	2010	2011	2012	2013	2014	2015
$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409
0.031	0.148	0.067	0.133	0.031	0.067	0.169
—	—	—	—	—	—	—
0.015	0.014	0.065	0.071	0.082	0.085	0.082
$2.472	$ 2.366	$ 2.581	$2.875	$3.422	$3.671	$3.660
$ —	$ —	$ —	$ —	$ —	$ —	$ —
1.147	1.098	1.132	1.229	1.425	1.496	1.473
0.156	0.150	0.151	0.165	0.190	0.199	0.193
0.323	0.309	0.319	0.346	0.395	0.420	0.415
0.252	0.261	0.274	0.320	0.370	0.417	0.430
0.415	0.394	0.423	0.462	0.531	0.560	0.568
0.051	0.049	0.051	0.058	0.063	0.069	0.069
$4.816	$ 4.627	$ 4.931	$5.455	$6.396	$6.832	$6.808

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Thousands of dollars)

			Collected within the Fiscal Year of Extension (A)			Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	Collections in Subsequent Years	Amount	Percentage of Extension
2005	2006	$1,794,063	$ 804,755	44.86%	$ 939,038	$1,743,793	97.20%
2006	2007	1,874,750	835,191	44.55%	966,657	1,801,848	96.11%
2007	2008	1,901,887	865,576	45.51%	977,055	1,842,631	96.88%
2008	2009	2,001,751	916,129	45.77%	1,025,254	1,941,383	96.98%
2009	2010	2,001,252	1,024,263	51.18%	905,351	1,929,614	96.42%
2010	2011	2,118,541	1,021,564	48.22%	1,036,489	2,058,053	97.14%
2011	2012	2,159,586	1,333,480	61.75%	797,256	2,130,736	98.66%
2012	2013	2,232,684	1,457,645	65.29%	715,576	2,173,221	97.34%
2013	2014	2,289,250	1,508,642	65.90%	737,280	2,245,922	98.11%
2014	2015	2,375,822	2,219,255	93.41%	—	—	—

NOTES:

A) The amount does not represent a full year's tax collection.

B) The total amount collected to date is net of refunds.

Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A)				Total
		Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	
2005	2006	$13,420,538	$1,842,613	$10,502,698	$462,099	$26,227,948
2006	2007	18,521,873	2,006,898	12,157,149	688,868	33,374,788
2007	2008	18,937,256	1,768,927	12,239,086	678,196	33,623,465
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570

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*: Illinois Department of Revenue

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) 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. Report not available for 2014 information

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 (%)
2.7320	$59,304,530	3.026	$286,354,518	20.71%
2.7076	69,511,192	2.697	329,770,733	21.08%
2.8439	73,645,316	2.583	320,503,503	22.98%
2.9786	80,977,543	2.472	310,888,609	26.05%
3.3701	84,586,808	2.366	280,288,730	30.18%
3.3000	82,087,170	2.581	231,986,396	35.38%
2.9706	75,122,914	2.875	222,856,064	33.71%
2.8056	65,250,387	3.422	206,915,723	31.53%
2.6621	62,363,876	3.671	N/A	N/A
2.7253	64,908,057	3.660	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)

	2014			2013		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 364,455	1	0.56%	$ 370,197	1	0.59%
AON Building	241,081	2	0.37%	248,906	2	0.40%
HCSC Blue Cross	206,782	3	0.32%	201,987	3	0.32%
Water Tower Place	195,486	4	0.30%	190,953	5	0.31%
Chase Tower	194,963	5	0.30%	190,442	6	0.31%
Franklin Center	187,461	6	0.29%	183,114	7	0.29%
Prudential Plaza	184,101	7	0.28%	193,495	4	0.31%
300 Lasalle LLC	183,764	8	0.28%	159,537	10	0.26%
Three First National Plaza	182,084	9	0.28%	177,862	8	0.29%
Mark Davids	181,210	10	0.28%	177,008	9	0.28%
Northwestern Memorial Hospital	—	—	—	—	—	—
131 S. Dearborn	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—
Equity Office Properties	—	—	—	—	—	—
	$2,121,387		3.26%	$2,093,501		3.36%

	2009			2008		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 505,515	1	0.60%	$ 540,074	1	0.67%
AON Building	375,441	2	0.44%	392,192	2	0.48%
HCSC Blue Cross	—	—	—	—	—	—
Water Tower Place	235,907	5	0.28%	242,014	6	0.30%
Chase Tower	231,694	6	0.27%	262,114	5	0.32%
Franklin Center	256,590	4	0.30%	294,569	4	0.36%
Prudential Plaza	318,635	3	0.38%	307,510	3	0.38%
300 Lasalle LLC	—	—	—	—	—	—
Three First National Plaza	231,028	7	0.27%	215,666	10	0.27%
Mark Davids	—	—	—	—	—	—
Northwestern Memorial Hospital	—	—	—	—	—	—
131 S. Dearborn	212,725	8	0.25%	218,722	9	0.27%
One North Wacker	211,526	9	0.25%	—	—	—
Citigroup Center	—	—	—	226,458	7	0.28%
Leo Burnett Building	208,973	10	0.25%	221,846	8	0.27%
Equity Office Properties	—	—	—	—	—	—
	$2,788,034		3.29%	$2,921,165		3.60%

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

2012			2011			2010		
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
$ 386,266	1	0.59%	$ 445,590	1	0.59%	$ 495,000	1	0.60%
255,347	2	0.39%	302,124	2	0.40%	335,454	2	0.41%
205,275	4	0.31%	206,343	6	0.27%	—	—	—
201,246	5	0.31%	207,942	5	0.28%	231,000	4	0.28%
200,708	6	0.31%	204,229	7	0.27%	226,875	5	0.28%
192,985	7	0.30%	197,944	8	0.26%	209,723	8	0.26%
234,964	3	0.36%	272,345	3	0.36%	305,026	3	0.37%
179,804	10	0.28%	190,005	10	0.25%	—	—	—
187,449	8	0.29%	197,183	9	0.26%	226,222	6	0.28%
184,596	9	0.28%	—	—	—	—	—	—
—	—	—	243,609	4	0.32%	—	—	—
—	—	—	—	—	—	210,502	7	0.26%
—	—	—	—	—	—	207,127	9	0.25%
—	—	—	—	—	—	191,070	10	0.23%
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
$2,228,640		3.42%	$2,467,314		3.26%	$2,637,999		3.22%

2007			2006			2005		
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
$ 514,662	1	0.70%	$ 493,803	1	0.71%	$ 519,080	1	0.88%
374,456	2	0.51%	356,510	2	0.51%	341,767	2	0.58%
—	—	—	—	—	—	—	—	—
231,069	6	0.31%	219,995	6	0.32%	183,187	9	0.31%
250,261	5	0.34%	238,266	5	0.34%	259,021	5	0.44%
297,653	3	0.40%	283,387	3	0.41%	268,519	4	0.45%
293,604	4	0.40%	279,532	4	0.40%	295,933	3	0.50%
—	—	—	—	—	—	—	—	—
205,913	10	0.28%	196,044	9	0.28%	190,340	7	0.32%
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
208,906	9	0.28%	—	—	—	—	—	—
—	—	—	189,061	10	0.27%	—	—	—
216,217	7	0.29%	205,854	7	0.30%	205,727	6	0.35%
211,813	8	0.29%	201,662	8	0.29%	188,219	8	0.32%
—	—	—	—	—	—	179,134	10	0.30%
$ 2,804,554		3.80%	$2,664,114		3.83%	$2,630,927		4.45%

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)
2006	$ 227,423,096	$ 1,016,872,677	$ 39,747,236	$ 1,284,043,009	14.00%
2007	211,708,013	1,220,116,567	86,763,391	1,518,587,971	14.00%
2008	212,367,886	1,196,441,849	87,136,806	1,495,946,541	14.00%
2009	205,330,651	987,176,180	69,521,623	1,262,028,454	14.00%
2010	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (F)	200,808,953	1,319,550,246	(117,189,755)	1,403,169,444	14.00%

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.

Board Replacement Tax Data (B)

Allocations to Board	Pro-Forma Pledged Revenues (D)	Fiscal Year Recorded Revenues
$179,817,446	$179,817,446	$184,699,266
212,663,134	212,663,134	201,509,427
209,492,428	209,492,428	215,488,652
176,734,528	176,734,528	188,503,101
190,560,089	190,560,089	152,497,491
167,923,445	167,923,445	197,761,584
168,231,989	168,231,989	181,926,998
186,499,892	186,499,892	185,883,929
191,978,921	191,978,921	188,040,647
206,242,430	206,242,430	202,147,157

Monthly Summary of the Total Allocations to the Board of Education

Calendar Year	January	March	April	May	July	August	October	December	Total
2006	$24,520,445	$ 8,553,752	$38,608,787	$24,789,508	$32,340,532	$10,213,846	$32,635,826	$ 8,154,750	$179,817,446
2007	23,706,088	12,541,684	42,960,330	35,720,916	35,575,987	15,691,722	32,603,768	13,862,639	212,663,134
2008	28,898,261	13,371,613	37,943,940	40,606,164	32,510,546	17,770,472	29,019,609	9,371,823	209,492,428
2009	21,095,325	7,777,403	37,489,531	36,561,422	29,417,516	3,022,112	33,592,731	7,778,488	176,734,528
2010	22,103,156	8,619,712	32,076,622	22,475,680	22,828,990	2,997,879	43,980,968	35,477,082	190,560,089
2011	18,180,918	10,057,508	36,489,761	26,235,905	24,341,562	6,092,825	40,652,479	5,872,487	167,923,445
2012	25,024,841	6,995,224	38,430,380	25,676,518	33,182,244	4,009,471	25,251,856	9,661,455	168,231,989
2013	25,661,184	8,031,048	40,687,665	36,710,938	35,870,312	3,762,361	26,213,949	9,562,435	186,499,892
2014	32,365,778	9,605,194	42,927,880	31,682,731	31,920,320	3,433,503	31,625,454	8,418,061	191,978,921
2015	28,059,669	8,010,311	49,024,542	40,392,319	33,183,298	4,472,067	33,357,743	9,742,481(G)	206,242,430

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS

For the Fiscal Year Ended June 30, 2015

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2014 EAV $	% Change in EAV (for 2014)
Addison Corridor North	6/4/1997	2020	$ 14,400,224	$ 34,671,471	140.8%
Addison South	5/9/2007	2031	70,940,232	99,499,944	40.3%
Archer Courts	5/12/1999	2023	85,326	5,383,292	6209.1%
Archer/Central	5/17/2000	2024	37,646,911	41,278,471	9.6%
Archer/Western	2/11/2009	2033	117,506,250	95,851,787	-18.4%
Armitage/Pulaski	6/13/2007	2031	17,643,508	17,381,315	-1.5%
Austin/Commercial	9/27/2007	2031	72,287,864	78,616,749	8.8%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	26,223,461	18.2%
Avondale	7/29/2009	2033	40,426,760	35,607,059	-11.9%
Belmont/Central	1/12/2000	2024	74,974,945	106,279,051	41.8%
Belmont/Cicero	1/12/2000	2024	33,673,880	44,474,027	32.1%
Bronzeville	11/4/1998	2022	46,166,304	91,459,650	98.1%
Bryn Mawr/Broadway	12/11/1996	2019	17,682,409	41,723,296	136.0%
California/Foster	4/2/2014	2038	15,399,717	14,575,961	-5.3%
Calumet/Cermak	7/29/1998	2021	3,219,685	136,641,588	4143.9%
Calumet River	3/10/2010	2034	14,220,381	7,386,162	-48.1%
Canal/Congress	11/12/1998	2022	36,872,487	335,334,371	809.4%
Central West	2/16/2000	2024	85,481,254	301,719,316	253.0%
Chicago/Central Park	2/27/2002	2026	84,789,947	160,659,461	89.5%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	324,385,229	742.1%
Cicero/Archer	5/17/2000	2024	19,629,324	27,213,774	38.6%
Clark/Montrose	7/7/1999	2022	23,433,096	58,449,740	149.4%
Clark/Ridge	9/29/1999	2022	39,619,368	63,250,467	59.6%
Commercial Ave.	11/13/2002	2026	40,748,652	53,011,704	30.1%
Devon/Sheridan	3/31/2004	2028	46,265,220	37,528,097	-18.9%
Devon/Western	11/3/1999	2023	71,430,503	96,012,346	34.4%
Diversey/Narragansett	2/5/2003	2027	34,746,231	64,010,739	84.2%
Division/Homan	6/27/2001	2025	24,683,716	38,580,778	56.3%
Drexel Blvd.	7/10/2002	2026	127,408	4,852,464	3708.6%
Edgewater/Ashland	10/1/2003	2027	1,875,282	9,917,456	428.9%
Elston/Armstrong	7/19/2007	2031	45,742,226	49,021,628	7.2%
Englewood Mall	7/10/1996	2019	3,868,736	7,621,459	97.0%
Englewood Neighborhood	6/27/2001	2025	56,079,946	128,732,270	129.6%
Ewing Avenue	3/10/2010	2034	52,994,264	43,229,692	-18.4%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	170,633,738	100.4%
Galewood/Armitage Industrial	7/7/1999	2022	48,056,697	86,350,495	79.7%
Goose Island	7/10/1996	2019	13,676,187	71,306,375	421.4%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

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

For the Fiscal Year Ended June 30, 2015

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2014 EAV $	% Change in EAV (for 2014)
Greater Southwest (West) . . .	4/12/2000	2024	$ 115,603,413	$ 87,250,706	-24.5%
Harlem Industrial Park	3/14/2007	2031	45,981,764	36,865,644	-19.8%
Harrison/Central	7/26/2006	2030	43,430,700	41,857,208	-3.6%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	122,219,282	-23.0%
Homan/Arthington	2/5/1998	2021	2,658,362	9,708,907	265.2%
Humbolt Park Commercial . .	6/27/2001	2025	32,161,252	70,162,123	118.2%
Irving Park/Cicero	6/10/1996	2020	8,150,631	16,981,056	108.3%
Irving Park/Elston	5/13/2009	2033	44,853,282	37,221,601	-17.0%
Jefferson Park	9/9/1998	2021	23,970,085	31,835,990	32.8%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	138,029,317	164.0%
Kennedy/Kimball	3/12/2008	2032	72,841,679	61,306,936	-15.8%
Kinzie Conservation	6/10/1998	2021	144,961,719	428,361,755	195.5%
Lake Calumet	12/13/2000	2024	176,186,639	174,690,776	-0.8%
Lakefront	3/27/2002	2026	—	5,510,798	—
Lakeside Dev. Phase 1	5/12/2010	2034	3,489,242	301,843	-91.3%
LaSalle/Central	11/15/2006	2030	4,192,597,468	3,657,041,288	-12.8%
Lawrence/Broadway	6/27/2001	2025	38,603,611	78,913,863	104.4%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	190,320,481	72.4%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	58,657,879	34.2%
Lincoln Avenue	11/3/1999	2023	63,741,191	91,035,499	42.8%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	16,663,687	578.1%
Little Village East	4/22/2009	2033	44,751,945	35,431,707	-20.8%
Little Village Ind.	6/13/2007	2031	88,054,895	65,749,417	-25.3%
Madden/Wells	11/6/2002	2026	1,333,582	15,415,677	1056.0%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	67,818,348	39.1%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	59,166,109	21.6%
Midwest	5/17/2000	2024	98,090,835	293,721,876	199.4%
Montclare	8/30/2000	2024	792,770	4,556,712	474.8%
Montrose/Clarendon	6/30/2010	2034	—	2,965,363	—
Near North	7/30/1997	2020	41,671,541	323,195,620	675.6%
North Ave./Cicero	7/30/1997	2020	5,658,542	22,540,073	298.3%
North Branch/North	7/2/1997	2021	29,574,537	93,479,021	216.1%
North Branch/South	2/5/1998	2021	44,361,677	138,929,442	213.2%
North Pullman	6/30/2009	2033	44,582,869	47,752,229	7.1%
NW Industrial Corridor	12/2/1998	2021	146,115,991	222,685,757	52.4%
Ogden/Pulaski	4/9/2008	2032	221,709,034	190,676,081	-14.0%
Ohio/Wabash	6/7/2000	2024	1,278,143	23,940,821	1773.1%
Pershing/King	9/5/2007	2031	12,948,117	10,363,729	-20.0%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

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

For the Fiscal Year Ended June 30, 2015

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2014 EAV $	% Change in EAV (for 2014)
Peterson/Cicero	2/16/2000	2024	$ 1,116,653	$ 7,929,251	610.1%
Peterson/Pulaski	2/16/2000	2024	40,112,395	43,755,467	9.1%
Pilsen Area	6/10/1998	2022	111,394,217	257,269,752	131.0%
Portage Park	9/9/1998	2021	65,084,552	92,500,817	42.1%
Pratt/Ridge	6/23/2004	2028	16,414,897	18,054,313	10.0%
Pulaski Corridor	6/9/1999	2022	82,778,075	115,273,806	39.3%
Randolph/Wells	6/9/2010	2034	72,140,805	55,336,329	-23.3%
Ravenswood Corridor	3/9/2005	2029	44,169,275	48,827,339	10.5%
Read/Dunning	1/11/1991	2015	6,382,072	43,955,956	588.7%
River South	7/30/1997	2020	65,930,580	314,482,082	377.0%
River West	1/10/2001	2025	50,463,240	275,041,170	445.0%
Roosevelt/Canal	3/19/1997	2021	1,276,969	17,980,664	1308.1%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	80,115,083	77.3%
Roosevelt/Racine (DOH)	11/4/1998	2022	6,992,428	30,928,572	342.3%
Roosevelt/Union	5/12/1999	2022	4,369,258	66,438,440	1420.6%
Roseland/Michigan	1/16/2002	2026	29,627,768	35,411,533	19.5%
Sanitary Draig & Ship	7/24/1991	2015	10,722,329	17,067,892	59.2%
South Chicago	4/12/2000	2024	14,775,992	31,103,949	110.5%
South Works	11/3/1999	2023	3,823,633	4,059,678	6.2%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	181,022,010	-16.3%
Stockyards Annex	12/11/1996	2020	38,650,631	51,379,338	32.9%
Stockyards-Southeast Quad	2/26/1992	2015	21,527,824	39,046,177	81.4%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	80,513,770	74.8%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	25,612,211	45.0%
Touhy/Western	9/13/2006	2030	55,187,828	47,948,427	-13.1%
Washington Park	10/8/2014	2038	72,073,855	72,422,464	0.5%
Weed/Fremont	1/8/2008	2032	6,430,360	12,874,410	100.2%
West Irving Park	1/12/2000	2024	36,446,831	46,189,519	26.7%
West Woodlawn	5/12/2010	2034	127,750,505	82,750,638	-35.2%
Western Ave. South	1/12/2000	2024	69,504,372	152,868,061	119.9%
Western Ave. North	1/12/2000	2024	71,260,546	146,959,345	106.2%
Western/Ogden	2/5/1998	2021	41,536,306	150,448,315	262.2%
Western/Rock Island	2/8/2006	2030	102,358,411	107,947,842	5.5%
Wilson Yard	6/27/2001	2025	56,194,225	148,906,990	165.0%
Woodlawn	1/20/1999	2022	28,865,833	66,641,680	130.9%
105th/Vincennes	10/3/2001	2025	108,828,811	114,011,871	4.8%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

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

For the Fiscal Year Ended June 30, 2015

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2014 EAV $	% Change in EAV (for 2014)
107th/Halsted	4/2/2014	2038	$ 122,435,316	$ 118,712,003	-3.0%
111th/Kedzie	9/29/1999	2022	14,456,141	21,921,024	51.6%
119th/Halsted	2/6/2002	2026	63,231,728	68,837,719	8.9%
119th/I-57	11/6/2002	2026	16,097,672	53,589,835	232.9%
126th/Torrence	12/21/1994	2017	1,224,731	14,213,121	1060.5%
24th/Michigan	7/21/1999	2022	15,874,286	35,308,287	122.4%
26th/King Drive	1/11/2006	2030	—	9,784,032	—
35th/Halsted	1/14/1997	2021	81,212,182	143,368,945	76.5%
35th/State	1/14/2004	2028	3,978,955	28,873,293	625.7%
35th/Wallace	12/15/1999	2023	9,047,402	19,425,960	114.7%
41st/King Drive	7/13/1994	2018	129,892	2,651,490	1941.3%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	46,229,276	236.7%
47th/Ashland	3/27/2002	2026	53,606,185	78,389,483	46.2%
47th/Halsted	5/29/2002	2026	39,164,012	78,560,753	100.6%
47th/King Drive	3/27/2002	2026	61,269,066	150,362,093	145.4%
47th/State	7/21/2004	2028	19,279,360	37,620,491	95.1%
49th/St. Lawrence	1/10/1996	2020	683,377	6,617,030	868.3%
51st/Archer	5/17/2000	2024	29,522,751	31,651,572	7.2%
51st/Lake Park	11/15/2012	2036	2,320,971	345,980	-85.1%
53rd St.	1/10/2001	2025	20,916,553	66,915,451	219.9%
60th/Western	5/9/1996	2019	2,464,026	4,958,716	101.2%
63rd/Ashland	3/29/2006	2030	47,496,362	60,682,583	27.8%
63rd/Pulaski	5/17/2000	2024	56,171,856	75,331,258	34.1%
67th/Cicero	10/2/2002	2026	—	3,220,179	—
67th/Wentworth	5/4/2011	2035	210,005,927	140,737,551	-33.0%
69th/Ashland	11/3/2004	2028	813,600	8,815,684	983.5%
71st/Stony Island	10/7/1998	2021	53,336,063	88,102,866	65.2%
73rd/University	9/13/2006	2030	16,998,947	19,099,484	12.4%
79th Street Corridor	7/8/1998	2021	21,576,305	29,735,357	37.8%
79th/Cicero	6/8/2005	2029	8,018,405	16,074,182	100.5%
79th/SW Highway	10/3/2001	2025	36,347,823	52,827,799	45.3%
79th/Vincennes	9/27/2007	2031	32,132,472	29,391,791	-8.5%
83rd/Stewart	3/21/2004	2028	10,618,689	24,457,281	130.3%
87th/Cottage Grove	11/13/2002	2026	53,959,824	71,686,406	32.9%
95th/Western	7/13/1995	2018	16,035,773	25,366,087	58.2%
			$10,630,936,859	$14,729,139,727	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

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

For the Fiscal Year Ended June 30, 2015

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 2014 EAV for the City of Chicago is $64,913,773,771 — Source of The Cook County Report

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV

Last Ten Fiscal Years

(Thousands of dollars)

Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	Components of New Property by Tax Levy Year (B)					Total New Property (A)	New property percentage of overall EAV
			New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives		
2005	2006	$59,310,827	$ 802,525	$ —	$ —	$ —	$ 4,674	$ 807,199	1.36%
2006	2007	69,517,264	786,042	—	—	—	8,980	795,022	1.14%
2007	2008	73,651,158	838,279	—	—	45,875	24,179	908,333	1.23%
2008	2009	80,983,239	1,073,096	—	—	2,318,769	—	3,391,865	4.19%
2009	2010	84,592,286	1,052,426	—	—	162	—	1,052,588	1.24%
2010	2011	82,092,476	727,019	—	—	104,289	18,790	850,098	1.04%
2011	2012	75,127,913	344,503	—	—	—	2,420	346,923	0.46%
2012	2013	65,257,093	213,120	—	—	41,499	19,845	274,464	0.42%
2013	2014	62,370,205	279,426	—	—	244,388	10,066	533,880	0.86%
2014	2015	64,913,774	414,558	—	—	1,040,246	9,912	1,464,716	2.26%

NOTES:

A) *Source*: Cook County Clerk's Office—Agency Tax Rate Report, includes DuPage County Valuation.

B) *Source*: Cook County Clerk's Office—PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2015

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	$ 26,905,058	$ 6,406	Midwest
Mather Renovation	32,401,366	32,401,366	—	Lincon 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	13,286,828	843,515	Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	—	Chicago/ Central Park
Back of the Yards HS	19,800,000	19,800,000	—	47th/ Ashland
Modern Schools Across Chicago Program Future Payments				
Austin Renovation	5,570,000	—	—	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	—	—	Stevenson/ Brighton
MSAC Subtotal	$ 495,439,779	$ 441,110,407	$ 849,921	

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, 2015 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
American Disabilities Act (ADA)				
ADA Accessibility -Year 1				
Beidler Elementary	$ 750,000	$ 594,531	$ —	Kinzie Industrial
Brown Elementary	750,000	750,000	—	Central West
Creiger Campus	1,500,250	1,207,911	—	Central West
Dodge Elementary	750,000	476,025	—	Midwest
Fiske Elementary	1,500,000	—	1,500,000	Woodlawn
Holmes Elementary	750,000	606,820	—	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—	750,000	Englewood Neighborhood
McAuliffe Elementary	750,000	441,771	—	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	750,000	—	Kinzie Industrial
Nicholson Elementary	750,000	600,125	—	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/ Central Park
Schiller Elementary	1,500,000	565,181	—	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
ADA Accessibility -Years 2-5				
Attucks-Farren Building	1,000,000	—	—	47th / King
Burke Elementary	1,000,000	—	—	47th / State
Banneker Elementary	2,000,000	—	—	Englewood Neighborhood
Armour Elementary	2,673,750	—	—	35th / Halsted
Hearst Elementary	2,219,500	—	—	Cicero/Archer
Lawndale Elementary	2,500,000	—	—	Midwest
Plamondon Elementary	1,748,000	—	—	Western /Ogden Industrial Corridor
Schurz High School	2,100,000	—	—	Portage Park
Hayt Elementary	670,000	—	—	Clark/Ridge
Peterson Elementary	500,000	—	—	Lawrence/Kedzie
Chappell Elementary	1,500,000	—	—	Western Ave. North
ADA Subtotal	$ 32,161,500	$ 9,742,364	$ 2,250,000	

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, 2015 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Other Capital Intergovermental Agreements				
Walter Payton HS and Jenner School	$ 11,125,000	$ 11,125,000	$ —	Near North
Walter Payton HS	20,000,000	—	—	Near North
Jones Academic High School Renovation/Addition (old)	42,315,243	40,544,350	—	Near South
Jones Academic High School Renovation/Addition (new)	114,641,656	114,641,656	—	Near South
Jones Academic High School #3	8,700,000	8,145,386	—	Near South
National Teachers Academy	47,000,000	47,900,000	—	24th/ Michigan
Simeon High School	22,184,925	18,381,140	—	Chatham Ridge
Albany Park Middle School	25,000,000	28,662,826	—	*Lawrence/ Kedzie
Juarez High School Addition	15,500,000	18,017,456	—	Pilsen
DePriest Elementary	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	2,201,500	2,201,500	—	Western Avenue South
Coonley Middle School #2	16,500,000	13,611,403	—	Western Avenue South
Arai/ Uplift Elementary School	1,447,244	1,447,244	—	Wilson Yard
Lloyd Elementary	750,000	750,000	—	Midwest
Lloyd Elementary II	550,000	113,947	—	Midwest
Chase	3,600,000	2,759,563	—	Fullerton/Milwaukee
Holmes Elementary	3,270,000	3,270,000	—	Englewood Neighborhood
Morgan Park	44,000	—	—	Western Avenue/Rock Island
Senn High School	1,000,000	1,000,000	—	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	—	—	—	Wilson Yard
Beidler Campus Park	1,000,000	1,000,000	—	Kinzie Industrial
Donoghue	200,000	200,000	—	Madden-Wells
Douglas Park Field (CPD)	2,000,000	—	—	Increment offset proceeds
Ericson Play Lot	350,000	—	—	Midwest MSAC Bonds
Faraday STEM	600,000	—	—	Midwest MSAC Bonds
Jensen Play Lot	650,000	—	—	Midwest MSAC Bonds
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
Lane Tech Renovation #3	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
Stockton	300,000	—	—	Clark Montrose
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	1,114,381	—	Midwest
Crane High School	2,250,000	2,250,000	—	Central West
Other Capital IGA Subtotal	$ 433,619,976	$ 407,768,238	$ 3,500,000	
Grand Total	$ 961,221,255	$ 858,621,009	$ 6,599,921	

NOTES:
Based on intergovernmental agreements approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2015.

* 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, 2015

(Thousands of dollars)

Direct Debt (with pledged revenue source)	Date Issued	Date Final Maturity	Interest Rate	Outstanding at June 30, 2014	Issue or (Redeemed)	Outstanding at June 30, 2015 (A)
PBC GO Lease Certificate 1992 Series A (Property Taxes)	1/1/1992	1/1/2020	6.00% to 6.50%	$146,025	$(22,150)	$123,875
PBC Building Revenue Bonds 1993 Series A (Property Taxes)	4/1/1993	12/1/2018	3.00% to 5.75%	—	—	—
PBC Building Revenue Refunding Bonds 1999 Series B (Property Taxes)	3/11/1999	12/1/2018	5.00% to 5.25%	86,915	(14,320)	72,595
Unlimited Tax G.O. Bonds Series 1997A (PPRT/IGA)	12/3/1997	12/1/2030	5.30% to 5.55%	17,245	(6,113)	11,132
Unlimited Tax G.O. Bonds Series 1998 B-1 (IGA)	10/28/1998	12/1/2031	4.55% to 5.22%	266,259	(9,215)	257,044
Unlimited Tax G.O. Bonds Series 1999A (PPRT/IGA)	2/25/1999	12/1/2031	4.30% to 5.30%	436,839	(17,279)	419,560
Unlimited Tax G.O. Bonds Series 2000B (State Aid)	9/7/2000	3/1/2032	Variable	91,400	(91,400)	—
Qualified Zone Academy G.O. Bonds Series 2001B (State Aid)	10/24/2001	10/23/2015	0.00%	9,440	—	9,440
Unlimited Tax G.O. Bonds Series 2002A (City Note/IGA)	9/24/2002	12/1/2022	3.00% to 5.25%	34,820	(3,150)	31,670
Qualified Zone Academy G.O. Bonds Series 2003C (State Aid)	10/28/2003	10/27/2017	0.00%	4,585	—	4,585
Unlimited Tax G.O. Bonds Series 2004A (PPRT/State Aid)	4/6/2004	12/1/2020	4.00% to 5.00%	186,580	(54,845)	131,735
Unlimited Tax G.O. Bonds Series 2004G (City Note/IGA)	12/9/2004	3/1/2032	4.00% to 6.00%	11,195	(11,195)	—
Unlimited Tax G.O. Bonds Series 2005A (State Aid)	6/27/2005	12/1/2031	5.00% to 5.50%	187,490	(6,405)	181,085
Unlimited Tax G.O. Bonds Series 2005B (PPRT)	6/27/2005	12/1/2021	5.00%	38,030	(15,295)	22,735
Qualified Zone Academy G.O. Bonds Series 2006A (State Aid)	6/7/2006	6/1/2021	0.00%	6,853	—	6,853
Unlimited Tax G.O. Bonds Series 2006B (State Aid)	9/27/2006	12/1/2036	4.25% to 5.00%	305,875	—	305,875
Unlimited Tax G.O. Bonds Series 2007B (IGA)	9/5/2007	12/1/2024	5.00%	197,765	—	197,765

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS (continued)

For the fiscal year ended June 30, 2015

(Thousands of dollars)

Direct Debt (with pledged revenue source)	Date Issued	Date Final Maturity	Interest Rate	Outstanding at June 30, 2014	Issue or (Redeemed)	Outstanding at June 30, 2015 (A)
Unlimited Tax G.O. Bonds Series 2007C (IGA)	9/5/2007	12/1/2021	4.00% to 4.375%	$ 4,915	$ (375)	$ 4,540
Unlimited Tax G.O. Bonds Series 2007D (State Aid)	12/13/2007	12/1/2029	4.00% to 5.00%	187,375	—	187,375
Unlimited Tax G.O. Bonds Series 2008A (PPRT/State Aid)	5/13/2008	12/1/2030	Variable	262,785	—	262,785
Unlimited Tax G.O. Bonds Series 2008B (State Aid)	5/13/2008	12/1/2041	Variable	200,775	—	200,775
Unlimited Tax G.O. Bonds Series 2008C (State Aid)	5/1/2008	3/1/2032	4.25% to 5.00%	464,655	—	464,655
Unlimited Tax G.O. Bonds Series 2009D (State Aid)	7/30/2009	12/1/2023	1.00% to 5.00%	52,465	—	52,465
Unlimited Tax G.O. Build America Bonds Series 2009E (State Aid and Federal Subsidy)	9/24/2009	12/1/2039	4.682% to 6.14%	518,210	—	518,210
Unlimited Tax G.O. Bonds Series 2009F (State Aid)	9/24/2009	12/1/2016	2.50% to 5.00%	12,325	—	12,325
Qualified School Construction G.O. Bonds Series 2009G (State Aid)	12/17/2009	12/15/2025	1.75%	254,240	—	254,240
Qualified School Construction G.O. Bonds Series 2010C (State Aid and Federal Subsidy)	11/2/2010	11/1/2029	6.32%	257,125	—	257,125
Unlimited Tax G.O. Build America Bonds Series 2010D (State Aid and Federal Subsidy)	11/2/2010	3/1/2036	6.52%	125,000	—	125,000
Unlimited Tax G.O. Bonds Series 2010F (State Aid)	11/2/2010	12/1/2031	5.00%	183,750	(7,120)	176,630
Unlimited Tax G.O. Bonds Series 2010G (State Aid)	11/2/2010	3/1/2017	2.77% to 4.18%	64,575	(25,985)	38,590
Unlimited Tax G.O. Bonds Series 2011A	11/1/2011	12/1/2041	5.00% to 5.50%	402,410	—	402,410
Unlimited Tax G.O. Bonds Series 2011C-1 (State Aid)	12/20/2011	3/1/2032	Variable	49,200	(2,000)	47,200
Unlimited Tax G.O. Bonds Series 2011C-2 (State Aid)	12/20/2011	3/1/2032	Variable	44,100	—	44,100
Unlimited Tax G.O. Bonds Series 2011D (State Aid)	12/16/2011	3/1/2032	Variable	91,200	(91,200)	—

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS (continued)

For the fiscal year ended June 30, 2015

(Thousands of dollars)

Direct Debt (with pledged revenue source)	Date Issued	Date Final Maturity	Interest Rate	Outstanding at June 30, 2014	Issue or (Redeemed)	Outstanding at June 30, 2015 (A)
Unlimited Tax G.O. Bonds Series 2012A (State Aid)	8/21/2012	12/1/2042	5.00%	$ 468,915	$ —	$ 468,915
Unlimited Tax G.O. Bonds Series 2012B (State Aid)	12/21/2012	12/1/2034	5.00%	109,825	—	109,825
Unlimited Tax G.O. Bonds Series 2013A-1 (State Aid)	5/22/2013	3/1/2026	Variable	114,920	(7,990)	106,930
Unlimited Tax G.O. Bonds Series 2013A-2 (State Aid)	5/22/2013	3/1/2035	Variable	124,320	—	124,320
Unlimited Tax G.O. Bonds Series 2013A-3 (State Aid)	5/22/2013	3/1/2036	Variable	157,055	—	157,055
Unlimited Tax G.O. Bonds Series 2015A (State Aid)	3/26/2015	3/1/2032	Variable	—	89,200	89,200
Unlimited Tax G.O. Bonds Series 2015C (State Aid)	4/29/2015	12/1/2039	5.25%-6.00%	—	280,000	280,000
Unlimited Tax G.O. Bonds Series 2015E (State Aid)	4/29/2015	12/1/2039	5.13%	—	20,000	20,000
Unlimited Tax G.O. Bonds Series 2015G (State Aid)	3/26/2015	12/1/2032	Variable	—	88,900	88,900
Grand Total Direct Debt				$6,177,456	$ 92,063	$ 6,269,519

NOTE:

A) Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	$ 17,881
1998B-1	348,094
1999A	253,196
Total:	$619,171

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED AND PROPOSED BOND ISSUANCES

As of June 30, 2015

(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2015 (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)	—	800,527	697,176 (B)	2,297
1998 Alternate Bond Authorization	900,000	870,195 (C)	—	865,610	4,585 (C)	29,805
2001 Alternate Bond Authorization	500,000	500,000 (D)	—	500,000	— (D)	—
2002 Alternate Bond Authorization	500,000	500,000 (E)	—	468,330	31,670 (E)	—
2004 Alternate Bond Authorization	965,000	965,000 (F)	—	699,114	265,886 (F)	—
2006 Alternate Bond Authorization	750,000	634,258 (G)	—	343,036	291,222 (G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (H)	—	187,000	1,712,990 (H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (I)	—	345,850	1,560,330 (I)	393,820
2012 Alternate Bond Authorization	750,000	709,825 (J)	—	300,000	409,825 (J)	40,175
TOTAL	$11,260,000	$10,378,151	$300,000	$5,404,467	$4,973,684	$581,849

(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 has issued seven series of refunding bonds which met these requirements: $205,410 Series 2004A, of which $131,735 is outstanding; $193,585 Series 2005A, of which 181,085 is outstanding; $52,595 Series 2005B, of which $22,735 is outstanding; $197,765 Series 2007B, of which all is oustanding; $403,980 Series 2013A, of which $388,305 is outstanding; $89,200 Series 2015A, of which all is oustanding; and $88,900 Series 2007G, of which all is oustanding. These series are not included in the authorization table. Total principal amount issued including these series is $11,309,586. Principal outstanding on CPS Debt is $6,073,499.

NOTES:

A) The total issued and outstanding debt for the 1996 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1996	4/17/1996	$350,000	$ —
Unlimited Tax GO Bonds Series 1997	5/7/1997	500,000	—
		$850,000	$ —

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2015

(Thousands of dollars)

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	$ 11,132
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	257,044
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	419,560
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	9,440
		$1,497,703	$697,176

C) The total issued and outstanding debt for the 1998 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, PBC Series C of 1999	9/30/1999	$316,255	$ —
Unlimited Tax GO Bonds, Series 2000A	7/20/2000	106,960	—
Unlimited Tax GO Bonds, Series 2000B,C	9/7/2000	202,000	—
Unlimited Tax GO Bonds, Series 2000E	12/19/2000	13,390	—
Unlimited Tax GO Bonds, Series 2001A	3/1/2001	45,110	—
Unlimited Tax GO Bonds, Series 2003C	10/28/2003	4,585	4,585
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	81,895	—
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	100,000	—
		$870,195	$4,585

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, 2015

(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	$31,670
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	$31,670

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	259,033
		$965,000	$265,886

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	$ 46,842
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	162,785	—
Unlimited Tax GO Refunding Bonds, Series 2007C	9/5/2007	6,870	4,540
Unlimited Tax GO Bonds, Series 2007D	12/13/2007	238,720	187,375
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	52,465
		$634,258	$291,222

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2015

(Thousands of dollars)

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	200,775
Unlimited Tax GO Refunding Bonds, Series 2008C	5/1/2008	464,655	464,655
Unlimited Tax GO Refunding Bonds, Series 2009A	3/18/2009	130,000	—
Unlimited Taxable GO Bonds, Series 2009E	9/24/2009	518,210	518,210
Unlimited Tax GO Bonds, Series 2009F	9/24/2009	29,125	12,325
Unlimited Tax GO Bonds, Series 2009G	12/17/2009	254,240	254,240
		$1,899,990	$1,712,990

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	176,630
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	38,950
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	91,300
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	$1,560,330

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2015

(Thousands of dollars)

J) The total issued and outstanding debt for the 2012 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2012B	12/21/2012	$109,825	$109,825
Unlimited Tax GO Short-term Line of Credit, Series 2013B	12/20/2013	150,000	—
Unlimited Tax GO Short-term Line of Credit, Series 2013C	12/20/2013	150,000	—
Unlimited Tax GO Bonds, Series 2015C	4/29/2015	280,000	280,000
Unlimited Tax GO Bonds, Series 2013E	4/29/2015	20,000	20,000
		$709,825	$409,825

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OUTSTANDING DEBT PER CAPITA
Last Ten Fiscal Years
As of June 30, 2015
(Thousands of dollars, except per capita)

Fiscal Year	General Obligation Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government
2006	$3,866,956	$458,030	$6,154	$2,975	$4,598	$4,338,713
2007	4,091,856	435,535	4,885	2,800	3,606	4,538,682
2008	4,276,507	411,690	3,747	2,625	2,516	4,697,085
2009	4,221,497	386,385	2,710	2,450	1,317	4,614,359
2010	4,904,510	359,215	—	2,275	—	5,266,000
2011	5,249,147	330,375	—	2,100	—	5,581,622
2012	5,593,686	299,780	—	1,925	—	5,895,391
2013	6,058,398	267,330	—	1,750	—	6,327,478
2014	5,944,516	232,940	—	1,575	—	6,179,031
2015	6,073,049	196,470	—	1,400	—	6,270,919

NOTES:

A) Starting in FY2013, 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 FY2013, the total net outstanding debt per capita ratio is the total primary government amount divided by population.

Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt	Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net General Bonded Debt Per Capita	Total General Obligation Debt Per Capita
$ N/A	$4,338,713	3.57%	13.00%	2,896,016	$1,498.17	$1,335.27
N/A	4,538,682	3.46%	13.50%	2,896,016	1,567.22	1,412.93
N/A	4,697,085	3.49%	13.82%	2,896,016	1,621.91	1,476.69
N/A	4,614,359	3.45%	14.68%	2,896,016	1,593.35	1,457.69
N/A	5,266,000	4.31%	17.23%	2,695,598	1,953.56	1,819.45
N/A	5,581,622	4.41%	18.55%	2,695,598	2,070.64	1,947.30
N/A	5,895,391	4.47%	21.46%	2,695,598	2,187.04	2,075.12
144,852	6,182,626	N/A	22.64%	2,695,598	2,293.60	2,247.52
167,270	6,011,761	N/A	N/A	2,695,598	2,230.21	2,205.27
167,270	6,103,649	N/A	N/A	2,695,598	2,264.30	2,252.95

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
As of June 30, 2015
(Thousands of dollars)

	2006	2007	2008	2009
Debt limit	$8,184,894	$9,593,382	$10,163,860	$11,175,687
General obligation	711,982	658,947	606,009	553,134
Less: amount set aside for repayment of bonds	(39,984)	(37,322)	(36,238)	(34,719)
Total net debt applicable to limit (A)	$ 671,998	$ 621,625	$ 569,771	$ 518,415
Legal debt margin	$7,512,896	$8,971,757	$ 9,594,089	$10,657,272
Total net debt applicable to the limit as a percentage of debt limit	8.21%	6.48%	5.61%	4.64%

NOTE:

A) Pursuant to Section 15 of the Debt Reform Act, this table does not reflect the following alternate bonds because these bond series do not count against the debt limit until the tax levy supporting them is extended for collection:

$499.9 million Series 1997A
$328.7 million Series 1998B-1
$532.5 million Series 1999A
$9.44 million Series 2001B
$49.0 million Series 2002A
$4.6 million Series 2003C
$205.4 million Series 2004A
$193.5 million Series 2005A
$52.5 million Series 2005B
$6.9 million Series 2006A
$355.8 million Series 2006B
$197.7 million Series 2007B
$6.8 million Series 2007C
$238.7 million Series 2007D
$262.8 million Series 2008A
$240.9 million Series 2008B
$464.7 million Series 2008C
$75.7 million Series 2009D
$547.3 million Series 2009EF
$254.2 million Series 2009G
$257.1 million Series 2010C
$125.0 million Series 2010D
$183.7 million Series 2010F
$72.9 million Series 2010G
$402.4 million Series 2011A
$95.1 million Series 2011C
$468.9 million Series 2012A
$109.8 million Series 2012B
$403.9 million Series 2013A
$89.2 million Series 2015A
$280.0 million Series 2015C
$20.0 million Series 2015E
$88.9 million Series 2015G

2010	2011	2012	2013	2014	2015
$11,673,736	$11,328,763	$10,367,652	$9,005,479	$8,607,088	$8,958,101
498,593	446,719	394,793	342,830	290,849	238,820
(16,042)	(36,440)	(29,917)	(34,790)	(35,201)	(34,684)
$ 482,551	$ 410,279	$ 364,876	$ 308,040	$ 255,648	$ 204,136
$11,191,185	$10,918,484	$10,002,776	$8,697,439	$8,351,440	$8,753,965
4.13%	3.62%	3.52%	3.42%	2.97%	2.28%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2015
(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	$7,990,427	100.00%	$ 7,990,427
City Colleges of Chicago	250,000	100.00%	250,000
Chicago Park District	806,960	100.00%	806,960
Cook County	3,466,977	50.63%	1,755,330
Forest Preserve District	170,322	50.63%	86,234
Water Reclamation District	2,619,000	51.62%	1,351,928
Subtotal, overlapping debt			$12,240,879
Chicago Public School Direct Debt			6,269,519
Total Direct and Overlapping Debt			$18,510,398

NOTES:

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 2014 City of Chicago tax extension within the City of Chicago by the total 2014 Cook County extension for the district.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CPS' DEBT RATING HISTORY

The following table presents the changes in credit rating for Chicago Public Schools for the last five years:

	Jun. 2010	Oct. 2010	Oct. 2011	Jul. 2012	Aug. 2012	Sep. 2012	Oct. 2012	July 2013	Sep. 2013	Mar. 2014	Jun. 2015
S&P	AA-	AA	AA-	AA-	A+	A+	A+	A+	A+	A+	A-
Moody's	A1	Aa2	Aa3	A1	A1	A2	A2	A3	A3	Baa1	Ba3
Fitch	AA-	A+	A+	A+	A+	A+	A	A	A-	A-	BBB-
Kroll											BBB+

Security Structure: All of CPS' general obligation debt has been issued as alternate revenue bonds. 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 Personal Property Replacement Taxes (PPRT), revenues from an Intergovernmental Agreement (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.

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)
2005	2,896,016	$114,169,639	$39,423	33.14	1,045,282
2006	2,896,016	121,612,400	41,993	33.48	1,042,014
2007	2,896,016	130,986,804	45,230	33.75	1,033,328
2008	2,896,016	134,592,344	46,475	34.13	1,032,746
2009	2,896,016	133,682,995	46,161	34.50	1,037,069
2010	2,695,598	122,140,241	45,311	34.80	1,045,666
2011	2,695,598	126,523,283	46,937	33.20	1,045,666
2012	2,695,598	131,930,653	48,943	33.10	1,030,076
2013	2,695,598	133,866,092	49,661	33.30	1,028,746
2014	2,695,598	N/A	N/A	33.40	1,028,829

NOTES:

A) *Source*: U.S. Census Bureau. The census is conducted decennially at the start of each decade.

B) *Source*: Bureau of Economic Analysis. These rates are for Cook County.

C) *Source*: World Business Chicago Website

D) *Source*: Illinois Workforce Info Center Website

N/A: Not available at publishing.

Civilian Labor Force (D)		Employment (D)		
Number	Percent of Population	Number	Percent of Population	Unemployment Rate
1,290,020	44.54%	1,198,659	41.39%	7.10%
1,296,045	44.75%	1,227,320	42.38%	5.30%
1,321,924	45.65%	1,245,876	43.02%	5.80%
1,328,413	45.87%	1,235,459	42.66%	7.00%
1,318,491	45.53%	1,174,785	40.57%	10.90%
1,320,502	48.99%	1,175,029	43.59%	11.00%
1,259,055	46.71%	1,116,216	41.41%	11.30%
1,273,805	47.26%	1,144,896	42.47%	10.10%
1,277,649	47.40%	1,143,944	42.44%	10.50%
1,369,656	50.81%	1,264,234	46.90%	7.70%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)
Last Nine Years

	2014			2013			2012			2011		
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**
Advocate Health Care	18,556	1	1.47%	—	—	—	—	—	—	—	—	—
University of Chicago	16,025	2	1.27%	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase (1)	15,015	3	1.19%	8,499	1	0.78%	8,168	1	0.76%	7,993	1	0.77%
Northwestern Memorial Hospital	14,550	4	1.15%	—	—	—	—	—	—	—	—	—
United Continental Holdings Inc	14,000	5	1.11%	—	—	—	—	—	—	—	—	—
Walgreen's Co.	13,797	6	1.09%	2,869	9	0.26%	2,789	10	0.26%	4,429	7	0.43%
AT&T Inc. (2)	13,000	7	1.03%	—	—	—	—	—	—	—	—	—
Presence Health	11,279	8	0.89%	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	10,100	9	0.80%	—	—	—	—	—	—	—	—	—
Abbot Laboratories	10,000	10	0.79%	—	—	—	—	—	—	—	—	—
United Airlines	—	—	—	8,199	2	0.75%	7,521	2	0.70%	6,366	2	0.62%
Accenture LLP	—	—	—	5,821	3	0.53%	5,590	3	0.52%	5,014	4	0.48%
Northern Trust	—	—	—	5,353	4	0.49%	5,448	4	0.51%	5,485	3	0.53%
Ford Motor Company	—	—	—	5,103	5	0.47%	4,187	6	0.39%	3,410	10	0.33%
Jewel Food Stores, Inc	—	—	—	4,441	6	0.41%	4,572	5	0.43%	4,799	5	0.46%
ABM Janitorial Midwest, Inc.	—	—	—	3,399	7	0.31%	3,398	8	0.32%	3,629	9	0.35%
Bank of America NT & SA	—	—	—	3,392	8	0.31%	3,811	7	0.36%	4,557	6	0.44%
American Airlines	—	—	—	2,749	10	0.25%	3,076	9	0.29%	—	—	—
SBC Ameritech	—	—	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	—	—	—	4,159	8	0.40%
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue- Tax Division report, which is no longer available.

NOTES:

Beginning with fiscal year 2006, the Chicago Board of Education will accumulate 10 years of data.

Source: Reprinted with permission, Crain's Chicago Business [January 19, 2015], Crain Communications, Inc.

1) J.P. Morgan Chase formerly known as Bank One.
2) AT&T Inc. formerly known as SBC Ameritech. 2014 number of employees is a statewide number.

2010			2009			2008			2007			2006		
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
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8,094	1	0.81%	8,431	1	0.81%	8,865	1	0.81%	9,114	1	0.73%	8,979	1	0.82%
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4,552	6	0.33%	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5,585	2	0.58%	6,019	2	0.58%	6,403	2	0.58%	6,102	2	0.49%	5,944	2	0.55%
4,224	7	0.32%	3,341	7	0.32%	4,532	5	0.41%	4,283	5	0.34%	4,470	5	0.41%
5,833	3	0.56%	5,394	4	0.52%	5,084	4	0.46%	4,787	4	0.38%	4,610	4	0.42%
—	—	—	2,764	10	0.27%	3,325	8	0.30%	3,367	8	0.27%	3,480	8	0.32%
5,307	4	0.52%	5,833	3	0.56%	5,977	3	0.55%	5,424	3	0.43%	5,453	3	0.50%
3,840	9	0.30%	—	—	—	—	—	—	—	—	—	—	—	—
4,668	5	0.44%	4,631	5	0.44%	—	—	—	—	—	—	3,108	10	0.29%
3,153	10	0.27%	3,394	6	0.33%	3,582	6	0.33%	3,645	7	0.29%	3,750	7	0.34%
—	—	—	3,136	8	0.30%	3,459	7	0.32%	4,002	6	0.32%	3,834	6	0.35%
4,067	8	0.30%	3,120	9	0.30%	3,161	9	0.29%	3,120	9	0.25%	—	—	—
—	—	—	—	—	—	2,955	10	0.27%	—	—	—	3,298	9	0.30%
—	—	—	—	—	—	—	—	—	2,988	10	0.24%	—	—	—

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2014 NET REVENUES
(Millions of dollars)

Company Name	2014 Net Revenues	Number of Employees (1)
Boeing Co.	$90,762.0	165,500
Archer Daniels Midland Co.	81,201.0	33,900
Walgreen Co. (2)	76,392.0	251,000
Caterpillar Inc.	55,184.0	114,233
United Continental Holdings Inc.	38,901.0	84,000
Deere & Co. (3)	36,066.9	59,623
Allstate Corp.	35,239.0	40,200
Mondelez International Inc.	34,244.0	104,000
Sears Holdings Corp. (4)	31,198.0	196,000
McDonald’s Corp.	27,441.3	420,000
Exelon Corp.	27,429.0	28,993
Catamaran Corp.	21,581.9	4,500
Abbott Laboratories	20,247.0	77,000
Abbvie Inc.	19,960.0	26,000
Kraft Foods Group Inc.	18,205.0	22,100
Baxter International Inc.	16,671.0	66,000
Illinois Tool Works Inc.	14,484.0	49,000
CDW Corp.	12,074.5	7,211
R.R. Donnelley & Sons Co.	11,603.4	68,000
Navistar International Corp (3)	10,806.0	14,200

Source: **Crain’s Chicago Business**, “Chicago’s Largest Public Companies”, from May 25, 2015 issue. Copyright 2015 Crain Communications Inc.

NOTES:

1) Most recent employee count available
2) Fiscal year ends in August.
3) Fiscal year ends in October.
4) Fiscal year ends in February.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES
CURRENT APPROPRIATIONS AND ACTUAL
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts for the Fiscal Year Ended June 30, 2014
(Thousands of dollars)

	Approved Budget	Transfers In (Out)	Final Appropriations	Fiscal Year 2015 Actual	Variance	Fiscal Year 2014 Actual (as restated)	2015 Over (Under) 2014
Revenues:							
Property taxes	$2,178,493	$ —	$2,178,493	$2,252,828	$ 74,335	$2,152,753	$ 100,075
Replacement taxes	132,735	—	132,735	143,867	11,132	131,075	12,792
State aid	1,507,740	—	1,507,740	1,579,324	71,584	1,629,892	(50,568)
Federal aid	863,628	—	863,628	767,548	(96,080)	867,512	(99,964)
Interest and investment income	80	—	80	198	118	4,458	(4,260)
Other	211,246	—	211,246	165,819	(45,427)	156,115	9,704
Total revenues	$4,893,922	$ —	$4,893,922	$4,909,584	$ 15,662	$4,941,805	($ 32,221)
Expenditures:							
Teachers' salaries	$1,986,062	$ (59,155)	$1,926,907	$1,953,938	$ 27,031	$1,921,969	$ 31,969
Career service salaries	625,489	723	626,212	622,591	(3,621)	619,462	3,129
Energy	78,696	(1,983)	76,713	74,516	(2,197)	87,547	(13,031)
Food	100,615	2,229	102,844	99,573	(3,271)	96,816	2,757
Textbooks	39,288	23,953	63,241	55,254	(7,987)	52,871	2,383
Supplies	41,345	20,921	62,266	50,571	(11,695)	55,223	(4,652)
Other commodities	637	(1)	636	474	(162)	648	(174)
Professional fees	320,744	90,565	411,309	395,221	(16,088)	441,667	(46,446)
Charter schools	649,777	19,677	669,454	662,553	(6,901)	580,652	81,901
Transportation	99,513	15,109	114,622	103,891	(10,731)	104,430	(539)
Tuition	74,748	21,695	96,443	90,901	(5,542)	66,396	24,505
Telephone and telecommunications	34,722	(6,595)	28,127	28,061	(66)	30,297	(2,236)
Other services	20,507	7,248	27,755	14,133	(13,622)	14,126	7
Equipment — educational	41,436	25,996	67,432	60,962	(6,470)	62,757	(1,795)
Repairs and replacements	16,280	11,255	27,535	27,291	(244)	31,679	(4,388)
Capital outlay	—	32	32	5	(27)	—	5
Teachers' pension	795,135	5,935	801,070	826,304	25,234	740,419	85,885
Career service pension	101,378	1,736	103,114	102,012	(1,102)	101,885	127
Hospitalization and dental insurance	341,352	19,932	361,284	357,124	(4,160)	343,308	13,816
Medicare	39,539	(2,745)	36,794	36,557	(237)	35,951	606
Unemployment compensation	9,141	(896)	8,245	8,138	(107)	16,426	(8,288)
Workers' compensation	23,225	4,247	27,472	25,926	(1,546)	25,646	280
Rent	13,181	1,507	14,688	13,030	(1,658)	12,164	866
Other fixed charges	303,431	(201,385)	102,046	11,340	(90,706)	7,792	3,548
Total expenditures	$5,756,241	$ —	$5,756,241	$5,620,366	($135,875)	$5,450,131	$ 170,235

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2015
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid
Revenues:				
Property taxes	$2,149,561	$ —	$ —	$ —
Replacement taxes	143,867	—	—	—
State aid	822,503	—	164,891	262,020
Federal aid	65,393	103,899	121,924	—
Interest and investment income	197	—	—	—
Other	117,859	—	13,954	5,000
Total revenues	$3,299,380	$103,899	$300,769	$267,020

STATISTICAL SECTION

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
$ —	$ —	$103,267	$ —	$ —	$2,252,828
—	—	—	—	—	143,867
—	4,563	1	325,346	—	1,579,324
253,515	200,412	—	—	22,405	767,548
—	—	1	—	—	198
—	7,747	4,657	16,602	—	165,819
$253,515	$212,722	$107,926	$341,948	$22,405	$4,909,584

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF EXPENDITURES — BY PROGRAM
For the Fiscal Year Ended June 30, 2015
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid
Teachers' salaries	$1,618,304	$ 66,653	$ 91,967	$92,136
Career service salaries	316,075	5,463	40,633	54,221
Energy	293	—	—	—
Food	2,257	24	2,329	21
Textbooks	37,784	24	4,477	4,927
Supplies	30,565	198	3,576	5,528
Other commodities	209	—	8	85
Professional fees	118,508	2,410	84,462	6,969
Charter schools	577,324	—	8,555	41,970
Transportation	91,838	56	2,347	2,098
Tuition	85,817	1,044	1,899	1,711
Telephone and telecommunications	28,009	—	—	—
Other services	8,970	17	2,543	1,220
Equipment — educational	40,828	43	5,630	6,901
Repairs and replacements	5,966	—	116	1,198
Capital outlay	5	—	—	—
Teachers' pension	768,002	12,219	16,428	16,906
Career service pension	51,152	989	6,567	8,037
Hospitalization and dental insurance	251,629	8,585	17,249	19,637
Medicare	27,261	973	1,900	2,254
Unemployment compensation	6,191	238	400	426
Workers' compensation	19,719	762	1,275	1,357
Rent	733	15	1,151	—
Other fixed charges	(4,288)	346	295	—
Total expenditures	$4,083,151	$100,059	$293,807	$267,602

Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	Total
$ 84,795	$ 1	$ 82	$ —	$1,953,938
22,126	60,303	45,866	77,904	622,591
—	—	—	74,223	74,516
366	94,576	—	—	99,573
8,027	15	—	—	55,254
5,021	13	46	5,624	50,571
22	—	—	150	474
29,390	3,942	25,489	124,051	395,221
34,704	—	—	—	662,553
7,311	25	27	189	103,891
430	—	—	—	90,901
1	2	—	49	28,061
1,289	87	3	4	14,133
6,884	389	69	218	60,962
207	—	34	19,770	27,291
—	—	—	—	5
12,733	—	16	—	826,304
3,594	10,374	7,466	13,833	102,012
12,728	23,562	10,987	12,747	357,124
1,539	831	811	988	36,557
293	191	141	258	8,138
932	609	449	823	25,926
3	11	—	11,117	13,030
1,042	7,665	6,279	1	11,340
$233,437	$202,596	$97,765	$341,949	$5,620,366

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS
Last Ten Fiscal Years and 2016 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2006	2007	2008	2009	2010	2011
Local revenue:						
Property taxes	$1,718,249	$1,767,760	$1,813,917	$1,896,540	$2,047,163	$1,936,655
Replacement taxes	184,700	201,509	215,489	188,503	152,497	197,762
Investment income	71,947	116,907	85,895	43,693	12,483	13,399
Other	163,765	286,230	181,028	253,376	359,661	417,516
Total local	$2,138,661	$2,372,406	$2,296,329	$2,382,112	$2,571,804	$2,565,332
State revenue:						
General state aid	$ 978,672	$1,040,241	$1,107,408	$ 879,658	$1,001,777	$1,163,412
Teachers' pension	74,922	75,242	75,218	74,845	37,551	42,971
Capital	—	—	—	—	—	2,793
Other	549,041	586,102	663,408	557,383	512,748	740,605
Total state	$1,602,635	$1,701,585	$1,846,034	$1,511,886	$1,552,076	$1,949,781
Federal revenue:						
Elementary and Secondary Education Act (ESEA)	$ 273,900	$ 269,446	$ 350,515	$ 369,352	$ 307,331	$ 271,859
Individuals with Disabilities Education Act (IDEA)	99,908	81,721	106,051	95,230	96,240	88,058
School lunchroom	147,899	147,407	150,394	139,096	178,764	175,753
Medicaid	33,422	24,257	31,671	50,758	34,937	72,343
Other	220,502	223,198	237,410	471,144	562,876	536,871
Total federal	$ 775,631	$ 746,029	$ 876,041	$1,125,580	$1,180,148	$1,144,884
Total revenue	$4,516,927	$4,820,020	$5,018,404	$5,019,578	$5,304,028	$5,659,997
Change in revenue from previous year	$ 316,027	$ 303,093	$ 198,384	$ 1,174	$ 284,450	$ 355,969
Percent change in revenue	7.5%	6.7%	4.1%	0.0%	5.7%	6.7%

STATISTICAL SECTION

2012	2013	2014 (as restated)	2015	Budget 2016	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,352,136	$2,211,568	$2,204,252	$2,304,656	$2,359,806	3.2%	4.0%
181,927	185,884	188,041	202,148	207,801	1.2%	1.0%
20,760	7,303	15,596	(92,825)	130	-46.8%	-60.4%
303,744	322,128	286,472	377,286	423,297	10.0%	0.3%
$2,858,567	$2,726,883	$2,694,361	$2,791,265	$2,991,034	3.4%	3.1%
$1,136,472	$1,094,732	$1,089,673	$1,014,395	$ 968,513	-0.1%	-3.6%
10,449	10,931	11,903	62,145	492,105	20.7%	62.8%
—	—	—	—	—	N/A	-100.0%
818,980	710,135	739,229	770,529	735,925	3.0%	-0.1%
$1,965,901	$1,815,798	$1,840,805	$1,847,069	$2,196,543	3.2%	2.4%
$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 224,418	-2.0%	-3.8%
84,385	106,902	100,092	103,899	94,350	-0.6%	1.4%
182,836	190,093	181,902	200,412	212,652	3.7%	3.9%
92,736	41,523	44,801	42,524	47,895	3.7%	-7.9%
292,313	242,678	237,531	198,582	310,617	3.5%	-10.4%
$ 935,951	$ 845,796	$ 907,241	$ 798,931	$ 889,932	1.4%	-4.9%
$5,760,419	$5,388,477	$5,442,407	$5,437,265	$6,077,509	3.0%	1.4%
$ 100,422	$ (371,942)	$ 53,930	$ (5,142)	$ 640,244		
1.8%	-6.5%	1.0%	-0.1%	11.8%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS
Last Ten Fiscal Years and 2016 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2006	2007	2008	2009	2010	2011
Compensation:						
Teacher salaries	$1,916,378	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510
ESP salaries	537,346	535,148	559,741	597,533	604,042	610,741
Total salaries	$2,453,724	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251
Teacher pension	247,585	282,488	350,483	392,801	475,628	306,111
ESP pension	87,530	83,317	89,776	93,791	96,913	102,158
Hospitalization	243,003	250,765	260,386	299,206	311,048	353,878
Medicare	29,989	25,279	31,075	33,667	34,826	35,004
Unemployment insurance	6,382	8,236	5,764	8,599	16,000	21,992
Workers' compensation	21,004	24,619	29,757	28,148	28,244	25,859
Total benefits	$ 635,493	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002
Total compensation	$3,089,217	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253
Non-compensation:						
Energy	$ 70,760	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356
Food	85,815	83,798	83,326	89,592	93,088	93,766
Textbooks	71,942	65,772	89,514	86,356	70,596	70,249
Supplies	46,965	45,945	46,030	44,572	48,046	51,125
Commodities — other	1,135	1,072	910	998	948	478
Professional fees	319,904	322,252	360,277	440,921	381,851	450,127
Charter schools	118,445	141,030	189,006	256,154	326,322	377,755
Transportation	92,589	97,076	102,828	109,351	109,349	107,530
Tuition	62,890	63,103	65,105	63,858	62,568	59,102
Telephone and telecommunications	16,944	13,701	17,671	19,426	18,199	19,823
Services — other	13,104	13,271	13,253	13,935	15,688	11,789
Equipment	38,335	34,614	39,003	34,450	33,661	41,896
Repairs and replacements	35,556	32,973	36,999	34,772	31,854	37,355
Capital outlays	310,821	345,020	463,067	648,314	691,774	563,390
Rent	14,174	12,965	11,020	12,000	12,093	11,941
Debt service	214,652	342,179	282,142	302,206	386,597	332,097
Other	5,894	6,429	18,888	13,306	17,519	14,402
Total non-compensation	$1,519,925	$1,698,333	$1,905,798	$2,262,565	$2,378,835	$2,326,181
Total expenditures	$4,609,142	$4,832,294	$5,118,180	$5,692,250	$5,971,793	$5,805,434
Change in expenditures from previous year	$ 42,907	$ 223,152	$ 285,886	$ 574,070	$ 279,543	$ (166,359)
Percent change in expenditures	0.9%	4.8%	5.9%	11.2%	4.9%	-2.8%

STATISTICAL SECTION

2012	2013	2014	2015	Budget 2016	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,935,371	0.1%	-0.9%
618,265	633,489	619,462	622,591	618,006	1.4%	0.2%
$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,553,377	0.4%	-0.6%
335,657	374,567	740,419	826,304	817,958	12.7%	21.7%
100,026	102,342	101,885	102,012	96,511	1.0%	-1.1%
324,918	319,792	343,308	357,124	347,273	3.6%	-0.4%
34,900	36,404	35,951	36,557	38,820	2.6%	2.1%
17,141	9,134	16,426	8,138	8,923	3.4%	-16.5%
26,042	23,967	25,646	25,926	22,670	0.8%	-2.6%
$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,332,155	7.7%	9.5%
$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,885,532	2.3%	2.2%
$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 78,339	1.0%	-1.2%
104,245	106,650	96,816	99,573	102,406	1.8%	1.8%
49,147	68,969	52,871	55,254	41,857	-5.3%	-9.8%
45,521	52,925	55,223	50,571	40,987	-1.4%	-4.3%
583	408	648	474	462	-8.6%	-0.7%
412,072	398,064	441,667	395,221	284,875	-1.2%	-8.7%
424,423	498,162	580,652	662,553	730,064	19.9%	14.1%
109,368	106,861	104,430	103,891	100,147	0.8%	-1.4%
55,001	54,626	66,396	90,901	50,439	-2.2%	-3.1%
23,451	23,642	30,297	28,061	26,133	4.4%	5.7%
11,010	12,438	14,126	14,133	15,395	1.6%	5.5%
40,938	59,654	62,757	60,962	22,020	-5.4%	-12.1%
33,912	26,449	31,679	27,291	20,547	-5.3%	-11.3%
576,925	493,532	486,986	374,758	177,556	-5.4%	-20.6%
11,745	10,547	12,164	13,030	16,295	1.4%	6.4%
374,494	390,409	467,904	523,113	538,627	9.6%	10.2%
9,679	8,639	7,792	11,340	276,326	46.9%	80.6%
$2,355,923	$2,388,534	$2,599,955	$2,585,642	$2,522,475	5.2%	1.6%
$5,839,704	$5,830,236	$6,405,021	$6,518,232	$6,408,007	3.3%	2.0%
$ 34,270	$ (9,468)	$ 574,785	$ 113,211	$ (110,225)		
0.6%	-0.2%	9.8%	1.8%	-1.7%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS
Last Ten Fiscal Years and 2016 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2006	2007	2008	2009
Revenues:				
Local	$2,138,661	$2,372,406	$ 2,296,329	$2,382,112
State	1,602,635	1,701,585	1,846,034	1,511,886
Federal	775,631	746,029	876,041	1,125,580
Total revenues	$4,516,927	$4,820,020	$ 5,018,404	$5,019,578
Total expenditures	4,609,142	4,832,294	5,118,180	5,692,250
Revenues less expenditures	$ (92,215)	$ (12,274)	$ (99,776)	$ (672,672)
Other Financing Sources:				
Bond proceeds	$ 385,603	$ 355,805	$ 1,674,555	$ 225,675
Net premiums/discounts	3,798	14,444	41,226	—
Proceeds from swaps	—	—	—	—
Capital leases	3,700	—	—	—
Insurance proceeds	—	—	—	1,155
Sales of general capital assets	7,596	25,673	6,404	91
Payment to bond escrow agent	—	—	(1,474,081)	(226,408)
Transfers in/ (out)	—	—	—	—
Total other financing sources	$ 400,697	$ 395,922	$ 248,104	$ 513
Change in fund balance	$ 308,482	$ 383,648	$ 148,328	$ (672,159)
Fund balance — beginning of period	1,045,666	1,354,148	1,578,331	1,726,659
Fund balance — end of period	$1,354,148	$1,737,796	$ 1,726,659	$1,054,500
Revenues as a percent of expenditures	98.0%	99.7%	98.1%	88.2%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 323,251	$ 296,799	$ 401,281	$ 211,422
Reserved for restricted donations	1,503	1,765	1,826	3,695
Reserved for specific purposes	84,388	129,597	102,695	101,072
Reserved for debt services	353,267	264,867	272,471	272,273
Unreserved:				
Designated to provide operating capital	218,400	233,200	258,000	181,200
Undesignated	373,339	811,568	690,386	284,838
Nonspendable	—	—	—	—
Restricted for grants and donations	—	—	—	—
Restricted for workers' comp/tort immunity	—	—	—	—
Restricted for capital improvement program	—	—	—	—
Restricted for debt service	—	—	—	—
Assigned for 2015 Budget	—	—	—	—
Assigned for educational services	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—
Assigned for debt service	—	—	—	—
Assigned for commitments and contracts	—	—	—	—
Unassigned	—	—	—	—
Total fund balance	$1,354,148	$1,737,796	$ 1,726,659	$1,054,500
Unreserved/Unassigned fund balance as a percentage of revenues	13.1%	21.7%	18.9%	9.3%
Total fund balance as a percentage of revenues	30.0%	36.1%	34.4%	21.0%

NOTE:
The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

STATISTICAL SECTION

2010	2011	2012	2013	2014 (as restated)	2015	Budget 2016
$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$ 2,791,265	$2,991,034
1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	2,196,542
1,180,148	1,144,884	935,951	845,796	907,241	798,931	889,932
$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$6,077,508
5,971,793	5,805,434	5,839,704	5,830,236	6,405,021	6,518,232	6,408,009
$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,080,967)	$ (330,501)
$1,083,260	$ 638,790	$ 592,510	982,720	131,600	561,880	$ 555,000
6,459	14,700	1,229	47,271	—	(12,502)	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	723	7,301	37,504	—
(288,704)	(269,483)	(190,100)	(480,597)	—		—
—	—	—	—	—	(397,090)	
$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 189,792	$ 555,000
$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	
1,054,500	1,187,750	1,426,320	1,750,674	2,546,502	1,722,789	
$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,722,789	$ 831,614	
88.8%	97.5%	98.6%	92.4%	85.0%	83.4%	
$ 340,688	$ —	$ —	$ —	$ —	$ —	
5,825	—	—	—	—	—	
109,163	—	—	—	—	—	
375,211	—	—	—	—	—	
—	—	—	—	—	—	
356,863	—	—	—	—	—	
—	1,972	9,003	6,108	429	429	
—	126,855	69,873	63,434	61,022	64,155	
—	91,036	92,680	64,985	19,838	41,373	
—	182,884	88,762	169,368	—	—	
—	271,643	332,517	466,966	491,552	545,383	
—	—	—	—	—	79,225	
—	289,000	—	—	—	—	
—	181,300	348,900	562,682	267,652		
—	231,413	254,967	269,167	193,877	57,057	
—	44,924	110,397	105,664	87,067	73,101	
—	5,293	443,575	150,658	(91,953)	(29,109)	
$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	$ 831,614	
6.7%	0.1%	7.7%	2.8%	-1.7%	-0.5%	
22.4%	25.2%	30.4%	34.5%	18.9%	15.3%	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES
Last Ten Fiscal Years and 2016 Budget
(Modified Accrual Basis of Accounting)
(Thousands of Dollars)

	2006	2007	2008	2009	2010
Local revenue:					
Property taxes	$1,666,118	$1,716,516	$1,763,282	$1,867,350	$2,035,938
Replacement taxes	131,639	147,403	159,805	132,819	96,816
Investment income	36,874	61,595	40,905	21,405	3,084
Other	101,129	95,534	96,816	102,107	111,985
Total local	$1,935,760	$2,021,048	$2,060,808	$2,123,681	$2,247,823
State Revenue:					
General state aid	$ 868,398	$ 888,220	$ 953,783	$ 700,954	$ 801,198
Teacher pension	74,922	75,233	75,210	74,845	74,922
Other	549,041	586,040	663,358	557,383	491,677
Total state	$1,492,361	$1,549,493	$1,692,351	$1,333,182	$1,367,797
Federal revenue:					
Elementary and Secondary Education Act (ESEA)	$ 273,900	$ 269,446	$ 350,515	$ 369,352	$ 307,331
Individuals with Disabilities Education Act (IDEA)	99,908	81,721	106,051	95,230	96,240
School lunch program	147,899	147,407	150,394	139,096	178,764
Medicaid	33,422	24,257	31,671	50,758	34,937
Other	202,602	189,132	193,895	468,369	543,140
Total federal	$ 757,731	$ 711,963	$ 832,526	$1,122,805	$1,160,412
Total revenue	$4,185,852	$4,282,504	$4,585,685	$4,579,668	$4,776,032
Change in revenue from previous year	$ 240,297	$ 96,652	$ 303,181	$ (6,017)	$ 196,364
Percentage change in revenue	6.1%	2.3%	7.1%	-0.1%	4.3%

STATISTICAL SECTION

2011	2012	2013	2014 (as restated)	2015	Budget 2016	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$1,904,169	$2,295,178	$2,157,777	$2,152,753	$2,252,828	$2,307,809	3.3%	3.9%
172,384	126,786	128,212	131,075	143,867	149,517	1.3%	-2.8%
1,920	4,363	2,207	4,458	198	140	-42.7%	-40.8%
221,391	142,160	132,717	156,115	165,819	245,222	9.3%	2.1%
$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,688	3.4%	3.3%
$ 940,693	$ 989,943	$ 945,651	$ 972,572	$ 847,420	$ 925,612	0.6%	-0.3%
42,971	10,449	10,931	11,903	62,145	492,105	20.7%	62.8%
710,902	756,774	642,842	645,417	669,759	639,575	1.5%	-2.1%
$1,694,566	$1,757,166	$1,599,424	$1,629,892	$1,579,324	$2,057,292	3.3%	4.0%
$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 187,104	-3.7%	-7.2%
88,058	84,385	106,902	100,092	103,899	94,350	-0.6%	1.4%
175,753	182,836	190,093	189,336	200,412	212,652	3.7%	3.9%
72,343	92,736	41,523	40,879	42,524	47,895	3.7%	-7.9%
513,444	247,349	202,865	194,290	167,199	310,617	4.4%	-9.6%
$1,121,457	$ 890,987	$ 805,983	$ 867,512	$ 767,548	$ 852,618	1.2%	-5.3%
$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$5,612,598	3.0%	1.9%
$ 339,855	$ 100,753	$ (390,320)	$ 115,485	$ (32,221)	$ 703,014		
7.1%	2.0%	-7.5%	2.4%	-0.7%	14.3%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES

Last Ten Fiscal Years and 2016 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2006	2007	2008	2009	2010	2011
Compensation:						
Teachers' salaries	$1,916,378	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510
ESP salaries	537,346	535,148	559,741	597,533	604,042	610,741
Total salaries	$2,453,724	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251
Teachers' pension	247,585	282,488	350,483	392,801	475,628	306,111
ESP pension	87,530	83,317	89,776	93,791	96,913	102,158
Hospitalization	243,003	250,765	260,386	299,206	311,048	353,878
Medicare	29,989	25,279	31,075	33,667	34,826	35,004
Unemployment insurance	6,382	8,236	5,764	8,599	16,000	21,992
Workers' compensation	21,004	24,619	29,757	28,148	28,244	25,859
Total benefits	$ 635,493	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002
Total compensation	$3,089,217	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253
Non-compensation:						
Energy	$ 70,760	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356
Food	85,815	83,798	83,326	89,592	93,088	93,766
Textbooks	71,942	65,772	89,514	86,356	70,596	70,249
Supplies	46,965	45,945	46,030	44,572	48,046	51,125
Commodities — other	1,135	1,072	910	998	948	478
Professional fees	319,904	322,252	360,277	440,921	381,851	450,127
Charter schools	118,445	141,030	189,006	256,154	326,322	377,755
Transportation	92,589	97,076	102,828	109,351	109,349	107,530
Tuition	62,890	63,103	65,105	63,858	62,568	59,102
Telephone and telecommunications	16,944	13,701	17,671	19,426	18,199	19,823
Services — other	13,104	13,271	13,253	13,935	15,688	11,789
Equipment	38,335	34,614	39,003	34,450	33,661	41,896
Repairs and replacements	35,556	32,973	36,999	34,772	31,854	37,355
Capital outlays	4	5	10	12	10	5
Rent	14,174	12,965	11,020	12,000	12,093	11,941
Debt service	1,420	1,269	21,704	1,037	2,710	—
Other	5,894	6,429	18,888	13,306	17,519	14,402
Total non-compensation	$ 995,876	$1,012,408	$1,182,303	$1,313,094	$1,303,184	$1,430,699
Total expenditures	$4,085,093	$4,146,369	$4,394,685	$4,742,779	$4,896,142	$4,909,952
Change in expenditures from previous year	$ 222,697	$ 61,276	$ 248,316	$ 348,094	$ 153,363	$ 13,810
Percent change in expenditures	5.8%	1.5%	6.0%	7.9%	3.2%	0.3%

2012	2013	2014	2015	Budget 2016	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,935,371	0.1%	-0.9%
618,265	633,489	619,462	622,591	618,006	1.4%	0.2%
$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,553,377	0.4%	-0.6%
335,657	374,567	740,419	826,304	817,958	12.7%	21.7%
100,026	102,342	101,885	102,012	96,511	1.0%	-1.1%
324,918	319,792	343,308	357,124	347,273	3.6%	-0.4%
34,900	36,404	35,951	36,557	38,820	2.6%	2.1%
17,141	9,134	16,426	8,138	8,923	3.4%	-16.5%
26,042	23,967	25,646	25,926	22,670	0.8%	-2.6%
$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,332,155	7.7%	9.5%
$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,885,532	2.3%	2.2%
$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 78,339	1.0%	-1.2%
104,245	106,650	96,816	99,573	102,406	1.8%	1.8%
49,147	68,969	52,871	55,254	41,857	-5.3%	-9.8%
45,521	52,925	55,223	50,571	40,987	-1.4%	-4.3%
583	408	648	474	462	-8.6%	-0.7%
412,072	398,064	441,667	395,221	284,875	-1.2%	-8.7%
424,423	498,162	580,652	662,553	730,064	19.9%	14.1%
109,368	106,861	104,430	103,891	100,147	0.8%	-1.4%
55,001	54,626	66,396	90,901	50,439	-2.2%	-3.1%
23,451	23,642	30,297	28,061	26,133	4.4%	5.7%
11,010	12,438	14,126	14,133	15,395	1.6%	5.5%
40,938	59,654	62,757	60,962	22,020	-5.4%	-12.1%
33,912	26,449	31,679	27,291	20,547	-5.3%	-11.3%
43	75	—	5	—	-100.0%	-100.0%
11,745	10,547	12,164	13,030	16,295	1.4%	6.4%
—	—	—	—	—	-100.0%	0.0%
9,679	8,639	7,792	11,340	276,327	46.9%	80.6%
$1,404,547	$1,504,668	$1,645,065	$1,687,776	$1,806,293	6.1%	4.8%
$4,888,328	$4,946,370	$5,450,131	$5,620,366	$5,691,825	3.4%	3.0%
$ (21,624)	$ 58,042	$ 503,761	$ 170,235	$ 71,459		
-0.4%	1.2%	10.2%	3.1%	1.3%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)
Last Ten Fiscal Years and 2016 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2006	2007	2008	2009
Revenues:				
Local	$1,935,760	$2,021,048	$2,060,808	$2,123,681
State	1,492,361	1,549,493	1,692,351	1,333,182
Federal	757,731	711,963	832,526	1,122,805
Total revenues	$4,185,852	$4,282,504	$4,585,685	$4,579,668
Total expenditures	4,085,093	4,146,369	4,394,685	4,742,779
Revenues less expenditures	$ 100,759	$ 136,135	$ 191,000	$ (163,111)
Other financing sources less transfers	4,145	1,904	3,813	20,389
Change in fund balance	$ 104,904	$ 138,039	$ 194,813	$ (142,722)
Fund balance — beginning of period	390,993	495,897	474,783	669,596
Fund balance — end of period	$ 495,897	$ 633,936	$ 669,596	$ 526,874
Revenues as a percent of expenditures	102.5%	103.3%	104.3%	96.6%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 102,286	$ 97,731	$ 132,684	$ 110,685
Reserved for restricted donations	1,503	1,765	1,826	3,695
Reserved by law for specific purposes	84,388	129,597	102,695	101,072
Unreserved:				
Designated to provide operating capital	218,400	233,200	258,000	181,200
Undesignated	89,320	171,643	174,391	130,222
Nonspendable	—	—	—	—
Restricted for grants and donations	—	—	—	—
Restricted for workers' comp/tort immunity	—	—	—	—
Assigned for 2016 Budget	—	—	—	—
Assigned for educational services	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—
Assigned for commitments and contracts	—	—	—	—
Unassigned	—	—	—	—
Total fund balance	$ 495,897	$ 633,936	$ 669,596	$ 526,874
Unreserved/unassigned fund balance as a percent of revenues	7.4%	9.5%	9.4%	6.8%
Total fund balance as a percentage of revenues	11.8%	14.8%	14.6%	11.5%

NOTE:

The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

2010	2011	2012	2013	2014 (as restated)	2015	Budget 2016
$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,689
1,367,797	1,694,566	1,757,166	1,599,424	1,629,892	1,579,324	2,057,293
1,160,412	1,121,457	890,987	805,983	867,512	767,548	852,618
$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$5,612,600
4,896,142	4,909,952	4,888,328	4,946,370	5,450,131	5,620,366	5,687,710
$ (120,110)	$ 205,935	$ 328,312	$ (120,050)	$ (508,326)	$ (710,782)	$ (75,110)
17,851	109,830	62	439	161	(12,915)	
$ (102,259)	$ 315,765	$ 328,374	$ (119,611)	$ (508,165)	$ (723,697)	
526,874	424,615	740,380	1,068,754	1,592,147	1,083,982	
$ 424,615	$ 740,380	$1,068,754	$ 949,143	$1,083,982	$ 360,285	
97.5%	104.2%	106.7%	97.6%	90.7%	87.4%	
$ 111,166	$ —	$ —	$ —	$ —	$ —	
5,825	—	—	—	—	—	
109,163	—	—	—	—	—	
—	—	—	—	—	—	
198,461	—	—	—	—	—	
—	1,972	3,329	1,720	429	429	
—	126,855	69,873	63,434	61,022	64,155	
—	91,036	92,680	64,985	19,838	41,373	
—	—	—	—	—	79,225	
—	289,000	—	—	—	—	
—	181,300	348,900	562,682	267,652	—	
—	44,924	110,397	105,664	87,067	73,101	
—	5,293	443,575	150,658	—	102,002	
$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	$ 360,285	
4.2%	0.1%	8.5%	3.1%	0.0%	2.1%	
8.9%	14.5%	20.5%	19.7%	8.8%	7.3%	

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, 2015

Eligible Expenditures:	
Physical Education — Athletic Claims	$ 63,100
Tort Claims — Administration Fee	491,250
Tort Claims — Major Settlements	723,632
Tort Claims — Casualty	310,516
General Liability Insurance	1,702,483
Property Damage Insurance	2,771,796
Property Loss Reserve Fund	111,654
Compensation and Benefits Management	33,073
Charter Schools — Support Services	272,220
Investigations — Administration	24,187
School Safety Administration	994,866
School Safety Services	21,323,487
Personnel Security Services	54,168,920
Security Police Officers	6,500,000
Central Service Security	4,876,726
Security Services	2,950,638
Crisis Intervention	397,715
Employee Services	48,360
Total Eligible Expenditures	$97,764,623

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2015

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools	$17,972,533	$33,595,192	$31,771,290	$19,796,435
Child Parent Centers	46,209	39,019	39,501	45,727
Alternative Schools	20,091	27,857	27,383	20,565
Middle Schools	452,486	533,506	503,729	482,263
High Schools	17,136,871	32,208,509	29,939,465	19,405,915
	$35,628,190	$66,404,083	$62,281,368	$39,750,905
Investments:				
Elementary Schools				138,862
High Schools				998,371
Total Cash and Investments Held for Student Activities				$40,888,138

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$1,616,954	$3,551,439	$ 5,168,393
Total Elementary Students	251,554	251,554	251,554
Average Fee per Student	$ 6.43	$ 14.12	$ 20.55
Total High School Fees	$ 892,534	$9,778,368	$10,670,902
Total High School Students	88,183	88,183	88,183
Average Fee per Student	$ 10.12	$ 110.89	$ 121.01

NOTES:

A) Graduation fees are defined as all mandatory graduation fees, including cap and gown.

B) Student activity fees are defined as fees collected from students to cover activities and items necessary to complete a given curriculum and fees collected from students to cover the cost of extra-curricular activities and items.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES
For the Fiscal Year Ended June 30, 2015

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
BROKER SERVICES	Mesirow Financial	07/01/14 — 06/30/15	$ 69,750	Insurance placement and consultation. The contract with Mesirow for these services has been extended and continues.
PROPERTY INSURANCE				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/14 — 06/30/15	$ 2,126,660	$50M per occurrence subject to $1M deductible
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/14 — 06/30/15	66,364	$21.25M per occurrence $50M excess $50M
Property Excess II	Homeland Insurance Company	07/01/14 — 06/30/15	23,423	$7.5M per occurrence $50M excess $50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/14 — 06/30/15	66,364	$21.25M per occurrence $50M excess $50M
Property Excess III	Homeland Insurance Company	07/01/14 — 06/30/15	24,594	$22.5M per occurrence $150M excess $100M
Property Excess III	Great American Insurance Company	07/01/14 — 06/30/15	63,000	$60M per occurrence $150M excess $100M
Property Excess III	Lexington Insurance Company	07/01/14 — 06/30/15	73,781	$67.5M per occurrence $150M excess $100M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/14 — 06/30/15	85,179	$100M subject to $50,000 deductible
Primary Crime	Beazley Insurance Company	07/01/14 — 06/30/15	75,715	$10M subject to $1M deductible
Special Crime	Federal Insurance Company	07/01/14 — 06/30/15	9,495	$5M no deductible
			$ 2,614,575	Total Property, Boiler & Machinery and Crime for year end 06/30/15
Property Loss Reserve			111,804	Self-Insurance contents/claim payments
Total Property Program			$ 2,726,379	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)

For the Fiscal Year Ended June 30, 2015

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
LIABILITY INSURANCE				
General Liability Primary Cov A	ACE Illinois Union Insurance Company	07/01/14 — 06/30/15	$ 428,362	$5M Each Occurrence $10M Aggregate subject to $5M deductible
School Board Legal, EPL Cov C	ACE Illinois Union Insurance Company	07/01/14 — 06/30/15	Included above	$5M Each Claim $10M Aggregate subject to $5M School Board Legal Liability deductible and $5M Employment Practices Liability deductible
Miscellaneous Professional Liability Cov D	ACE Illinois Union Insurance Company	07/01/14 — 06/30/15	Included above	$5M Each Claim $5M Aggregate subject to $5M deductible
Automobile Liability	ACE Illinois Union Insurance Company	07/01/14 — 06/30/15	Included above	$5M subject to $5M deductible
Excess Liability I	Allied World Assurance Company	07/01/14 — 06/30/15	445,000	$10M excess of $5M excess $5M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/14 — 06/30/15	326,340	$15M excess of $10M excess $5M excess $5M Self Insured Retention
Excess Liability III	Ironshore Specialty Insurance Company	07/01/14 — 06/30/15	284,900	$20M excess of $30M excess Self Insured Retention
Special Events CGL	National Casualty Insurance Company	07/01/14 — 06/30/15	53,184	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/14 — 06/30/15	18,331	$5M excess of $5M no deductible
Pollution Legal Liability	Lexington Insurance Company	07/01/14 — 06/30/15	93,557	$5M subject to a $500,000 deductible
Fiduciary	Chartis Insurance	07/01/14 — 06/30/15	79,487	$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA	07/01/14 — 06/30/15	97,259	$6M Subject to $25,000 deductible
Total Liability Insurance Cost			$ 1,826,420	
Total Insurance Cost			$ 4,552,799	
SELF INSURANCE PROGRAMS				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc	07/01/14 — 06/30/15	$ 866,204	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc	07/01/14 — 06/30/15	468,000	Administration fees
			$ 1,334,204	Total General Liability Claims and Expenses

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2015

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
Workers' Compensation Claims	Sedgwick Claims Management Services, Inc	07/01/14 — 06/30/15	$ 1,379,848	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.
			$ 23,238,467	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 24,618,315	Total Workers' Compensation Claims and Expenses
Total Self Insured Program			$ 25,952,519	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2015

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 PPO	07/01/14 — 06/30/15	$ 3,728,274	PPO Health care for eligible employees and dependents
	United Healthcare PPO	07/01/14 — 06/30/15	1,267,758	PPO Health care for eligible employees and dependents
	United Healthcare PPO w/HRA	07/01/14 — 06/30/15	286,828	PPO and Health Reimbursement Account for eligible employees and dependents
	Blue Cross HMO Illinois	07/01/14 — 06/30/15	4,959,194	HMO Health care for eligible employees and dependents
	United Healthcare HMO (EPO)	07/01/14 — 06/30/15	1,161,089	HMO Health care for eligible employees and dependents
Medical Total Administrative Fees			$ 11,403,143	
Medical PPO Claim	Blue Cross/Blue Shield of Illinois	07/01/14 — 06/30/15	$ 91,482,037	PPO Health care of eligible employees, dependents & retirees
	United Healthcare PPO	07/01/14 — 06/30/15	33,872,998	PPO Health care of eligible employees, dependents & retirees
	United Healthcare PPO w/HRA	07/01/14 — 06/30/15	4,963,035	PPO and Health Reimbursement Account for eligible employees and dependents
Medical Total PPO Claims			$ 130,318,070	
Medical HMO Claims	Blue Cross HMO Illinois	07/01/14 — 06/30/15	$ 136,671,670	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
	United Healthcare HMO	07/01/14 — 06/30/15	37,886,954	HMO Healthcare for eligible employees and dependents
Medical Total HMO Claims			$ 174,558,624	
Medical Claims Total		07/01/14 — 06/30/15	$ 304,876,694	
Medical Claims and Administration		07/01/14 — 06/30/15	$ 316,279,837	
Managed Mental Health Service	United Behavioral Health	07/01/14 — 06/30/15	$ 2,585,066	Mental health care for PPO eligible employees and dependents
Utilization Review and Case Management	Encompass	07/01/14 — 06/30/15	$ 1,136,353	Pre-certification, utilization review and case management for PPO eligible employees and dependents
Prescription Drugs	Caremark	07/01/14 — 06/30/15	$ 76,730,436	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/14 — 06/30/15	$ 396,731,692	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2015

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/14 — 06/30/15	$ 2,998,510	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/14 — 06/30/15	7,859,970	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 10,858,480	
Vision Plan	Vision Service Plan (VSP)	07/01/14 — 06/30/15	$ 185,348	Vision services for eligible employees and dependents
Term Life Insurance	Standard Life Insurance	07/01/14 — 06/30/15	$ 1,687,877	Life insurance policy at $10,000 per eligible employee
Total Dental/Vision/Life			$ 12,731,705	
Total Health/Life Benefit Expenses			$ 409,463,397	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY
For the Fiscal Year Ended June 30, 2015
(Millions of dollars)

	2006	2007	2008	2009
Unexpended (over expended)	$359.3	$496.8	$ 646.4	$565.7
Proceeds available from bond issuance	389.4	370.2	252.5	—
State aid	—	18.1	0.1	—
Federal aid	17.9	34.1	43.5	2.8
Investment income	22.4	35.6	25.9	12.5
Other income	21.4	36.6	60.4	127.5
Total	$810.4	$991.4	$1,028.8	$708.5
Expenditures	310.8	345.0	463.1	634.6
Operating transfers in (out)	(2.8)	—	—	—
Unexpended	$496.8	$646.4	$ 565.7	$ 73.9
Encumbrances	220.2	199.1	268.6	73.9
Available balance	$276.6	$447.3	$ 297.1	$ —

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.

STATISTICAL SECTION

2010	2011	2012	2013 (B)	2014 (C)	2015
$ 73.9	$261.6	$182.2	$ 88.1	$174.2	$ (91.9)
803.8	382.3	402.4	508.9	131.3	148.5
—	2.8	1.3	6.9	37.8	31.6
12.3	4.4	18.1	13.6	14.9	6.5
2.0	2.1	5.5	1.9	0.8	0.4
83.1	91.5	54.2	88.0	31.3	107.2
$975.1	$744.7	$663.7	$707.4	$390.3	$ 202.3
666.7	562.3	576.8	493.4	482.2	359.4
(46.8)	(0.2)	1.2	(41.6)	—	—
$261.6	$182.2	$ 88.1	$172.4	$ (91.9)	$(157.1)
229.5	182.2	88.1	172.4	(91.9)	(157.1)
$ 32.1	$ —	$ —	$ —	$ —	$ —

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM

Last Five Fiscal Years

(Thousands of dollars)

	2011	2012	2013	2014	2015 (A)
DAYS MEALS SERVED:					
National School Lunch Program	173	173	181	177	178
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	1,909,112	1,715,302	1,528,287	1,324,623	—
Reduced lunches (regular)	2,332,040	2,219,797	1,919,787	1,353,204	—
Free lunches (regular)	39,495,186	39,439,339	40,730,512	40,531,544	43,507,955
TOTAL PUPIL LUNCHES SERVED	43,736,338	43,374,438	44,178,586	43,209,371	43,507,955
Daily Average	252,811	250,719	244,081	244,121	244,427
Change from Previous Year	(3,390,599)	(361,900)	804,148	(969,215)	298,584
Daily Percentage Change	-7.2%	-0.8%	-2.6%	0.0%	0.1%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	1,187,763	1,852,888	1,694,160	1,534,733	—
Reduced breakfasts (regular)	957,294	1,276,808	1,023,368	724,873	—
Free breakfasts (regular)	18,908,430	23,935,561	24,138,173	23,724,239	26,144,917
TOTAL PUPIL BREAKFASTS SERVED	21,053,487	27,065,257	26,855,701	25,983,845	26,144,917
Daily Average	121,696	156,447	148,374	146,801	146,882
Change from Previous Year	809,433	6,011,770	(209,556)	(871,856)	161,072
Daily Percentage Change	4.0%	28.6%	-5.2%	-1.1%	0.1%
TOTAL MEALS SERVED	64,789,825	70,439,695	71,034,287	69,193,216	69,652,872
Daily Average	374,508	407,166	392,455	390,922	391,308
Total Change From Previous Year	(2,581,166)	5,649,870	594,592	(1,841,071)	459,656
Daily Percentage Change	-3.8%	8.7%	-3.6%	-0.4%	0.1%
NUMBER OF ADULT LUNCHES (REGULAR)	142,832	114,583	61,741	429,877	241,263
Daily Average	826	662	341	2,429	1,355
Total Change From Previous Year	(29,792)	(28,249)	(52,842)	368,136	(188,614)
Daily Percentage Change	-17.2%	-19.8%	-48.5%	612.2%	-44.2%

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.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)
Last Five Fiscal Years
(Thousands of dollars)

	2011	2012	2013	2014	2015
REVENUE:					
Federal and State Sources	$189,087	$196,000	$197,514	$189,152	$204,975
Local Sources	17,803	27,645	32,137	13,698	7,747
Total Revenue	$206,890	$223,645	$229,651	$202,850	$212,722
EXPENDITURES:					
Career Service Salaries	$ 68,328	$ 71,007	$ 71,124	$ 60,680	$ 60,303
Career Service Pension	11,997	12,074	12,136	10,282	10,374
Hospitalization	23,347	22,557	22,907	23,567	23,562
Food	92,093	102,365	103,972	92,984	94,576
Professional and Special Services	2,717	2,167	1,544	2,927	3,942
Administrative Allocation	4,611	9,833	14,624	10,124	7,665
Other	3,797	3,642	3,344	2,286	2,174
Total Expenditures	$206,890	$223,645	$229,651	$202,850	$202,596
Revenues Less Than Expenditures	$ —	$ —	$ —	$ —	$ 10,126
DAILY AVERAGE					
Revenues	$ 1,196	$ 1,293	$ 1,269	$ 1,146	$ 1,195
Expenditures	$ 1,196	$ 1,293	$ 1,269	$ 1,146	$ 1,138
PERCENTAGE CHANGE					
Revenues	-1.5%	8.1%	2.7%	-11.7%	4.9%
Expenditures	-1.5%	8.1%	2.7%	-11.7%	-0.1%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2015

With Comparative Amounts for the Period Ended June 30, 2014

	2015 Schools	2015 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 48,927,513	$ 372,130	$ 49,299,643
Kilowat Hours	561,374,276	4,310,321	565,684,597
Charge per Kilowatt Hour	$ 0.08716	$ 0.08633	$ 0.08715
Gas			
Total Gas Charges	$ 25,107,307	$ 108,843	$ 25,216,150
Therms	33,742,528	176,107	33,918,635
Charge per Therm	$ 0.74408	$ 0.61805	$ 0.74343

	2014 Schools	2014 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 52,181,507	$ 713,329	$ 52,894,836
Kilowat Hours	571,049,182	8,097,525	579,146,707
Charge per Kilowatt Hour	$ 0.09138	$ 0.08809	$ 0.09133
Gas			
Total Gas Charges	$ 34,504,422	$ 148,261	$ 34,652,683
Therms	39,250,312	295,706	39,546,018
Charge per Therm	$ 0.87909	$ 0.50138	$ 0.87626

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PROPERTY SALES AND PURCHASES
For the Fiscal Year Ended June 30, 2015

Sales				
Unit Location	**Date Acquired**	**Net Book Value**	**Gross/Sales Proceeds**	**Gain / (Loss) on Sale**
1434-1444 W. Augusta	1893*	$ 1,213.28	$ 3,433,855.00	$ 3,432,641.72
125 S. Clark Street	1998*	28,000,000.00	27,283,012.81	(716,987.19)
521 E. 35th Street	1971*	2,207,464.44	—	(2,207,464.44)
6615 S. Kenwood	1970*	—	29,040.00	29,040.00
1437 N. California	1970*	242,582.10	871,771.00	629,188.90
230 N. Kolmar	1961*	5,208.72	86,555.00	81,346.28
301-307 S. Clinton Street	1853*	—	5,800,000.00	5,800,000.00
		$30,456,468.54	$37,504,233.81	$ 7,047,765.27

Purchases			
Unit Location	**Date Acquired**	**School**	**Purchase Cost**
			$ —
			$ —

NOTE:

* Historical records related to the month and day of acquisition are not available.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

TEACHERS' BASE SALARIES
(Annual School Year Salary)
Last Ten Fiscal Years

Fiscal Year	Minimum Salary (A)	Median Salary	Maximum Salary (B)	Percent Change (C)
2006	$38,851	$55,014	$71,177	4.00%
2007	40,405	57,215	74,025	4.00%
2008	42,021	59,504	76,986	4.00%
2009	43,702	62,384	81,065	4.00%
2010	45,450	64,879	84,308	4.00%
2011	47,268	67,974	88,680	4.00%
2012	47,268	68,474	89,680	0.00%
2013	48,686	70,644	92,602	3.00%
2014	49,660	72,163	94,666	2.00%
2015	50,653	73,706	96,759	2.00%

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)
2010	$475,628	$10,917,417	$5,372,773	67.0%	33.0%
2011	306,111	10,109,315	6,831,312	59.7%	40.3%
2012	335,657	9,364,077	8,011,584	53.9%	46.1%
2013	374,567	9,422,519(A)	9,622,014(A)	49.5%(A)	50.5%
2014	740,419	10,045,543	9,458,351	51.5%	48.5%

NOTE:

A) The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.

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)
2011	2010-11	364,331	$13,616	$ 9,127
2012	2011-12	367,883	13,433	9,462
2013	2012-13	365,974	13,791	10,412
2014	2013-14	366,077	15,120	11,707
2015	2014-15	363,276	N/A	N/A

NOTES:

A) *Source:* Office of Accountability, Department of Compliance.

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

	2006	2007	2008
Elementary			
Pre-Kindergarten	21,205	21,363	21,388
Kindergarten	29,502	28,403	27,901
Grades 1-3	98,157	95,744	93,853
Grades 4-6	100,065	94,235	90,701
Grades 7-8	62,921	62,385	62,217
Total Elementary	311,850	302,130	296,060
Secondary			
9th Grade	36,735	37,514	35,151
10th Grade	29,555	30,286	31,994
11th Grade	23,764	23,871	24,608
12th Grade	19,078	19,893	20,788
Total Secondary	109,132	111,564	112,541
Grand Total	420,982	413,694	408,601

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

2009	2010	2011	2012	2013	2014	2015
23,325	24,370	23,705	24,232	24,507	23,671	22,873
28,975	29,632	28,812	29,594	30,936	30,166	28,978
93,416	92,581	91,899	92,302	91,880	92,251	92,526
89,234	88,695	87,834	87,630	86,966	86,244	86,066
59,839	58,231	56,791	56,520	56,773	56,184	54,233
294,789	293,509	289,041	290,278	291,062	288,516	284,676
34,233	32,877	31,081	30,336	29,812	30,069	30,366
32,177	34,659	33,303	32,230	31,343	30,963	31,130
25,292	25,436	26,277	27,039	26,610	26,500	26,378
21,464	22,798	22,979	24,268	24,634	24,497	24,133
113,166	115,770	113,640	113,873	112,399	112,029	112,007
407,955	409,279	402,681	404,151	403,461	400,545	396,683

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Elementary	21.7	21.1	20.0	23.5	21.3	23.2	23.3	24.6	25.2	25.4
Secondary	19.3	19.6	16.3	19.5	19.7	19.8	19.2	19.8	21.5	21.9

Source: Illinois State Board of Education

NOTE:

Starting in 2009, the ratio includes Charter Schools.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION

Last Five Fiscal Years

As of June 30, 2015

Functions	2011	2012	2013	2014	2015
Instruction	26,383	25,884	26,909	26,123	26,261
Support services:					
Pupil support services	4,891	4,841	5,010	4,676	4,652
Administrative support services	1,123	1,129	1,063	1,042	1,038
Facilities support services	1,686	1,666	1,633	1,527	1,468
Instructional support services	3,380	3,134	3,311	2,920	2,965
Food services	3,661	3,688	3,562	2,860	2,762
Community services	320	326	339	266	247
Total government employees	41,444	40,668	41,827	39,414	39,393

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Number of Schools						
Elementary (A)	475	472	474	474	474	474
Special (C)	18	18	17	17	13	12
High School	98	93	98	98	109	107
Vocational/Technical (C)	12	12	10	10	8	8
Charter Schools	22	27	28	67	71	82
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—
Total Schools	625	622	627	666	675	683
School Enrollment (B)						
Elementary (A)	298,030	287,252	279,823	274,875	272,308	264,569
Special (C)	3,076	3,222	2,846	2,762	2,073	1,940
High School	88,490	88,487	88,936	90,055	91,390	87,061
Vocational/Technical (C)	15,970	15,313	14,219	11,251	9,956	8,833
Charter Schools	15,416	19,420	22,777	29,012	33,552	40,278
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—
Total School Enrollment	420,982	413,694	408,601	407,955	409,279	402,681
Number of High School Graduates	16,898	18,235	20,285	18,972	22,245	20,131

Source: Office of Accountability, Data Quality and Management

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 FY14 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 2015.

2011-2012	2012-2013	2013-2014	2014-2015
473	468	422	426
12	12	5	—
103	98	109	121
8	8	—	—
87	95	126	131
—	—	5	—
683	681	667	678
263,540	261,638	254,864	251,554
1,839	1,961	907	—
85,068	81,735	86,184	88,183
8,226	7,927	—	—
45,478	50,200	54,572	56,946
—	—	4,018	—
404,151	403,461	400,545	396,683
20,914	22,447	22,817	22,825

STATISTICAL SECTION

RSM US LLP

Independent Auditor's 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*

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, each major fund and the aggregate remaining fund information of the Chicago Public Schools (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements, and have issued our report thereon dated December 16, 2015. Our report includes emphasis of matter paragraphs relative the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68,* the change in measurement period for revenue recognition for governmental funds and management's plan for future sustainability. The implementation of GASB Statements No. 68 and No. 71 and the change in measurement period for revenue recognition resulted in a restatement of opening July 1, 2014 net position. Our opinion is not modified with respect to these matters.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CPS's 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 CPS's internal control. Accordingly, we do not express an opinion on the effectiveness of CPS's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-01, 2015-02, 2015-03 and 2015-04 to be material weaknesses.

CPS's Response to Findings
CPS's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CPS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether CPS's 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.

RSM US LLP

RSM US LLP (formerly McGladrey LLP)
Chicago, Illinois
December 16, 2015

RSM US LLP

**Independent Auditor's Report on Compliance for Each
Major Federal Program; Internal Control over Compliance;
and on Schedule of Expenditures of Federal Awards Required
by OMB Circular A-133**

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' (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CPS's major federal programs for the year ended June 30, 2015. CPS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CPS's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 CPS's 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 CPS's compliance.

Opinion on Each Major Federal Program

In our opinion, CPS 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, 2015.

Report on Internal Control over Compliance

Management of CPS 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 CPS's 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 OMB Circular A-133, 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 the CPS's 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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CPS as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements. We issued our report thereon dated December 16, 2015, which contained unmodified opinions on those financial statements. Our report includes emphasis of matter paragraphs relative the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, the change in measurement period for revenue recognition for governmental funds and management's plan for future sustainability. The implementation of GASB Statements No. 68 and No. 71 and the change in the measurement period for revenue recognition resulted in a restatement of opening July 1, 2014 net position. Our opinion is not modified with respect to these matters. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States, CPS's basic financial statements as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated January 20, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Our report includes an emphasis of matter paragraph regarding projected revenue deficits for fiscal years 2015, 2016 and 2017 and management believes, absent State action, CPS would be left with limited options to resolve the structural budget deficit. The schedule of expenditures of federal awards for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

RSM US LLP

RSM US LLP (formerly McGladrey LLP)
Chicago, Illinois
December 16, 2015

BOARD OF EDUCATION OF THE CITY OF CHICAGO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Passed Through Illinois State Board of Education					
Learn and Serve America — School and Community Based Programs	Generator Go Green Initiative G3	N/A	94.004	09KSNMN002	08/01/11-07/31/12
	TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed Through Chicago Housing Authority					
Distressed Public Housing	Employability Plus	N/A	14.866	AB-0809-001	07/01/10-06/30/11
		N/A	14.866	AB-0809-001	07/01/11-06/30/12
Section 8 Housing Choice Vouchers		N/A	14.871	AB-0809-001	01/01/14-06/30/14
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
NATIONAL SECURITY AGENCY					
Direct Funding					
Language Grant Program	Startalk Arabic and Chinese Language Institute	N/A	12.900	H-98230-14-1-0013	04/07/14-02/28/15
		N/A	12.900	H-98230-15-1-0073	03/13/15-02/28/16
	TOTAL NATIONAL SECURITY AGENCY				
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Illinois State Board of Education (ISBE)					
Child Nutrition Cluster					
National School Lunch Program	Lunch Program	4210	10.555	15-4210-00	09/01/13-09/30/15
Food Donation Program	Food Donation Program * Noncash Awards	4290	10.555	15-4290-00	07/01/14-06/30/15
School Breakfast Program	Breakfast Program	4220	10.553	15-4220-00	09/01/13-09/30/15
	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	15-4226-00	09/01/13-09/30/15
Fresh Fruit and Vegetable Program	Fresh Fruits and Vegetables	4240	10.582	12-4240-11	07/01/11-09/30/12
		4240	10.582	14-4240-14	07/01/13-06/30/14
		4240	10.582	15-4240-15	07/01/14-09/30/15
Team Nutrition Grants	Healthier US Challenge	NA	10.574	N/A	07/01/12-06/30/15
	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)				
Passed Through Northwestern Illinois Association					
Team Nutrition Grants	Illnet Mini Grants	N/A	10.574	N/A	09/01/10-05/31/11
	Total U. S. Department of Agriculture Passed Through Northwestern Illinois Association				
Passed Through Illinois Department of Human Services					
Farm to School Grant Program	Farm to School Implementation Grant	N/A	10.575	CN-F2S-IMPL-13-IL-01	12/01/13-11/28/14
Supplemental Nutrition Assistance Program	Homeless Services & Supportive Housing	N/A	10.561	FCSSQ01324	07/01/13-06/30/14
		N/A	10.561	FCSSQ01324	07/01/14-06/30/15
	Total U.S. Department of Agriculture Passed Through Illinois Department of Human Services				
	TOTAL U.S. DEPARTMENT OF AGRICULTURE				
Education of Homeless Children and Youth Cluster					
Education for Homeless Children and Youth	McKinney Education for Homeless Children	4920	84.196A	14-4920-00	07/01/13-06/30/14
		4920	84.196A	15-4920-00	07/01/14-06/30/15
	Total Education for Homeless Children and Youth Cluster				
Passed Through Illinois State Board of Education (ISBE)					
School Improvement Grants Cluster					
School Improvement Grants	School Improvement Grants — Bogan	4339	84.377A	14-4339-13	07/01/13-08/31/14
	School Improvement Grants — Kelly	4339	84.377A	14-4339-14	07/01/13-08/31/14
	School Improvement — Cohort 3	4339	84.377A	15-4339-13	07/01/14-08/31/15
	School Improvement — Cohort 4	4339	84.377A	15-4339-14	07/01/14-08/31/15
	School Improvement — Cohort 5	4339	84.377A	15-4339-15	07/30/14-08/31/15
School Improvement Grants, Recovery Acts	ARRA-School Improvement Grant — Harper	4855	84.388A	12-4855-11	07/01/11-08/31/12
	ARRA-School Improvement Grant — Tilden	4855	84.388A	12-4855-12	09/01/11-08/31/12
	ARRA-School Improvement Grant — Transformation	4855	84.388A	13-4855-12	07/01/12-08/31/13
	ARRA-School Improvement Grants — Hancock	4855	84.388A	14-4855-12	07/01/13-08/31/14
	Total School Improvement Grants Cluster				
Passed Through Illinois State Board of Education (ISBE)					
Special Education Cluster (IDEA)					
Special Education Grants to State	IDEA — Flow Through Instruction	4620	84.027A	10-4620-00	07/01/09-08/31/10

								Final Status
Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Cumulative Expenditures Through June 30, 2015
$ 57,000	$ (516)	$ —	$ 516	$ 516	$ —	$ —	$ 38,211	$ 38,727
$ 57,000	**$ (516)**	**$ —**	**$ 516**	**$ 516**	**$ —**	**$ —**	**$ 38,211**	**$ 38,727**
$ 86,000	$ 25,285	$ —	$ (25,285)	$ (25,285)	$ —	$ —	$ 86,000	$ 60,715
86,000	25,221	—	(25,221)	(25,221)	—	—	84,529	59,308
43,000	14,700	(13,320)	(1,380)	(1,380)	—	—	42,726	41,346
$ 215,000	**$ 65,206**	**$ (13,320)**	**$ (51,886)**	**$ (51,886)**	**$ —**	**$ —**	**$ 213,255**	**$ 161,369**
$ 89,992	$ 4,870	$ (89,992)	$ 88,199	$ 88,199	$ —	$ 3,077	$ 4,870	$ 93,069
89,865	—	—	6,018	6,018	—	6,018	—	6,018
$ 179,857	**$ 4,870**	**$ (89,992)**	**$ 94,217**	**$ 94,217**	**$ —**	**$ 9,095**	**$ 4,870**	**$ 99,087**
$ N/A	$5,884,674	$(128,212,301)	$131,744,735	$131,744,735	$ —	$ 9,417,108	$368,582,263	$500,326,998
N/A	—	(11,017,167)	11,017,167	11,017,167	—	—	—	11,017,167
N/A	2,328,933	(48,345,557)	49,809,305	49,809,305	—	3,792,681	138,288,449	188,097,754
—	**$8,213,607**	**$(187,575,025)**	**$192,571,207**	**$192,571,207**	**$ —**	**$13,209,789**	**$506,870,712**	**$699,441,919**
$ N/A	$ 835,372	$ (6,787,170)	$ 7,189,326	$ 7,189,326	$ —	$ 1,237,528	$ 18,913,279	$ 26,102,605
N/A	94	—	—	—	—	94	94	94
860,435	273,467	(243,194)	(30,272)	(30,272)	—	1	890,707	860,435
1,869,132	—	(1,375,078)	1,869,790	1,869,790	—	494,712	—	1,869,790
93,000	—	(30,500)	30,500	30,500	—	—	62,500	93,000
$ 2,822,567	**$1,108,933**	**$ (8,435,942)**	**$ 9,059,344**	**$ 9,059,344**	**$ —**	**$ 1,732,335**	**$ 19,866,580**	**$ 28,925,924**
$ 2,822,567	**$9,322,540**	**$(196,010,967)**	**$201,630,551**	**$201,630,551**	**$ —**	**$14,942,124**	**$526,737,292**	**$728,367,843**
$ 5,500	$ 1,200	$ —	$ —	$ —	$ —	$ 1,200	$ 5,500	$ 5,500
$ 5,500	**$ 1,200**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,200**	**$ 5,500**	**$ 5,500**
$ 52,698	$ 7,196	$ (16,278)	$ 9,082	$ 9,082	$ —	$ —	$ 43,616	$ 52,698
487,290	—	(70,405)	70,405	70,405	—	—	329,979	400,384
422,914	—	(232,287)	257,073	257,073	—	24,786	—	257,073
$ 962,902	**$ 7,196**	**$ (318,970)**	**$ 336,560**	**$ 336,560**	**$ —**	**$ 24,786**	**$ 373,595**	**$ 710,155**
$ 3,790,969	**$9,330,936**	**$(196,329,937)**	**$201,967,111**	**$201,967,111**	**$ —**	**$14,968,110**	**$527,116,387**	**$729,083,498**
$ 807,100	$ 582,735	$ (582,735)	$ —	$ —	$ —	$ —	$ 805,334	$ 805,334
835,285	—	(2,276)	803,565	803,565	—	801,289	—	803,565
$ 1,642,385	**$ 582,735**	**$ (585,011)**	**$ 803,565**	**$ 803,565**	**$ —**	**$ 801,289**	**$ 805,334**	**$ 1,608,899**
$ 9,663,624	$2,706,213	$ (3,721,936)	$ 1,015,723	$ 1,015,723	$ —	$ —	$ 7,929,392	$ 8,945,115
3,333,333	794,305	(1,154,608)	360,303	360,303	—	—	2,625,457	2,985,760
9,088,410	—	(6,063,003)	7,619,242	7,619,242	—	1,556,239	—	7,619,242
3,680,906	—	(2,576,834)	3,051,454	3,051,454	—	474,620	—	3,051,454
5,552,415	—	(3,324,558)	4,117,416	4,117,416	—	792,858	—	4,117,416
1,910,000	1,121	—	—	—	—	1,121	1,836,228	1,836,228
1,865,150	644,406	—	—	—	—	644,406	976,871	976,871
17,444,711	(1)	—	—	—	—	(1)	16,030,438	16,030,438
17,414,272	2,957,141	(5,157,172)	2,200,031	2,200,031	—	—	14,566,387	16,766,418
$69,952,821	**$7,103,185**	**$ (21,998,111)**	**$ 18,364,169**	**$ 18,364,169**	**$ —**	**$ 3,469,243**	**$ 43,964,773**	**$ 62,328,942**
$96,011,080	$ 125,436	$ —	$ —	$ —	$ —	$ 125,436	$ 91,007,811	$ 91,007,811

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
		4620	84.027A	14-4620-00	07/01/13-08/31/14
		4620	84.027A	15-4620-00	07/01/14-08/31/15
	Room and Board	4625	84.027A	15-4625-00	09/01/14-08/31/15
	IDEA — Parent Mentor	4630	84.027A	14-4630-05	07/01/13-06/30/14
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	14-4600-00	07/01/13-08/31/14
		4600	84.173A	15-4600-00	07/01/14-08/31/15
	IDEA — Pre-School Discretionary	4605	84.173A	12-4605-01	07/01/11-06/30/12
		4605	84.173A	14-4605-01	07/01/13-06/30/14
		4605	84.173A	15-4605-01	07/01/14-06/30/15
Preschool Expansion	Preschool Expansion	4999	84.419B	15-4999-PE	02/24/15-08/31/15
	Total Special Education Cluster (IDEA)				
Passed Through Illinois State Board of Education (ISBE)					
Title I, Part A Cluster					
Title I Grants to Local Education Agencies					
	Title I — Low Income	4300	84.010A	12-4300-00	07/01/11-08/31/12
		4300	84.010A	13-4300-00	07/01/12-08/31/13
		4300	84.010A	14-4300-00	07/01/13-08/31/14
		4300	84.010A	15-4300-00	07/01/14-08/31/15
	ESEA — School Improvement	4331	84.010A	14-4331-SS	07/01/13-06/30/14
		4331	84.010A	15-4331-SS	07/01/14-06/30/15
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	14-4305-00	07/01/13-08/31/14
		4305	84.010A	15-4305-00	07/01/14-08/31/15
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	12-4306-00	07/01/11-08/31/12
		4306	84.010A	14-4306-00	07/01/13-06/30/14
		4306	84.010A	15-4306-00	07/01/14-08/31/15
	Total Title I, Part A Cluster				
Passed Through Illinois State Board of Education					
Improving Teacher Quality State Grants	Title IIA — Teacher Quality	4932	84.367A	13-4932-00	07/01/12-08/31/13
		4932	84.367A	14-4932-00	07/01/13-08/31/14
		4932	84.367A	15-4932-00	07/01/14-08/31/15
	Title II — Teacher Quality Leadership	4935	84.367	13-4935-02	06/10/13-09/30/13
		4935	84.367	14-4935-02	10/04/13-08/31/14
		4935	84.367	15-4935-02	11/03/14-06/30/15
Career and Technical Education — Basic Grants to States	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	11-4745-00	07/01/10-08/31/11
		4745	84.048A	13-4745-00	07/01/12-08/31/13
		4745	84.048	14-4745-00	07/01/13-08/31/14
		4745	84.048	15-4745-00	07/01/14-08/31/15
Perkins Leadership High Schools that Work	Perkins Leadership High Schools that Work	4720	84.048A	11-4720-01	08/10/10-07/31/11
Twenty-First Century Community Learning Centers	Title IV — 21st Century Comm Learning Centers	4421	84.287	14-4421-01	08/13/13-08/31/14
		4421	84.287	14-4421-02	08/13/13-08/31/14
		4421	84.287	14-4421-22	08/13/13-08/31/14
		4421	84.287	14-4421-21	08/13/13-08/31/14
		4421	84.287	14-4421-23	08/13/13-08/31/14
		4421	84.287	14-4421-13	08/13/13-08/31/14
		4421	84.287	15-4421-13	07/01/14-08/31/15
		4421	84.287	15-4421-15	11/01/14-08/31/15
		4421	84.287	15-4421-25	11/01/14-08/31/15
		4421	84.287	15-4421-35	11/01/14-08/31/15
		4421	84.287	15-4421-45	11/01/14-08/31/15
		4421	84.287	15-4421-55	11/01/14-08/31/15
		4421	84.287	15-4421-65	11/01/14-08/31/15
		4421	84.287	Agreement	11/01/14-08/31/15
Race to the Top	Race to the Top	4901	84.413A	14-4901-00	07/01/13-06/30/14
		4901	84.413A	15-4901-00	07/01/14-06/30/15
	Race to the Top — Early Learning Challenge Phase 2	4999	84.395A	14-4999-00	01/01/14-06/30/14
		4999	84.395A	15-4999-00	07/01/14-06/30/15

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Final Status Cumulative Expenditures Through June 30, 2015
103,623,039	21,073,861	(21,433,370)	359,509	359,509	—	—	97,903,897	98,263,406
95,604,447	—	(94,940,195)	95,604,447	95,604,447	—	664,252	—	95,604,447
N/A	(700,247)	(2,069,199)	2,769,446	2,769,446	—	—	453,929	3,223,375
60,000	33,527	(33,527)	—	—	—	—	60,000	60,000
1,386,335	157,052	(555,903)	398,851	398,851	—	—	962,477	1,361,328
1,267,600		(533,207)	957,716	957,716	—	424,509	—	957,716
489,250	1	—	(1)	(1)	—	—	486,468	486,467
489,250	184,107	(215,402)	31,295	31,295	—	—	404,182	435,477
489,250	—	(296,656)	466,155	466,155	—	169,499	—	466,155
804,253	—	—	4,500	4,500	—	4,500	—	4,500
$ 300,224,504	**$ 20,873,737**	**$(120,077,459)**	**$100,591,918**	**$100,591,918**	**$ —**	**$ 1,388,196**	**$191,278,764**	**$291,870,682**
$ 332,558,791	$ 671,176	$ —	$ (221,174)	$ (221,174)	$ —	$ 450,002	$ (1,815,261)	$ (2,036,435)
325,795,584	—	700,000	(700,000)	(700,000)	—	—	—	(700,000)
308,559,813	104,942,900	(122,555,830)	16,549,949	16,549,949	—	(1,062,981)	266,941,945	283,491,894
291,933,677	—	(178,107,926)	213,275,574	213,275,574	—	35,167,648	—	213,275,574
3,193,498	1,536,223	(1,515,573)	(20,650)	(20,650)	—	—	2,958,038	2,937,388
3,915,800	—	(358,142)	2,362,114	2,362,114	—	2,003,972	—	2,362,114
719,374	118,637	(400,189)	281,552	281,552	—	—	339,861	621,413
693,584	—	(138,846)	317,773	317,773	—	178,927	—	317,773
774,664	(14,413)	32,629	—	—	—	18,216	648,199	648,199
909,032	224,981	(250,023)	25,042	25,042	—	—	755,855	780,897
947,785	—	(365,432)	624,989	624,989	—	259,557	—	624,989
$1,270,001,602	**$107,479,504**	**$(302,959,332)**	**$232,495,169**	**$232,495,169**	**$ —**	**$37,015,341**	**$269,828,637**	**$502,323,806**
$ 59,918,597	$ 1	$ —	$ (1)	$ (1)	$ —	$ —	$ 38,365,859	$ 38,365,858
56,200,586	16,538,700	(21,184,833)	2,377,026	2,377,026	—	(2,269,107)	44,474,034	46,851,060
43,713,318	—	(19,222,656)	29,885,201	29,885,201	—	10,662,545	—	29,885,201
132,182	(13,800)	13,800	—		—	—	132,100	132,100
88,121	37,400	(41,400)	4,000	4,000	—	—	51,200	55,200
78,139	—	(77,400)	77,400	77,400	—	—	—	77,400
7,974,040	(99,900)	—	—		—	(99,900)	7,874,120	7,874,120
6,107,181	1	—	—		—	1	6,107,182	6,107,182
5,739,480	1,280,874	(2,342,434)	1,061,560	1,061,560	—	—	4,677,547	5,739,107
5,978,354	—	(3,326,934)	5,500,057	5,500,057	—	2,173,123	—	5,500,057
10,000	5,118	—	—		—	5,118	8,061	8,061
1,012,500	370,995	(482,845)	111,850	111,850	—	—	816,936	928,786
1,302,350	452,112	(649,043)	196,931	196,931	—	—	1,105,419	1,302,350
1,463,200	460,503	(649,386)	188,883	188,883	—	—	1,185,143	1,374,026
1,500,000	560,573	(771,161)	210,588	210,588	—	—	1,228,825	1,439,413
337,500	123,934	(212,252)	88,318	88,318	—	—	245,844	334,162
3,150,000	1,081,202	(1,282,460)	201,258	201,258	—	—	2,947,549	3,148,807
3,150,000	—	(1,454,906)	2,535,124	2,535,124	—	1,080,218	—	2,535,124
540,000	—	(70,377)	281,550	281,550	—	211,173	—	281,550
540,000	—	(45,860)	308,912	308,912	—	263,052	—	308,912
540,000	—	(21,986)	195,671	195,671	—	173,685	—	195,671
540,000	—	(16,209)	239,558	239,558	—	223,349	—	239,558
540,000	—	—	207,588	207,588	—	207,588	—	207,588
540,000	—	(92,842)	403,857	403,857	—	311,015	—	403,857
32,110	—	—	32,110	32,110	—	32,110	—	32,110
7,154,816	2,295,533	(2,316,561)	21,028	21,028	—	—	5,507,299	5,528,327
5,603,712	—	(1,996,744)	4,492,690	4,492,690	—	2,495,946	—	4,492,690
106,345	106,345	(106,345)	—	—	—	—	106,345	106,345
193,655	—	(166,341)	193,655	193,655	—	27,314	—	193,655

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
English Language Acquisition Grants	Title III — Lang Inst Prog — Limited Eng LIPLEP	4909	84.365A	14-4909-00	09/01/13-08/31/14
		4909	84.365A	15-4909-00	09/01/14-08/31/15
	Title III — Program Improvement Grant	4999	84.365A	15-4999-PI	07/01/14-10/31/14
International Baccalaureate	International Baccalaureate	4999	84.365A	4999-IB	07/01/10-06/30/14
		4999	84.365A	4999-IB	07/01/04-06/30/15
	Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)				
	Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)				
Direct Funding					
Impact Aid	Federal Impact Aid Grant	N/A	84.041	23-IL-2015-1711	07/01/10-06/30/15
Indian Education — Grants to Local Education	Indian Elementary/Secondary School Assistance	N/A	84.060A	S060A130666	07/01/13-06/30/14
Agencies	Program	N/A	84.060A	S060A140666	07/01/14-06/30/15
Safe and Drug-Free Schools and Communities	Safe and Drug Free Schools (Project SERV)	N/A	84.184S	S184S130002	01/30/13-07/31/14
Fund for the Improvement of Education	Carol M. White Physical Education Program	N/A	84.215F	S215F130218	10/01/13-09/30/14
		N/A	84.215F	S215F130218	10/01/14-09/30/15
	Smaller Learning Communities	N/A	84.215L	S215L080581	07/10/08-07/09/14
	Smaller Learning Communities Cohort 10	N/A	84.215L	S215L100017	10/10/12-09/30/13
		N/A	84.215L	S215L100017	10/01/13-09/30/14
Transition to Teaching Program	Transition to Teaching BETP	N/A	84.350A	U350A090042	10/01/09-09/30/14
Arts in Education	Development and Dissemination Grant Program	N/A	84.351D	U351D090039	07/01/09-06/30/14
	Students (CREATES)	N/A	84.351C	U351C110047	10/01/13-09/30/14
	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140052	10/01/14-09/30/15
Early Reading First	Enhancing Early Reading in Chicago (EERIC)	N/A	84.359B	S359B050093	10/01/05-06/30/09
High School Graduation Initiative	Pathways to Accelerated Student Success (PASS)	N/A	84.360A	S360A100176	10/01/13-09/30/14
		N/A	84.360A	S360A100176	10/01/14-09/30/16
School Leadership Program	Effective Leaders Improve Schools — (ELIS) II	N/A	84.363A	U363A080120	10/01/08-09/30/14
TRIO — Talent Search	Pullman Talent Search	N/A	84.044A	P044A110797	09/01/13-08/31/14
		N/A	84.044A	P044A110797	09/01/14-08/31/15
	Total U.S. Department of Education — Direct Funding (not including cluster)				
Passed Through Illinois Department of Human Services					
Rehabilitation Grants to States	Secondary Transitional Experience Program (STEP)	N/A	84.126	46CRD00155	07/01/12-06/30/13
		N/A	84.126	46CRD00155	07/01/13-06/30/14
		N/A	84.126	46CRD00155	07/01/14-06/30/15
Rehabilitation Services Vocational Rehabilitation Grants to States	IDHS-Community Based Employment Services	N/A	84.126	46CTD03159	07/01/14-06/30/15
	Total U.S. Department of Education Passed Through IDHS				
Passed Through Illinois Board of Higher Education					
Improving Teacher Quality Through Human Relationships	Title II T.Q.E. (Depaul University)	N/A	84.367A	500194SG014	01/01/04-09/30/05
	Total U.S. Department of Education Passed Through Illinois Higher Board of Education				
Passed Through University of Illinois at Chicago					
UIC — Substitute Reimbursement	UIC — Substitute Reimbursement	N/A	84.305F	R305F100007	01/24/14-06/30/15
	Total U.S. Department of Education Passed Through University of Illinois at Chicago				
Passed Through University of Southern California					
Pathways for Success University of Southern California	Pathways For Success — University of Southern California	N/A	84.305A	R305A140281	08/01/14-06/30/15
	Total U.S. Department of Education Passed Through University of Southern California				
Passed Through National Opinion Research Center					
Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A100709	07/01/12-08/31/13
		N/A	84.305	R305A120809	07/01/13-06/30/14
		N/A	84.305	R305A120809	07/01/14-06/30/15
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	R01HD067500	12/01/13-11/30/14
		N/A	93.865	R01HD067500	12/01/14-11/30/15
	Total U.S. Department of Education Passed Through National Opinion Research Center				09/26/13-09/25/14
Passed Through Northeastern Illinois University					
Gaining Early Awareness and	Chicago Gear Up Alliance	N/A	84.334A	P334A1000031	
Readiness for Undergraduate Program	Gear-Up 4 (Year 4)	N/A	84.334A	P334A100031 /P0032031	
		N/A	84.334A	P334A100031 /P00371701	
	Gear-Up 5 (Year 3)	N/A	84.334A	P334A110082 /P0032423	

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Final Status: Cumulative Expenditures Through June 30, 2015
11,753,117	2,419,024	(3,830,655)	1,411,631	1,411,631	—	—	6,650,427	8,062,058
12,746,883	—	(4,996,165)	7,180,582	7,180,582	—	2,184,417	—	7,180,582
10,000	—	(10,000)	10,000	10,000	—	—	—	10,000
769,591	151,335	77,865	—	—	—	229,200	940,699	940,699
535,778	—	(535,778)	244,080	244,080	—	(291,698)	—	244,080
$ 240,001,555	**$ 25,769,950**	**$ (65,811,908)**	**$ 57,661,107**	**$ 57,661,107**	**$ —**	**$17,619,149**	**$122,424,589**	**$ 180,085,696**
$1,881,822,867	**$161,809,111**	**$(511,431,821)**	**$409,915,928**	**$409,915,928**	**$ —**	**$60,293,218**	**$628,302,097**	**$1,038,218,025**
$ N/A	$ (17,234)	$ (69,244)	$ 86,478	$ 86,478	$ —	$ —	$ 28,724	$ 115,202
192,104	23,382	(23,382)	—	—	—	—	192,104	192,104
234,313	—	(144,660)	203,369	203,369	—	58,709	—	203,369
49,792	29,545	(29,545)	—	—	—	—	37,252	37,252
750,000	34,894	(350,171)	315,277	315,277	—	—	59,757	375,034
717,383	—	(238,511)	467,789	467,789	—	229,278	—	467,789
5,174,698	119,530	(131,572)	12,043	12,043	—	1	5,093,491	5,105,534
2,505,908	12,937	—	(12,936)	(12,936)	—	1	1,848,350	1,835,414
1,617,328	146,597	(808,894)	662,297	662,297	—	—	671,645	1,333,942
1,530,181	3,653	(19,899)	16,246	16,246	—	—	489,209	505,455
1,385,743	29,482	(27,143)	(2,339)	(2,339)	—	—	1,198,736	1,196,397
580,805	222,529	(264,969)	42,440	42,440	—	—	522,040	564,480
349,851	—	(2,299)	98,292	98,292		95,993	—	98,292
846,947	69,116	—	—	—	—	69,116	69,116	69,116
5,084,822	284,699	(942,650)	657,951	657,951	—	—	1,517,615	2,175,566
5,003,347	—	(1,470,145)	2,069,708	2,069,708	—	599,563	—	2,069,708
8,550,751	115,205	(165,280)	50,074	50,074	—	(1)	6,443,802	6,493,876
226,067	21,446	(85,057)	63,611	63,611	—	—	140,323	203,934
230,000	—	(145,789)	212,178	212,178	—	66,389	—	212,178
$ 35,030,040	**$ 1,095,781**	**$ (4,919,210)**	**$ 4,942,478**	**$ 4,942,478**	**$ —**	**$ 1,119,049**	**$ 18,312,164**	**$ 23,254,642**
$ 691,956	$ (2,573)	$ 2,573	$ —	$ —	$ —	$ —	$ 352,010	$ 352,010
1,124,571	292,950	(292,950)	—	—	—	—	573,336	573,336
1,124,571	—	(393,038)	542,428	542,428	—	149,390	—	542,428
250,000	—	(94,697)	158,604	158,604	—	63,907	—	158,604
$ 3,191,098	**$ 290,377**	**$ (778,112)**	**$ 701,032**	**$ 701,032**	**$ —**	**$ 213,297**	**$ 925,346**	**$ 1,626,378**
$ 27,000	$ —	$ (58,741)	$ —	$ —	$ —	$ (58,741)	$ —	$ —
$ 27,000	**$ —**	**$ (58,741)**	**$ —**	**$ —**	**$ —**	**$ (58,741)**	**$ —**	**$ —**
$ 35,000	$ 8,703	$ —	$ 5,874	$ 5,874	$ —	$ 14,577	$ 8,703	$ 14,577
$ 35,000	**$ 8,703**	**$ —**	**$ 5,874**	**$ 5,874**	**$ —**	**$ 14,577**	**$ 8,703**	**$ 14,577**
$ 10,890	$ —	$ (9,606)	$ 9,606	$ 9,606	$ —	$ —	$ —	$ 9,606
$ 10,890	**$ —**	**$ (9,606)**	**$ 9,606**	**$ 9,606**	**$ —**	**$ —**	**$ —**	**$ 9,606**
$ 906,269	$ 47,644	$ (47,644)	$ —	$ —	$ —	$ —	$ 719,744	$ 719,744
681,525	138,560	(134,568)	(3,711)	(3,711)	—	281	352,289	348,578
579,877	—	(206,413)	316,899	316,899	—	110,486	—	316,899
313,705	287,238	(118,500)	(12,945)	(12,945)	—	155,793	287,238	274,293
245,500	—	(89,402)	236,400	236,400	—	146,998	—	236,400
$ 2,726,876	**$ 473,442**	**$ (596,527)**	**$ 536,643**	**$ 536,643**	**$ —**	**$ 413,558**	**$ 1,359,271**	**$ 1,895,914**
$ 413,322	$ 1	$ —	$ —	$ —	$ —	$ 1	$ 413,322	$ 413,322
449,218	119,414	(131,664)	12,250	12,250	—	—	324,793	337,043
333,037	—	(135,711)	232,985	232,985	—	97,274	—	232,985
1,097,940	639,586	(1,097,940)	489,670	489,670	—	31,316	639,586	1,129,256

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
		N/A	84.334A	P334A110082/PO037306	08/26/14-09/25/15
	Gear Up 6	N/A	84.334A	P334A140132/PO038883	09/25/14-09/24/15
	Gear-Up-Kelly High School — (NEIU)	N/A	84.334A	PO#017870	06/20/11-08/08/11
	Gear-Up 2014 Summer Recovery Kelly	N/A	84.334A	PO#033507	06/19/14-08/31/14
	Gear-Up-Harlan High School — (NEIU)	N/A	84.334A	PO#018067	06/27/11-08/08/11
	Gear-Up 2014 Summer Recovery Harlan	N/A	84.334A	PO#033506	06/19/14-08/31/14
	Gear-Up-Wells High School — (NEIU)	N/A	84.334A	PO#017869	06/20/11-08/08/11
	Gear-Up-Curie High School — (NEIU)	N/A	84.334A	PO#017886	06/20/11-08/08/11
	Gear-Up 2014 Summer Recovery Curie	N/A	84.334A	PO#033504	06/19/14-08/31/14
	Gear-Up 2014 Summer Recovery Infinity	N/A	84.334A	PO#033673	06/19/14-08/31/14
	Gear-Up 2014 Summer Recovery Hope	N/A	84.334A	PO#033671	06/19/14-08/31/14
	Gear-Up 2014 Summer Recovery Percy	N/A	84.334A	PO#033672	06/19/14-08/31/14
	Gear-Up 2014 Summer Recovery Hyde Park	N/A	84.334A	PO#033741	06/19/14-08/31/14
	Gear-Up 2014 Summer Recovery Theodore	N/A	84.334A	PO#033505	06/19/14-08/31/14
Title IV 21st Century	Illinois 21st Century CLC NEIU- Saucedo	N/A	84.287	PO#030739	10/15/13-06/05/14
	Illinois 21st Century CLC NEIU- Curie	N/A	84.287	PO#030740	10/15/13-06/05/14
	Illinois 21st Century CLC NEIU- Ella Flagg Young	N/A	84.287	PO#031210	10/01/13-08/31/14
		N/A	84.287	PO#035851	10/13/14-08/15/15
	Illinois 21st Century CLC NEIU- Duke Ellington	N/A	84.287	PO#031208	10/01/13-06/05/14
		N/A	84.287	PO#036419	10/13/14-08/15/15
	Illinois 21st Century CLC NEIU- Michelle Clark Academic	N/A	84.287	PO#031213	10/01/13-08/31/14
		N/A	84.287	PO#035853	10/13/14-08/15/15
	Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	PO#031209	10/01/13-06/05/14
		N/A	84.287	PO#035852	10/13/14-08/15/15
	Total U.S. Department of Education Passed Through Northeastern Illinois University				
Passed Through University of Illinois at Chicago					
Teacher Quality Partnership Grants	Increase Teacher Quality	N/A	84.336S	U336S090013	10/01/11-09/30/12
		N/A	84.336S	U336S090013	10/01/13-09/30/15
	ISU Chicago Teacher Education Pipeline	N/A	84.336S	U336S090145	01/15/15-09/30/15
	Total U.S. Department of Education Passed Through University of Illinois at Chicago				
Passed Through University of Minnesota					
Midwest Expansion of the Child Parent Center Education	Midwest Expansion of the Child Parent Center Education Program	N/A	84.411B	U411B110098	01/01/13-12/31/13
		N/A	84.411B	U411B110098	01/01/14-12/31/14
Investing In Innovation(i3)	Comprehensive Induction and Mentoring	N/A	84.411B	U411B120035	07/01/13-06/30/14
	Comprehensive Strategies to Promote Social and Emotional Learning	N/A	84.411C	U411C130091	07/01/14-06/30/15
	Total U.S. Department of Education Passed Through University of Minnesota				
Passed Through Columbia College — Chicago					
Investing In Innovation(i3)	i3 Convergence Academies: Digital Media Whole School Reform Model Project	N/A	84.411B	Agreement	03/01/13-06/30/14
		N/A	84.411B	Agreement	07/01/14-06/30/15
	Total U.S. Department of Education Passed Through Columbia College — Chicago				
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	07/01/13-06/30/14
		N/A	84.411A	U411A110004/14-138-317101	07/01/14-06/30/15
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation				
	TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through Centers for Disease Control					
Community Transformation Grants	Healthy Chicago Public Schools	N/A	93.737	1H75DP004181-01	09/30/13-09/29/14
		N/A	93.737	1H75DP004181-SG12	09/30/14-03/29/15
Healthy Chicago Public Schools	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14
		N/A	93.079	1U87PS004162-02	08/01/14-07/31/15
	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14
		N/A	93.079	1U87PS004162-02	08/01/14-07/31/15
Substance Abuse and Mental Health Services Projects of Regional and National Significance	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/15
	Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control				
Passed Through City of Chicago					
Head Start Cluster					
Head Start	Head Start — Child Development	N/A	93.600	PO#28837-1	12/31/13-11/30/14
		N/A	93.600	PO#28837-2	12/01/14-11/30/15

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Final Status: Cumulative Expenditures Through June 30, 2015
849,195	—	(329,555)	596,220	596,220	—	266,665	—	596,220
534,244	—	—	93,039	93,039	—	93,039	—	93,039
12,326	10,956	—	—	—	—	10,956	10,956	10,956
21,873	5,559	(17,356)	11,797	11,797	—	—	5,559	17,356
3,104	7,437	—	—	—	—	7,437	7,437	7,437
8,749	—	(4,450)	4,450	4,450	—	—	—	4,450
12,326	11,996	—	—	—	—	11,996	11,996	11,996
12,326	10,653	—	—	—	—	10,653	10,653	10,653
41,702	7,631	(36,633)	29,001	29,001	—	(1)	7,631	36,632
4,375	951	(1,437)	485	485	—	(1)	951	1,436
4,312	—	(3,696)	3,696	3,696	—	—	—	3,696
4,312	—	(3,604)	3,604	3,604	—	—	—	3,604
4,312	—	(3,011)	3,011	3,011	—	—	—	3,011
8,749	—	(2,789)	2,789	2,789	—	—	—	2,789
22,104	12,946	(10,793)	(2,152)	(2,152)	—	1	18,435	16,283
31,824	19,458	(19,459)	—	—	—	(1)	19,653	19,653
64,985	22,410	(51,105)	28,695	28,695	—	—	35,600	64,295
43,623	—	(23,266)	43,623	43,623		20,357	—	43,623
18,890	9,762	(9,762)	—	—	—	—	9,762	9,762
18,423	—	(7,395)	15,194	15,194	—	7,799	—	15,194
20,595	4,330	(6,353)	2,023	2,023	—	—	8,335	10,358
10,753	—	(2,760)	6,286	6,286	—	3,526	—	6,286
13,620	6,227	(6,227)	—	—	—	—	6,227	6,227
11,890	—	(1,916)	7,103	7,103	—	5,187	—	7,103
$ 4,072,129	**$ 889,317**	**$ (1,906,882)**	**$ 1,583,769**	**$ 1,583,769**	**$ —**	**$ 566,204**	**$ 1,530,896**	**$ 3,114,665**
$ 91,645	$ 29,103	$ —	$ —	$ —	$ —	$ 29,103	$ 46,453	$ 46,453
91,425	—	—	21,881	21,881	—	21,881	—	21,881
225,000	—	(34,000)	198,828	198,828	—	164,828	—	198,828
$ 408,070	**$ 29,103**	**$ (34,000)**	**$ 220,709**	**$ 220,709**	**$ —**	**$ 215,812**	**$ 46,453**	**$ 267,162**
$ 2,112,985	$ 2,239,087	$ (2,308,067)	$ 38,653	$ 38,653	$ —	$ (30,327)	$ 2,239,087	$ 2,277,740
2,001,576	1,262,821	(1,038,814)	1,379,216	1,379,216	—	1,603,223	1,262,821	2,642,037
112,450	28,034	(27,090)	(944)	(944)	—	—	83,933	82,989
207,120	—	(83,244)	140,879	140,879	—	57,635	—	140,879
$ 4,434,131	**$ 3,529,942**	**$ (3,457,215)**	**$ 1,557,804**	**$ 1,557,804**	**$ —**	**$ 1,630,531**	**$ 3,585,841**	**$ 5,143,645**
$ 103,875	$ 37,328	$ (32,662)	$ (4,666)	$ (4,666)	$ —	$ —	$ 46,454	$ 41,788
108,776	—	(66,713)	110,049	110,049	—	43,336	—	110,049
$ 212,651	**$ 37,328**	**$ (99,375)**	**$ 105,383**	**$ 105,383**	**$ —**	**$ 43,336**	**$ 46,454**	**$ 151,837**
$ 95,000	$ 15,348	$ —	$ (15,348)	$ (15,348)	$ —	$ —	$ 15,348	$ —
95,000	—	—	31,748	31,748	—	31,748	—	31,748
$ 190,000	**$ 15,348**	**$ —**	**$ 16,400**	**$ 16,400**	**$ —**	**$ 31,748**	**$ 15,348**	**$ 31,748**
$1,932,160,752	**$168,178,452**	**$(523,291,489)**	**$419,595,626**	**$419,595,626**	**$ —**	**$64,482,589**	**$654,132,573**	**$1,073,728,199**
$ 4,398,118	$ 585,456	$ (1,915,589)	$ 1,344,338	$ 1,344,338	$ —	$ 14,205	$ 1,868,817	$ 3,213,155
4,398,118	—	(127,024)	127,024	127,024	—	—	—	127,024
50,000	8,132	(17,116)	12,451	12,451	—	3,467	37,746	50,197
50,000	—	(23,880)	34,590	34,590	—	10,710	—	34,590
225,000	43,092	(64,627)	40,163	40,163	—	18,628	196,960	237,123
320,000	—	(146,382)	288,902	288,902	—	142,520	—	288,902
49,931	—	(2,331)	3,915	3,915	—	1,584	—	3,915
$ 9,491,167	**$ 636,680**	**$ (2,296,949)**	**$ 1,851,383**	**$ 1,851,383**	**$ —**	**$ 191,114**	**$ 2,103,523**	**$ 3,954,906**
$ 39,413,560	$ 11,403,183	$ (25,808,198)	$ 14,405,015	$ 14,405,015	$ —	$ —	$ 24,858,105	$ 39,263,120
38,796,279	—	(18,364,302)	26,139,448	26,139,448	—	7,775,146	—	26,139,448

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
	Head Start — Supp DIS SP initiatives	N/A	93.600	PO#30583	12/01/13-11/30/14
		N/A	93.600	PO#38583	12/01/14-11/30/15
	Total U.S. Department of Health and Human Services Passed Through City of Chicago-Head Start Cluster				
Direct Funding					
Chicago Teen Pregnancy Prevention Initiative	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-04-00	09/01/13-08/31/14
		N/A	93.297	TP1AH000066-05-00	09/01/14-08/31/15
Substance Abuse and Mental Health Services — Projects of Regional and National Significance	Enhancing Students Skills for Success	N/A	93.243	1U79SM060297-01	09/30/10-09/29/11
		N/A	93.243	5U795M060297-03	09/30/13-09/29/14
		N/A	93.243	5U795M060297-03	09/30/14-09/29/15
	Total U.S. Department of Health and Human Services — Direct Funding				
Passed Through Illinois Department of Human Services					
Refugee and Entrant Assistance Discretionary Grants	Refugee Children Impact Grant	N/A	93.576	FCSSK01131	07/01/13-06/30/14
		N/A	93.576	FCSTK01131	07/01/14-06/30/15
	Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services				
Passed Through Illinois Department of Healthcare and Family Services (IDHFS)					
Medical Assistance Program	Medicaid — Administrative Services	N/A	93.778	95-4900-00	07/01/13-06/30/15
	Total U.S. Department of Health and Human Services Passed Through IDHFS				
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
U.S. DEPARTMENT OF JUSTICE					
Passed Through Illinois Department of Human Services					
Juvenile Accountability Block Grants	Restorative Justice Conflict Resolution	N/A	16.523	FCSTR03403	07/01/14-06/30/15
Juvenile Justice and Delinquency Prevention Allocation to States		N/A	16.540	FCSTR03403	07/01/14-06/30/15
	Total U.S. Department of Justice Passed Through Illinois Department of Human Services				
Passed Through the Chicago Police Department					
DOJ — Secure Our Schools	DOJ — Secure Our Schools	N/A	16.710	2008-CK-WX-0661	09/01/08-02/28/15
		N/A	16.710	2011-CK-WX-0007	09/01/11-08/31/13
	Total U.S. Department of Justice Passed Through Chicago Police Department				
Passed Through the City of Chicago					
National Forum on Youth Violence Prevention	National Youth Forum on Violence	N/A	16.819	2013-NY-FX-K001	10/01/13-09/30/15
	Total U.S. Department of Justice Passed Through City of Chicago				
Direct Funding					
Connect and Redirect to Respect	Connect and Redirect to Respect	N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/15
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113003	02/01/14-01/31/15
		N/A	16.609	113004	02/01/15-01/31/16
Edward Byrne Memorial Justice Assistance Grant Program	ICJA-Gale	N/A	16.738	410033	12/06/13-09/30/14
	Total U.S. Department of Justice — Direct Funding				
	TOTAL U.S. DEPARTMENT OF JUSTICE				
U.S. DEPARTMENT OF LABOR					
Passed Through Manufacturing Renaissance					
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17	06/01/14-06/30/15
	Total U.S. Department of Labor Passed Through Manufacturing Renaissance				
Passed Through Illinois Department of Commerce and Economic Opportunity					
Coastal Zone Management Administration Awards	CIMBY Gets Wet	N/A	11.419	NO14-004	10/01/13-09/30/14
	CIMBY Gets Wet	N/A	11.419	14-013-N12-11	05/28/14-05/31/15
Illinois Innovation Talent Program	Illinois Innovation Talent Program — Schurz	N/A	17.267	Agreement	07/01/10-05/31/11
Illinois Innovation Talent Program	Illinois Innovation Talent Program — Infinity	N/A	17.267	Agreement	02/09/12-12/01/12
	Total U.S. Department of Labor Passed Through Illinois Department of Commerce and Economic Opportunity				
	TOTAL U.S. DEPARTMENT OF LABOR				
U.S. DEPARTMENT OF TRANSPORTATION					
Passed Through Illinois Department of Aviation					
Noise Program	Noise Abatement — Farnsworth	N/A	20.106	3-17-0022-106-2009	09/23/09-09/22/11
		N/A	20.106	3-17-0022-125-2012	09/06/12-09/07/15
	Noise Abatement — Ebinger	N/A	20.106	3-17-0022-134	04/08/14-06/30/15
	Total U.S. Department of Transportation Passed Through Illinois Department of Aviation				
OFFICE OF NAVAL RESEARCH					
Passed Through City Colleges of Chicago					
Basic and Applied Scientific Research	Critical MASS	N/A	12.300	14-12-1-0738	07/01/13-06/30/14
		N/A	12.300	15-12-1-0738	07/01/14-06/30/15
	Total Office of Naval Research Passed Through City Colleges of Chicago				
US ARMY RESEARCH					
Accelerated STEM Program of Study & Leadership	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	10/01/13-06/30/15
	Total US Army Research Office				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Final Status: Cumulative Expenditures Through June 30, 2015
975,000	599,556	(913,688)	314,132	314,132	—	—	599,556	913,688
975,000	—	—	611,146	611,146	—	611,146	—	611,146
$80,159,839	**$12,002,739**	**$(45,086,188)**	**$41,469,741**	**$41,469,741**	**$ —**	**$ 8,386,292**	**$25,457,661**	**$ 66,927,402**
$ 4,093,618	$ 842,685	$ (2,120,739)	$ 1,278,054	$ 1,278,054	$ —	$ —	$ 2,746,448	$ 4,024,502
3,268,237	—	(1,634,006)	2,682,796	2,682,796	—	1,048,790	—	2,682,796
99,456	2,053	—	—	—	—	2,053	2,053	2,053
319,051	58,905	(39,985)	(18,920)	(18,920)	—	—	174,374	155,454
302,697	—	(50,428)	89,929	89,929	—	39,501	—	89,929
$ 8,083,059	**$ 903,643**	**$ (3,845,158)**	**$ 4,031,859**	**$ 4,031,859**	**$ —**	**$ 1,090,344**	**$ 2,922,875**	**$ 6,954,734**
$ 193,602	$ 69,319	$ (65,596)	$ (3,723)	$ (3,723)	$ —	$ —	$ 175,334	$ 171,611
48,750	—	(33,069)	48,750	48,750	—	15,681	—	48,750
$ 242,352	**$ 69,319**	**$ (98,665)**	**$ 45,027**	**$ 45,027**	**$ —**	**$ 15,681**	**$ 175,334**	**$ 220,361**
$ N/A	$ 7,106,233	$(12,134,371)	$11,232,328	$11,232,328	$ —	$ 6,204,190	$13,145,181	$ 24,377,509
$ —	**$ 7,106,233**	**$(12,134,371)**	**$11,232,328**	**$11,232,328**	**$ —**	**$ 6,204,190**	**$13,145,181**	**$ 24,377,509**
$97,976,417	**$20,718,614**	**$(63,461,331)**	**$58,630,338**	**$58,630,338**	**$ —**	**$15,887,621**	**$43,804,574**	**$102,434,912**
$ 114,312	$ —	$ (22,825)	$ 114,312	$ 114,312	$ —	$ 91,487	$ —	$ 114,312
42,698	—	(6,534)	35,734	35,734	—	29,200	—	35,734
$ 157,010	**$ —**	**$ (29,359)**	**$ 150,046**	**$ 150,046**	**$ —**	**$ 120,687**	**$ —**	**$ 150,046**
$ 291,920	$ —	$ (247,078)	$ 305,819	$ 305,819	$ —	$ 58,741	$ —	$ 305,819
500,000	—	(35,893)	35,893	35,893	—	—	464,107	500,000
$ 791,920	**$ —**	**$ (282,971)**	**$ 341,712**	**$ 341,712**	**$ —**	**$ 58,741**	**$ 464,107**	**$ 805,819**
$ 200,000	$ —	$ —	$ 91,505	$ 91,505	$ —	$ 91,505	$ —	$ 91,505
$ 200,000	**$ —**	**$ —**	**$ 91,505**	**$ 91,505**	**$ —**	**$ 91,505**	**$ —**	**$ 91,505**
$ 2,179,178	$ —	$ —	$ 18,528	$ 18,528	$ —	$ 18,528	$ —	$ 18,528
118,896	19,136	(103,615)	85,278	85,278	—	799	19,136	104,414
118,896	—	(20,325)	57,138	57,138	—	36,813	—	57,138
35,000	—	(35,000)	35,000	35,000	—	—	—	35,000
$ 2,451,970	**$ 19,136**	**$ (158,940)**	**$ 195,944**	**$ 195,944**	**$ —**	**$ 56,140**	**$ 19,136**	**$ 215,080**
$ 3,600,900	**$ 19,136**	**$ (471,270)**	**$ 779,207**	**$ 779,207**	**$ —**	**$ 327,073**	**$ 483,243**	**$ 1,262,450**
$ 186,000	$ —	$ —	$ 40,515	$ 40,515	$ —	$ 40,515	$ —	$ 40,515
$ 186,000	**$ —**	**$ —**	**$ 40,515**	**$ 40,515**	**$ —**	**$ 40,515**	**$ —**	**$ 40,515**
$ 100,000	$ 62,563	$ (93,022)	$ 30,459	$ 30,459	$ —	$ —	$ 65,063	95,522
134,736	2,863	(59,146)	113,932	113,932	—	57,649	2,863	$ 116,795
5,000	(5,000)	—	—	—	—	(5,000)	—	—
5,000	(4)	—	4	4	—	—	4,996	5,000
$ 244,736	**$ 60,422**	**$ (152,168)**	**$ 144,395**	**$ 144,395**	**$ —**	**$ 52,649**	**$ 72,922**	**$ 217,317**
$ 430,736	**$ 60,422**	**$ (152,168)**	**$ 184,910**	**$ 184,910**	**$ —**	**$ 93,164**	**$ 72,922**	**$ 257,832**
$ 350,000	$ 800	$ (148,899)	$ —	$ —	$ —	$ (148,099)	$ 291,791	$ 291,791
4,500,000	29,298	(126,567)	275,466	275,466	—	178,197	4,455,144	4,730,610
375,000	—	(44,138)	44,138	44,138	—	—	—	44,138
$ 5,225,000	**$ 30,098**	**$ (319,604)**	**$ 319,604**	**$ 319,604**	**$ —**	**$ 30,098**	**$ 4,746,935**	**$ 5,066,539**
$ 339,000	$ 42,364	$ (52,267)	$ 9,902	$ 9,902	$ —	$ (3)	$ 183,412	$ 193,314
514,181	—	(175,940)	383,634	383,634	—	207,694	—	383,634
$ 853,181	**$ 42,364**	**$ (228,207)**	**$ 393,536**	**$ 393,536**	**$ —**	**$ 207,691**	**$ 183,412**	**$ 576,948**
$ 3,000,000	$ —	$ —	$ 974	$ 974	$ —	$ 974	$ —	$ 974
$ 3,000,000	**$ —**	**$ —**	**$ 974**	**$ 974**	**$ —**	**$ 974**	**$ —**	**$ 974**

STATUTORY REPORTING SECTION

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
INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
National Leadership Grant for Libraries	Re-enVision to Intergrate Technology and Libraries (REVITAL)	N/A	45.312	LG-07-13-0288-13	10/01/13-06/30/15
	Total Institute of Museum and Library Services				
NATIONAL SCIENCE FOUNDATION					
Passed Through Chicago Pre-College Science					
Science, Engineering, and Technology for Students Educators, and Parents Program	SETSEP	N/A	47.076	Agreement	01/01/11-12/31/12
	Total National Science Foundation Passed Through Chicago Pre-College Science				
	GRAND TOTAL				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2014	Cash (Received) Refunded July 1, 2014 June 30, 2015	Revenue Recognized July 1, 2014 June 30, 2015	Federal Award Expenditures July 1, 2014 June 30, 2015	Adjustments to Grant Revenue July 1, 2014 June 30, 2015	Accrued (Deferred) Grant Revenue June 30, 2015	Prior Years' Expenditures Through June 30, 2014	Final Status: Cumulative Expenditures Through June 30, 2015
$ 249,999	$ 132,970	$ —	$ 116,532	$ 116,532	$ —	$ 249,502	$ 132,970	$ 249,502
$ 249,999	**$ 132,970**	**$ —**	**$ 116,532**	**$ 116,532**	**$ —**	**$ 249,502**	**$ 132,970**	**$ 249,502**
$ 125,012	$ (30)	$ —	$ 30	$ 30	$ —	$ —	$ 13,226	$ 13,256
$ 125,012	**$ (30)**	**$ —**	**$ 30**	**$ 30**	**$ —**	**$ —**	**$ 13,226**	**$ 13,256**
$2,047,864,823	**$198,582,522**	**$(784,357,318)**	**$682,030,715**	**$682,030,715**	**$ —**	**$96,255,917**	**$1,230,942,578**	**$1,912,973,293**

BOARD OF EDUCATION OF THE CITY OF CHICAGO
OMB CIRCULAR A-133

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

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 OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of Education (the "USDEd") 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 USDEd, which, in turn, oversees the performance of such duties.

Fiscal Period Audited — Contractual funding periods are indicated in the Schedule of Expenditures of Federal Awards (the "Schedule").

2. NATURE OF FEDERAL FINANCIAL ASSISTANCE

Generally, federal awards are granted for the purpose of providing specific 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 SCHEUDLE 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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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. All federal programs considered active during the year ended June 30, 2015, are reflected in the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements 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 loan or loan guarantee outstanding at year end.

Revenues — Grant revenues for expenditure-driven federal programs and federal loans 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, 2015.

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 during the fiscal year ended June 30, 2015. In accordance with OMB Circular A-87, 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 reflected 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.

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	$682,030,715
E-Rate program revenues not included in the Schedule	23,177,791
Medicare Part D Revenue not included in the Schedule	480,832
Medicaid Fee for Service Revenue not included in the Schedule	30,703,041
Build America Bonds (BABS) revenue not included in the Schedule	24,901,229
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	5,093,873
Adjustments to record revenue that do not provide current financial resources	32,542,613
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$798,930,094

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, 2015, were filed prior to recording certain year-end adjustments and, therefore, do not agree with the related amounts accrued and reported in the Schedule. The 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.

6. SUBRECIPIENTS

Included in the total federal expenditure of $682,030,715 presented on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2015 is $40,713,649 of federal awards provided to subrecipients. The following is a summary of the subrecipient amounts passed through CPS for the fiscal year ended June 30, 2015.

Program Name	Name of Grant	CFDA	Amount
Title I — Public Instruction and Support Services	Title I — Low Income	84.010	$33,854,825
Title III — Language Acquisition	Title III — Language Acquisition	84.365A	249,398
Title IIA — Teacher Quality	Title IIA — Teacher Quality	84.367A	6,401,841
Healthy Chicago Public Schools — HIV/STD Prevention Initiative	Healthy Chicago Public Schools	93.079	2,885
Chicago Teen Pregnancy Prevention Initiative	Chicago Teen Pregnancy Prevention Initiative	93.297	2,000
School Improvement Grant	School Improvement Transformation	84.388A	202,700
	Total Awards to Subrecipients		$40,713,649

7. FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the fiscal year ended June 30, 2015, Single Audit are disclosed in the accompanying Schedule of Findings and Questioned Costs and Auditee Corrective Action Plan. The presentation conforms to the formatting requirements of the ISBE. The questioned cost reflected in such schedule reflect the potential reimbursement effect of costs which were deemed as inappropriately allocated to a federal program or which could have been allocated to a federal program, but were not.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified?	___ Yes	X No
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)?	___ Yes	X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ Yes	X No

Identification of major programs:

CFDA Number	Name of Federal Program	Amount Expended
84.010	Title I — Grants to Local Education Agencies	$232,495,169
84.287	Twenty-First Century Community Learning Centers	5,302,970
10.555;10.553	Child Nutrition Cluster	192,571,207
10.558	Child and Adult Care Food Program	7,189,326
93.297	Chicago Teen Pregnancy	4,031,859
84.360	Pathways	2,727,659
		$444,318,190

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

II. FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Fixed Assets

Criteria:
Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* require that:

- Capital assets be reported at historical cost and that capital assets include land, improvements to land, buildings, building improvements, vehicles, equipment, and all other tangible or intangible assets that are used in operations and have a useful life extending beyond a single reporting period;
- Governments may use any established depreciation method
  - Capital assets are to be depreciated over their estimated useful lives;
  - Governments should consider how long an asset is expected to meet service demands.
- Depreciation expense be reported in the statement of activities.
- Governments provide detail in the notes to the financial statements about capital assets, including beginning- and end-of-year balances with accumulated depreciation presented separately from historic cost, capital acquisitions, sales or other dispositions, and current-period depreciation expense.
- In determining estimated useful life, a government should consider an asset's present conditions and how long it is expected to meet service demands.

In addition, Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments. Once any of the five obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether said outlays should be accrued as a liability. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention-related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible part for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

Management of the District should have policies, procedures and controls in place to provide reasonable assurance that the District meets the various financial reporting requirements in preparing its annual Comprehensive Annual Financial Report.

Condition:
Based on our testing, we noted the following issues in relation to the District's capital asset record maintenance:

- The District does not have controls in place to provide reasonable assurance units maintain accurate fixed asset inventory listings or update the listings quarterly in accordance with board policy.
- The District does not have effective controls over the financial reporting of fixed assets. The District's Oracle Fixed Asset Module is not fully interfaced with the General Ledger Module and is not being reconciled on a timely basis.
- The District's controls did not identify that pollution remediation costs were improperly capitalized as fixed asset additions for fiscal years 2011, 2012, 2013, and 2014.

Context:

Asset Management Noncompliance
Effective internal controls over fixed assets includes maintaining a fixed asset listing, updating the fixed asset listing at least quarterly and performing a physical inventory over assets at least annually.

The District's board policy requires schools to maintain a fixed asset inventory listing, update the listing quarterly, and perform a physical inventory annually. The asset listing should include all tangible assets with a value of $500 or more and a useful life over a year. Each asset should be tagged, and the tag number should be referenced in the asset register. The listing should include any assets purchased, capital leases or assets donated to the school. Examples of assets commonly held by schools include computers, printers, other electronics, office furniture, gym equipment and engineer's equipment.

At the end of the school year the physical inventory allows for schools to test for the accuracy of the fixed asset listing. Previously, each school independently monitored its fixed asset records and submitted their final registers to Internal Accounts. Historically, these records have been inaccurate and unreliable. An electronic asset register is more efficient and significantly more accurate in preserving information.

While conducting our audit, we tested 159 assets and noted exceptions with 37 (23%) of these. Below is a summary for all exceptions noted:

Type of Exception:	# of Instances
Asset not found	36
Register not updated properly	1
Total	37

Based on discussions with school administrators, there are several recurring causes for the ineffectiveness of this control, including employee turnover, lack of record keeping for the movement of assets between classrooms or employees and insufficient training on how to use the asset module.

Fixed Asset Registers Noncompliance — Acquisitions Through State and Federal Grants
Effective controls over fixed assets are critical for compliance with State and Federal Grant Requirements. Federal Grant requirements include specific identification requirements over fixed assets purchased with federal funds, including that all assets be added to asset registers, purchase price, serial numbers, tag numbers and funding sources be included. The District also is required to have controls in place such as the performance of an annual physical inventory, and that all deletions are properly documented and approved.

Equipment purchases do not represent a material portion of the total expenditures of the affected grant programs.

The following conditions were noted during testing for fiscal year 2015:

- 20 out of 61 equipment additions tested were recorded in the District asset registers, but were missing required information as to the unique identification number assigned to the property.
- 30 out of 130 equipment items tested do not meet the requirements of federal ERPM guidelines such as missing asset tags and serial numbers.
- 17 out of 130 equipment items tested, an annual equipment inventory has not been performed for.
- 7 out of 130 equipment items tested, a physical inventory was not taken within the last two years.
- 1 out of the 60 equipment deletions tested, the District did not maintain documentation that an official investigation by the proper authority was conducted.

Maintenance of Fixed Assets Records

Through our testing of fixed assets, we noted that the District manually enters current year additions and retirements while also determining which assets require capitalization. Manual processes are inefficient, prone to error and increase the risk of material misstatement. Subsequent to year-end, the District capitalized approximately $338 million of additions through manual adjustments.

We also observed that the fixed asset ledger is not reconciled to the general ledger in a timely manner. We believe that timely reconciliation is a critical control to help ensure fixed asset additions and retirements are properly recorded. Without a timely reconciliation control, the District's accounting personnel is required to manually adjust the fixed assets register. Entering manual adjustments is an extremely inefficient process and resulted in significant audit timeline delays.

Improper Capitalization of Pollution Remediation Costs

The District accounting department should be identifying the assets to be placed into service through a completed project list received from the Capital Department. This list should identify the amount of pollution remediation costs, if any, in addition to other significant attributes of the project. The pollution remediation cost identified should not be included in the asset amount when capitalized and should be expensed.

Beginning in fiscal year 2011, the District has not recorded capitalized projects at cost less pollution remediation expenses. The District was recording an estimated environmental liability for Construction in Process at year-end, however this entry was reversed in the subsequent year. Upon review of the pollution remediation expenditure detail, management determined the District has improperly capitalized remediation costs which resulted in an adjustment of approximately $33.9 million to reduce the balance of capital assets.

Cause and Effect:

These errors are due to 1) the ineffectiveness of the maintenance of asset registers and records, and 2) the lack of a regular reconciliation of accounting records, and 3) the lack of controls over evaluating projects for pollution remediation costs.

Individual schools are required to maintain their equipment registers and annually perform a physical inventory of their property and reconcile the results with their equipment register. A number of schools failed to perform the physical inventory and update their registers. Central Office staff did not adequately follow up on incomplete physical inventories to understand if proper updates and corrections were made to equipment registers, including the identification of lost, stolen or disposed of equipment.

CPS requires individual schools to track equipment in registers that are designed to comply with State and Federal requirements. Many equipment items lacked all data required to by Federal and State requirements.

The District's fixed asset subsidiary ledgers were not reconciled throughout the fiscal year. Failure to close out fixed assets in a timely manner results in significant year end reporting and audit timeline delays.

Each year, accounting transfer projects out of CIP into the fixed asset register. Accounting does not perform a review over the CIP transfers to determine if pollution remediation costs have been removed. This lack of review resulted in the District improperly capitalizing remediation expenditures and an adjustment approximating $33.9 million was required.

Recommendations:
We recommend that the District acquire and implement a capital assets module that is fully integrated with the general ledger system.

We recommend that the District begin using radio-frequency identification devices for the purpose of automatically identifying and tracking tags attached to fixed assets. Use of this technology could improve the effectiveness of this control.

Additional training at the school level and increased oversight by the School Support Center would improve the effectiveness of these controls. We recommend that the District work with the schools to enforce the requirements in these areas.

To prevent the need for major adjustments to the capital accounts at the end of each year, we suggest the District review any projects transferred from CIP for pollution remediation costs.

Management Response and Corrective Action Plan:
As of June 30, 2014, CPS reported, net of depreciation, $5.4B in depreciable assets. Of that CPS identified $34 million (<1%) in FY2015 as being improperly capitalized pollution remediation costs related to the prior four years. In FY2015 CPS implemented a new internal control to review asset valuations annually as part of financial statement preparation. Prior to completion of the FY2015 financial statements, as a direct result of the new control CPS identified $34M in environmental remediation costs had been improperly capitalized. The error in prior year's audited financial statements was corrected by CPS in FY2015 and subsequently communicated to RSM. CPS will retain the new control and review asset valuations annually.

As reported in the audit finding, equipment purchases do not represent a material portion of the total expenditures of the affected grant programs. Such equipment purchases are expensed when acquired. CPS has compensating controls in the acquisition process that prevent a material misstatement. Examples of such controls include system-requirements for an approved purchase order before an invoice can be entered and three-way match before payment.

CPS conducted two physical inventories in FY2015; February and June. The inventory process is manual and inefficient. CPS has been evaluating a number of systems that will not only aid in tracking assets but also reduce purchasing of new assets when comparable resources are elsewhere in CPS and can be redeployed. As CPS continues the evaluation process we believe the tools available will significantly reduce costs related to acquisition of assets and educational materials. CPS anticipates implementation to begin in FY2017. Implementation will include tagging and RFID or other similar technology.

Finding 2015-002: Accrued Sick Leave Calculation

Criteria:
Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences,* requires that sick leave be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. The District utilizes the *termination payments method* to calculate the liability. Under this approach, the District estimates the amount of sick leave that will be paid out upon termination based on its experience in making such payment.

Condition:
The calculation for the sick leave accrual is based on average years of service of the population. While reviewing the accrual, we identified that the District improperly excluded approximately 200,000 years of service, which equates to an understatement of the liability of approximately $152 million. Management's validation of the population was not effective, and thus did not detect the error.

Context:
The initial sick leave accrual provided by the District was approximately $190 million based on an incomplete population. Upon receipt of an updated population, the District determined the accrual should be approximately $342 million, resulting in an audit adjustment of $152 million.

Cause and Effect:
The District does not have adequate internal controls and procedures in place to calculate the year-end sick leave accrual. Per review of the District's year-end close procedures, we noted that the District did not perform any tests to validate the completeness of the population, nor did the District analytically review the accrual by comparing to prior years. The lack of such controls resulted in a material audit adjustment of approximately $152 million.

Recommendation:
We recommend that the District implement the following procedures related to the calculation of the sick leave accrual:

- To assess the reasonableness of the liability, the District should review the year over year change in the balance and investigate significant fluctuations.
- To determine completeness of the population used in the calculation, the District should randomly select employees listed in the prior year population and determine if the employee has been properly included or excluded from the current year population.

Management Response and Corrective Action Plan:
The sick pay accrual is an estimate of possible future liabilities that is calculated by CPS once per year. The estimate does not affect actual payments to employees.

CPS continually reviews its procedures to find ways to be more effective. In reviewing prior year procedures it was determined an alternative procedure would be used to calculate the liability for employees who had met the criteria for payout. However, CPS did not include an estimate for employees that may, at some future date, meet the criteria for payout.

Because of the change in procedure it was determined a comparison to prior years would not have yielded an accurate comparison, although testing of individual employee data in the current period was completed. Subsequent to the finding by CPS' auditors, CPS reverted the sick pay accrual calculation to be consistent with prior years and determined that an average of $760 per eligible employee year of service was excluded. In testing the calculation CPS then determined 833 employees who should have been excluded in prior year's sick pay accrual had been incorrectly included.

Effective with the FY2016 calculation CPS will select employees included in the accrual to test that they should be included. CPS will select employees that should be excluded to test that they have been excluded.

Future changes in CPS accounting procedures affecting the financial statements will include a review of relevant GASB requirements to ensure compliance. Additionally, CPS will perform a recalculation of at least one prior year using the new procedure so a comparison analysis can be completed.

Finding 2015-003: Grants Management

Criteria:
Governmental entities that receive significant amounts of federal and state funding have very specific internal control and compliance requirements, which can be onerous, and must be monitored with a full understanding of these complexities. Sound internal controls over grants management should include the following:

- Policies, procedures and controls in place to ensure it accurately identifies if revenue is both measurable and available as defined by Government Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.
- Effective grant monitoring at interim periods, including expenditures and revenues in comparison to budget and status of cash receipts and outstanding receivables.
- Cash received should be recorded timely and applied to the appropriate account receivable subledger within a day of the initial receipt to allow management to track the accounts receivable balance outstanding by specific grant, report accurate information for both internal and external purposes, and follow up on any receivables outstanding for an unusually long period.
- System that allows for the timely determination of federal funds received and expended for each individual CFDA number for its fiscal year.

Condition:
During our audit, we noted the following:

- We determined the District overstated the Block Grant's year-end receivable balance by $44 million and recorded an audit adjustment for this amount. GASB stipulates that governments participating in reimbursement-type grants cannot qualify for resources without first incurring an allowable cost. This type of stipulation is considered an eligibility requirement which impacts the timing of recognition. The Educational Services Block Grant (Block Grant) is a reimbursement grant authorized through Article 1D {105 ILCS 5/1D} of the Illinois School Code and has nine separate components included in the annual appropriation. Under the Illinois School Code, payments pertaining to five of the State's appropriation lines are reimbursements for prior fiscal year expenditures. However, the remaining four appropriation lines are to reimburse current fiscal year expenditures.

  The State of Illinois general assembly passed the 2016 appropriation as part of Public Act 099-005 effective July 1, 2015. Upon notification that the amounts were appropriated, the District should have recorded a receivable for the five components which reimburse prior year expenditures, as eligible costs were incurred and all eligibility requirements under the grant was met. Eligible costs were not yet incurred for the remaining four components, as these components are intended to reimburse fiscal year 2016 expenditures. However, the District incorrectly recorded a receivable for all nine appropriation lines.

Under the District's revenue recognition policies, the District should record revenue in the government wide financial statements if it is earned and measurable, and in the fund financial statements if the payment is also received within the availability period of 60 days. If payment is not received, the amount would still be recorded as a receivable in the fund financial statements, but also reported as a deferred inflow of resources. We noted that the District did not receive funds under this grant within 60 days of year end. As a result, revenues in the government wide statements were overstated by the $44 million amount, and deferred inflows of resources were overstated in the fund financial statements by the same amount.

- Subsequent to the District's submission of its final trial balance to the external audit firm, the District recorded an entry to correct its recognition of revenue in accordance with GASB Statement No. 33. The adjusting entry affected over 43 individual grants in an aggregate amount of approximately $50,000,000 to correct revenue recognized on the fund financial statements.
- A significant amount of adjustments relating to re-allocations of payroll costs are made outside of the standard accounting system. This practice causes confusion and eliminates management's ability to monitor payroll by department against budgetary amounts. It also prevents the District from properly monitoring costs funded by federal or state grants to ensure that budgets are adhered to and that the District does not over-expend such grants. The need for these adjustments results from improper identification of required cost centers at the beginning of the grant period. Had the proper positions been identified at the beginning of the grant period, the need to make subsequent adjustments would be greatly reduced.
- The District's initial process to record a cash receipt of grant funding is to credit the unapplied collections account. The unapplied collections account grows as receipts are not recorded in the accounts receivable subsidiary ledgers in a timely manner. The District's process for closing this account is to allocate unapplied collections to the related accounts receivable grant codes. The additional manual adjustments at year end impacted the financial close process and timeline.
- The District was unable to finalize its Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2015 until November 30, 2015.

Context:

The District recorded a receivable for the full amount of the Block Grant appropriated by the State of Illinois in July, 2015. Funding for the Block Grant includes nine components. Per our review of the District's year-end balances, we determined the District incorrectly recorded a receivable for all nine components of the Block Grant. Since payment on four of the nine components do not reimburse prior fiscal expenditures, the District should not have recorded a receivable related to these components. The improper recording resulted in an overstatement of approximately $44 million in the Fund Financial Statements.

A significant amount of adjustments relating to re-allocations of payroll costs are made outside of the standard accounting system. This practice causes confusion and eliminates management's ability to monitor payroll by department against budgetary amounts. It also prevents the District from properly monitoring costs funded by federal or state grants to ensure that budgets are adhered to and that the District does not over-expend such grants. The need for these adjustments results from improper identification of required cost centers at the beginning of the grant period. Had the proper positions been identified at the beginning of the grant period, the need to make subsequent adjustments would be greatly reduced.

The District's initial process to record a cash receipt of grant funding is to credit the unapplied collections account. The unapplied collections account grows as receipts are not recorded in the accounts receivable subsidiary ledgers in a timely manner. The District's process for closing this account is to allocate unapplied collections to the related accounts receivable grant codes. The additional manual adjustments at year end impacted the financial close process and timeline.

The District was unable to finalize its Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2015 until November 30, 2015.

Cause and Effect:
After year end, the District reviews grant receivables for collectability and cash collections received within the 60 day collection period. Since only a portion of the Block Grant is received one year in arrears, a $44 million audit adjustment was required to fairly state year-end account balances. The audit adjustment had the following impact on the financial statements:

- FFS: Decrease to Block Grant receivables
- FFS: Decrease to Block Grant deferred inflows
- GWFS: Decrease to Block Grant revenues
- GWFS: Decrease to Block Grant receivables

Ineffective grant monitoring at interim periods, including expenditures and revenues in comparison to budget, resulted in making an adjusting entry after the fiscal year 2015 trial balance was provided to the external audit firm, that should have been made in the beginning of the fiscal year.

The need for the payroll adjustments results from improper identification of required cost centers at the beginning of the grant period, which results in a need to make subsequent manual adjustments and delays financial close process and timeline.

The unapplied collections account grows as receipts are not recorded in the accounts receivable subsidiary ledgers in a timely manner, which results in a manual adjustment process that takes place at year end and delays financial close process and timeline.

Due to the lack of interim grant accounting monitoring procedures, the year-end close process related to federal grants is delayed and therefore the District was unable to finalize its Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2015 until November 30, 2015.

Recommendation:
We recommend the District review the effectiveness of its year-end account reconciliation process.

We recommend the District improve its position control policies and procedures to minimize the need for these adjustments near the end of the year. Implementation of this suggestion would save a substantial amount of effort on the part of management, and would provide the District with a more accurate picture of its payroll costs by department from year to year which will, in turn, improves the payroll budgeting process.

We recommend the District improve the processes and controls over posting cash receipts. Grant receipts should be posted to the proper subsidiary ledger within 48 hours to prevent discrepancies. We also recommend the District review the accounts receivable subledger system to determine if modifications to the system would allow the posted date to be modified for unapplied receipts.

We recommend the District improve its interim grant accounting monitoring procedures so that it can complete the year-end close process and finalize its Schedule of Expenditures of Federal Awards in a timely fashion.

Management Response and Corrective Action Plan:
As of June 30, 2015, CPS had $1.8 billion and $1.9 billion in accounts receivable on the Fund and Government Wide financial statements, respectively. The $44 million audit adjustment is 2.4% of the Fund receivable and 2.3% of the Government Wide receivable. Subsequent to the finding CPS updated the reconciliation process to correct the error and prevent future errors.

CPS agrees that the process for posting cash receipts is inefficient. If a receipt of payment is applied to the wrong bill and subsequently corrected in the reconciliation process it creates a timing issue within the general ledger. CPS is reviewing the process to prevent misapplication. CPS will review the reconciliation process as well.

CPS makes payroll and other adjustment to maximize the use of grant dollars. CPS agrees some payroll adjustments should be made in advance to prevent after-the-fact administrative burden whenever possible. However, many adjustments are made after-the-fact due to unexpected underspends on grants allowing for additional expenses to be reclassified. These adjustments allow CPS to direct funding to the classroom where it can best be utilized. CPS will review its processes to identify ways to reduce year-end adjustments to grant expenses.

Finding 2015-004: Accounts Payable

Criteria:
The District's fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Under this method, expenditures are generally recorded when a liability is incurred. At the end of the fiscal year, the District should record an accounts payable liability for any goods received or services performed before the end of the year which were subsequently paid after the year-end.

Condition:
During our testing for unrecorded liabilities, we noted numerous exceptions in which invoices relating to goods received or services performed prior to year-end were not recorded as payables in the proper period (68 exceptions out of a sample of 272 transactions). The District changed its accounts payable process during the year, and began to record invoices in the system based upon the *receipt date* of the invoice. The District then calculated accounts payable at year-end based upon this receipt date, not based on the date the actual goods were received or services performed. While this is an acceptable approach for cash flow purposes, this is not in accordance with generally accepted accounting principles (GAAP). The District's internal controls did not identify that a significant amount of transactions were being inappropriately omitted thus not recorded in accordance with GAAP.

Context:
Because of the high error rate (25% of transactions) resulting from our testing, the District engaged a third party to review the accounts payable liability at year-end. As such, an audit adjustment of approximately $18 million was booked to increase the liability at year-end.

Cause and Effect:
The accounts payable understatement of $18 million is a result of a change in the process.

To manage cash flow, the District changed the process for entering accounts payable into the system and based it upon the receipt date of the invoice. However, this process should not have been used to calculate the liability at year-end. Generally accepted accounting principles dictate that a liability is based on the date the goods were received or services performed, regardless of invoice receipt date.

Further, in July 2015, the District terminated approximately 1,400 employees. The layoffs had a significant impact within the accounts payable department, and there were less employees dedicated to processing payables.

Recommendation:
To adhere to both generally accepted accounting principles and also manage cash flow, we recommend the District modify its general ledger system. The system should allow for invoices to be

entered with both a receipt date and an invoice date. The receipt date should be utilized for cash flow purposes and vendor payment, and the invoice date should be utilized for determining the proper payable balance at year-end.

Management Response and Corrective Action Plan:
In FY2015 CPS reviewed all invoices $10,000 or greater received between July 1 and August 31 to determine whether they should be included in the accounts payable accrual. CPS also performed a departmental review to determine if costs were reasonably stated when compared with budget. Finally, CPS reviewed the number of invoices received in FY2015 that were in the accrual at the end of FY2014. Based on these procedures, before the adjustment, CPS accrued $85 million in FY2015 compared to $52 million in FY2014. The $18 million audit adjustment represents 1.5% of liabilities in the General Operating Fund, and 1.2% of Total Current Liabilities on the Statement of Net Position, as of June 30, 2015.

In FY2015 CPS evaluated whether the general ledger system could be modified to include both invoice receipt date and invoice date. It was determined that making such a change would require significant customization of the general ledger system and was deemed to be too costly.

CPS Accounts Payable department has been effected by the layoffs implemented as a result of CPS constrained resources. In prior years CPS staffed the department year-round based on the highest periods of transactions. Currently, the department is staffed for lowest periods of transactions and supplemented by temporary staffing firms during higher periods.

Beginning in FY2016, CPS has lowered the threshold for review of invoices received after June 30 from $10,000 to $2,500. CPS will continue to perform a year-over-year departmental variance analysis. CPS will review the processing of Accounts Payable in FY2016 for ways to increase efficiency.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
There were no findings or questioned costs for federal awards.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

I. Finding SA14-03: Subrecipient Monitoring

Corrective Action Plan — See prior year report.

Current Status — Corrective action was taken.

II. Finding SA14-04: Title I, Part A Targeted Assistance Programs

Corrective Action Plan — See prior year report.

Current Status — Corrective action was taken.

APPENDIX C

THE REAL PROPERTY TAX SYSTEM

Real Property Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "**County**") and that are 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 was last reassessed in 2015.

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 County's Real Property Assessment Classification Ordinance (the **"Classification Ordinance"**), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the **"Board of Review"**). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the **"PTAB"**), a state-wide administrative body, or to the Circuit Court of Cook County (the **"Circuit Court"**). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The Board believes that the impact of any such case on the Board would be minimal, as the Board's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year, including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the **"Equalization Factor"**), commonly called the *"multiplier,"* for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, in each county 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, 2015, see the section of the Official Statement entitled "FINANCIAL INFORMATION –Property Tax Revenues – *Property Tax Base, Tax Extensions and Collections***.**"

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of $7,000 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 $5,000. 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 $70,000 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 $55,000 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"**).

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.

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, 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.

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 2006 to 2015; the first installment penalty date has been March 2 or March 3 for all years.

Second Installment

Tax Year	**Penalty Date**
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
2007	November 3, 2008
2006	December 3, 2007

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 general obligation debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2015, collectible in 2016, the allowance for uncollectible taxes was about four percent of the estimated gross tax levy. For financial reporting purposes, the Board maintains a record of accounts receivable, reserves for uncollectibles and deferred revenue balances on the general ledger for property tax for no more than a total of three tax levy years (current tax year, plus two). An annual review is then completed at each fiscal year-end to determine the amounts of the earliest tax year to be written-off or adjusted on the general ledger.

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 the Capital Improvement Tax levy to pay the Board's Dedicated Capital Improvement Tax Bonds, including the 2016 Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City of 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 4.6 million employees. [1, 2] Chicago's large and diverse economy contributed to a gross regional product of more than $610 billion in 2014.[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 640 thousand tons of freight, mail, and goods annually.[4]

Transportation

According to statistics compiled by Airports Council International in 2016, O'Hare ranked fourth worldwide and second in the United States in terms of total passengers while Midway ranked 25th in the United States. [5] According to the Chicago Department of Aviation, O'Hare and Midway had 76.9 and 22.2 million in total passenger volume in 2015, respectively. O'Hare supports substantial international service with international passengers constituting approximately 14% of total enplaned passengers in 2015.[6]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,888 buses operating over 130 routes and 1,301 route miles, making 18,843 trips per day and serving 10,813 bus stops; 1,492 rail cars operating over 8 routes and 224 miles of track, making 2,276

---

1 U.S. Census, "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2015," http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk.

2 U.S. Bureau of Labor Statistics, "Employees on Nonfarm Payrolls by State and Metropolitan Area," http://www.bls.gov/news.release/metro.t03.htm.

3 U.S. Bureau of Economic Analysis, "Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," http://www.bea.gov/newsreleases/regional/gdp_metro/2015/pdf/gdp_metro0915.pdf.

4 Chicago Department of Aviation, "Monthly Operations, Passengers, Cargo Summary by Class, May 2016," www.flychicago.com.

5 Airports Council International "2013 North American (ACI-NA) Top 50 Airports," http://www.aci-na.org/content/airport-traffic-reports.

6 Chicago Department of Aviation Airport Budget Statistics, "Air Traffic Data," http://www.flychicago.com.

trips each day and serving 145 stations; and 1.64 million rides on an average weekday and over 515 million rides a year (bus and train combined).[7]

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 119,000 students.[8]

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.[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 1.0% 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 estimate for 2015 is set forth below.

Population[12]
1980—2015

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
2015 Estimate	321,418,820	12,859,995	5,238,216	2,720,546

34.9% of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 29.3%.[13]

---

7 Chicago Transit Authority, "CTA Facts at a Glance, Spring 2016," http://www.transitchicago.com/about/facts.aspx (accessed July 19, 2016).

8 City Colleges of Chicago, "Fiscal Year 2015 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx.

9 U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, June 29, 2016," http://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf.

10 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed July 19 2016).

11 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed July 19 2016).

12 U.S. Census Bureau, "State and County QuickFacts—USA," http://quickfacts.census.gov/qfd/states; "State and County QuickFacts—Cook County, Illinois," http://quickfacts.census.gov/qfd/states; "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed July 19 2016).

13 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed July 19 2016).

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 MSA is set forth below for the years 2005 through 2015.

Per Capita Income[14]
2006—2015

Year	United States	State of Illinois	Cook County	Chicago MSA
2006	$ 37,144	$ 40,219	$ 44,227	$ 43,635
2007	39,821	42,360	47,017	45,913
2008	41,082	43,620	47,916	46,910
2009	39,376	41,529	44,644	44,099
2010	40,277	42,154	45,361	44,691
2011	42,453	44,303	47,382	46,877
2012	44,266	46,067	49,734	49,110
2013	44,438	46,477	49,683	49,123
2014	46,049	47,643	51,280	50,690
2015	47,669	49,471	Unavailable	Unavailable

Chicago's 2014 median household income is $47,831, compared to $57,166 in Illinois and $53,482 in the U.S., and Chicago ranks 36th among other major metropolitan areas on the cost of living index.[15, 16]

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2005 through 2015 is set forth below.

14 U.S. Bureau of Economic Analysis, "Interactive Data," http://www.bea.gov/iTable/index.cfm (accessed July 26, 2016).

15 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," http://quickfacts.census.gov/qfd/states (accessed July 19 2016).

16 U.S. Census Bureau, "Table 728. Cost of Living Index--Selected Urban Areas: Annual Average 2010" http://www.census.gov/compendia/statab/cats/prices/consumer_price_indexes_cost_of_living_index.html (accessed June 12, 2015).

Employment (in thousands)[17,18]
2005 – 2016

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2005	1,199	2,393	4,461	5,862
2006	1,228	2,453	4,519	5,933
2007	1,249	2,491	4,557	5,980
2008	1,238	2,461	4,528	5,949
2009	1,172	2,327	4,291	5,657
2010	1,182	2,301	4,246	5,613
2011	1,120	2,316	4,305	5,677
2012	1,202	2,359	4,375	5,751
2013	1,216	2,365	4,443	5,805
2014	1,228	2,450	4,502	5,873
2015	1,255	2,495	4,623	5,958
2016*	1,300	2,541	4,699	6,004

* May 2016 data.

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for April 2015 is shown in the following table.

17 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed July 26, 2016).

18 US Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://beta.bls.gov/dataViewer/view/timeseries/LAUCT171400000000005 (accessed July 26, 2016)

Percentage of Total Non-Farm Employment by Major Industry Sector
May 2016*[19, 20]

Sector	Chicago MSA	Illinois	United States
Trade, Transportation and Utilities	20.1%	20.0%	18.8%
Government	12.1%	13.9%	15.5%
Education and Health Services	15.3%	15.2%	15.7%
Professional and Business Services	17.6%	15.5%	13.9%
Leisure and Hospitality	10.2%	10.0%	10.9%
Manufacturing	8.8%	9.5%	8.5%
Financial Activities	6.2%	6.3%	5.7%
Construction	3.7%	3.7%	4.6%
Other Services	4.2%	4.2%	3.9%
Information	1.7%	1.6%	1.9%
Mining and Logging	0.0%	0.2%	0.5%
Total	100.0%	100.0%	100.0%

*not seasonally adjusted

The City of Chicago's average annual unemployment rate decreased from 11.2% in 2010 to 5.9% in 2015, while statewide, Illinois' unemployment rate dropped from 10.4% in 2010 to 5.8% in 2015.[21] In May 2016, the Chicago MSA's preliminary unemployment rate before seasonal adjustment was 5.4%.[22]

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 2005 through year-to-date for 2016.

19 U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm (accessed December 30, 2015).

20 U.S. Bureau of Labor Statistics, "Current Employment Statistics (National)," http://www.bls.gov/web/empsit/ceseeb1a.htm (accessed December 30, 2015).

21 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," http://www.bls.gov/sae/data.htm (accessed July 19, 2016).

22 U.S. Bureau of Labor Statistics, "Local Area Employment Statistics," http://www.bls.gov/web/metro/laummtrk.htm (accessed July 19, 2016).

Annual Unemployment Rates[23]
2005—2016

Year	Chicago	Cook County	Chicago MSA	State of Illinois	United States
2005	7.1%	6.4%	5.9%	5.7%	5.1%
2006	5.4	4.9	4.6	4.5	4.6
2007	5.8	5.3	4.9	5.0	4.6
2008	7.0	6.4	6.1	6.3	5.8
2009	11.1	10.5	10.2	10.2	9.3
2010	11.2	10.9	10.6	10.4	9.6
2011	10.8	10.4	9.9	9.7	8.9
2012	10.0	9.6	9.1	9.0	8.1
2013	10.0	9.6	9.0	9.1	7.4
2014	7.7	7.4	7.0	7.1	6.2
2015	6.0	5.7	5.7	6.0	5.3
2016*	6.1	5.7	5.4	5.6	4.9

* May 2016 data.

Employers

The principal non-governmental employers in the Chicago MSA for 2014 are set forth below.

Principal Chicago MSA Non-Governmental Employers[24]
2014

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	18,556	1.47%
University of Chicago	16,025	1.27
J.P. Morgan Chase Bank, N.A.	15,015	1.19
Northwestern Memorial Healthcare	14,550	1.15
United Continental Holdings Inc.	14,000	1.11
Walgreens Co.	13,797	1.09
AT&T	13,000	1.03
Presence Health	11,279	0.89
University of Illinois at Chicago	10,100	0.80
Abbott Laboratories	10,000	0.79

23 U.S. Bureau of Labor Statistics, "Local Area Employment Statistics," http://www.bls.gov/lau/data.htm (accessed July 19, 2016).

24 Crain's Chicago Business, Crain Communications, Inc. The data represents the largest employers in the six-county area (Cook County, Will County, Kane County, Lake County, DuPage County, and McHenry County). See also the Board's Comprehensive Annual Financial Report set forth in APPENDIX B to this Official Statement.

Top Taxpayers

The top property taxpayers in Chicago in 2014 based on 2014 EAV are shown in the following table.

Top Ten Property Taxpayers 2014[25]
($ in thousands)

Rank	Property	2014 EAV	% of Total EAV
1	Willis Tower	$ 364,454	0.56%
2	AON Building	241,080	0.37
3	Blue Cross Blue Shield Tower	206,782	0.32
4	Water Tower Place	195,486	0.30
5	Chase Plaza	194,963	0.30
6	Franklin Center	187,460	0.29
7	One Prudential Plaza	184,102	0.28
8	300 N. LaSalle	183,764	0.28
9	Three First National Plaza	182,085	0.28
10	Citadel Center	181,211	0.28
	Total	$2,121,387	3.26%

As shown in the table, the top ten taxpayers account for less than 4% of the City's total tax base.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[25] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2015, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2015_Financial_Statements.html

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PENSIONS AND OTHER POST EMPLOYMENT OBLIGATIONS

Overview of Retirement Funds

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, 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.

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees and in certain instances the Board, approved City of Chicago charter schools, the City and the State make contributions to the Retirement Funds (the **"Statutory Contributions"**). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. The Retirement Funds invest these 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 Pension Funds and the Board's Statutory Contributions is contained in the Board's Audited Financial Statements, including those for the Board's Fiscal Year 2015 attached to this Official Statement as APPENDIX B**.**

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.

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, 2015 attached to this Official Statement as APPENDIX B, the information contained in this APPENDIX E pertaining to the Pension Fund relies on the Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2015 (the **"2015 Actuarial Valuation Report"**) prepared by The Segal Company, independent actuaries and consultants engaged by the Pension Fund Board defined below (the **"Pension Fund Actuaries")** and the comprehensive annual financial report of the Pension Fund for its fiscal year ending June 30, 2015 (the **"Pension Fund 2015 CAFR"**) prepared by the Pension Fund's administrative staff and its independent auditors Mitchell & Titus, Chicago, Illinois (the **"Pension Fund Auditors"**). The 2015 Actuarial Valuation Report and the Pension Fund 2015 CAFR are referred to in this Official Statement as the **"Pension Fund Source Information."** The Pension Fund 2015 CAFR and the 2015 Actuarial Valuation Report are the most recent audit and actuarial valuation pertaining to the Pension Fund available to the

Board. Copies of the Pension Fund 2015 CAFR and the 2015 Actuarial Valuation Report, as well as Pension Fund CAFRs and Actuarial Valuation Reports from previous fiscal years, may be viewed 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 and the Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained therein. 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 in the previous paragraph, the information contained in this APPENDIX E pertaining to the Annuity Fund relies on the comprehensive annual financial reports of the Annuity Fund for its fiscal years ending December 31, 2014 and December 31, 2015 (the **"Annuity Fund 2015 CAFR"**) prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois, and the actuarial valuation of the Annuity Fund as of December 31, 2015 (the **"2015 Annuity Fund Actuarial Valuation"** and together with the Annuity Fund 2015 CAFR, the **"Annuity Fund Source Information"**) prepared by the 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 in this APPENDIX E as the **"Actuaries"**). The Annuity Fund 2015 CAFR and the 2015 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 2015 CAFR and the 2015 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/publications/. 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 and the Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained therein. 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.

Subject to the exception noted above, the information contained in this APPENDIX E regarding the Health Insurance Program can be found in the Pension Fund 2015 CAFR in accordance with GASB Statement No. 43, as well as the Public School Teachers' Pension and Retirement Fund of Chicago 2015 Health Insurance Plan Actuarial Valuation (the **"2015 Health Insurance Plan Actuarial Valuation"** and, together with the Pension Fund 2015 CAFR, the **"Health Insurance Plan Source Information"**) prepared by the Actuaries. The Pension Fund 2015 CAFR and the 2015 Health Insurance Plan Actuarial Valuation are the most recent audit and actuarial valuation 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.

Background Information Regarding the Pension Fund

General. The Pension Fund is a multiple-employer, defined-benefit public employee retirement system established by the State of Illinois 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 of Chicago 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. The Pension Fund has a fiscal year ending June 30. 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 Illinois Pension Code.

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 Chicago charter schools must also participate in 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 Illinois Pension Code.

As of June 30, 2015, according to the most recently available information, the Pension Fund had 133 participating employers consisting of the primary employer, Chicago Public Schools, 131 charter schools and the Pension Fund itself. The Pension Fund included 63,284 members consisting of 28,114 retirees and beneficiaries currently receiving benefits, 5,464 terminated members entitled to benefits but not yet receiving them, 19,213 vested current members and 10,493 nonvested current members.

Article 17 of the Illinois 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 of Illinois 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 of this APPENDIX E, references to "*employee*" or "*member*" are references to the employees of the Board; the employees of the Pension Fund and approved City of Chicago charter school employees also participate in the Pension Fund.

Public Act 96-0889. On April 14, 2010, the Governor signed Public Act 96-0889 ("**P.A. 96-0889**") into law. 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 AAI adjustment 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 AAI 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.

Pension Fund Contributions

Required Contributions. The Illinois 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 Illinois 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 Illinois Pension Code provides for an actuarially based funding ramp intended to maintain 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.

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 CTU, the Board has paid a substantial portion of the employee contribution in an amount equal to 7% of covered payroll**.** This contribution arrangement will terminate upon the final adoption of the collective bargaining agreement recently negotiated between the Board and CTU. See "FINANCIAL INFORMATION – CTU Tentative Agreement" in this Official Statement.

Employer Required Annual Statutory Contributions. Prior to the enactment of P.A. 96-0889, the Illinois 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 Illinois 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 below – "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 2005-2015."

Beginning in Fiscal Year 2014, the Board's minimum contributions for Fiscal Years 2014 through 2059, as determined by the Pension Fund, are required to be sufficient to bring the Actuarial Funded Percentage to 90% by the end of Fiscal Year 2059, and the Board will be required to make annual contributions to maintain the 90% Funded Percentage in each Fiscal Year thereafter. See Table 4 below – "Projections of Contributions, Liabilities and Assets."

State and Board Required Payroll Contributions. The Illinois 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 contribution 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 2015 were $12,145,000 for the State and $12,948,000 for the Board. This required payroll contribution was added to Pension Code by Public Act 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 Illinois Pension Code regarding the goal and intention of the State to make annual contributions to the Pension Fund in an amount that is between 20% and 30% of the amount of the annual State contribution to the other teachers' retirement system in the State. For several previous Fiscal Years the State discretionary appropriation was either reduced or not contributed. In Fiscal Year 2015, the State made Pension Fund contributions of $12,145,000 plus an additional discretionary $50,000,000 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 Illinois 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 . . . .*"

Teacher Pension Funding Overview. Pension payments have been and will continue to be a significant budget pressure for the Board. The Board experienced a nearly tenfold increase in pension contributions during Fiscal Years 2006 through 2010 as the Pension Fund's Funded Ratio fell below 90% (the statutorily-required funding level, as described above under "– Employer Required Annual Statutory Contributions"), primarily due to unanticipated investment losses. P. A. 96-0889 allowed the Board to reduce pension contributions to approximately $200 million per year in Fiscal Years 2011, 2012 and 2013 that represented levels below the then current State law and below the annual required contributions determined by the plan actuaries. See information under the heading "-Public Act 96-0889" above. In Fiscal Year 2014, upon expiration of P. A. 96-0889, the Board experienced a nearly three hundred percent contribution increase when the State-mandated funding structure designed to bring the Pension Fund back to the funding percentage of 90% by the 2059 fiscal year was reinstated. The Fiscal Year 2015 Unfunded Actuarial Accrued Liability was estimated to be $9.6 billion against actuarial assets of $10.3 billion resulting in a funded ratio of 51.85%, as shown on page v of the 2015 Actuarial Valuation Report.

The Board continues to investigate ways to pursue comprehensive pension reform. Comprehensive pension reform could significantly impact the costs on the Board's budget over the coming years; however such action must occur at the State level, as the Board's Pension Fund is governed by State law. The actions being pursued primarily include exploring options to alleviate the substantial burden of the annual pension contributions.

In conjunction with efforts by the City of Chicago and other sister agencies, the Board expects it will need to work with State leaders to consider a legislative strategy to achieve additional structural reform of the pension system. Many governments in the State of Illinois face pension funding challenges. The number of pension bills advanced from the State Legislature over the last several years and the approval of several new pension-related laws suggests that this problem is on the State's legislative agenda. No assurance can be given that any proposal to modify the benefits provided by the Pension Fund will be enacted. P. A. 96-0889, which provided the Board with partial contribution relief for Fiscal Years 2011, 2012 and 2013, also included reforms for newly-hired employees since 2011 such as increasing the minimum retirement age; reducing the Automatic Annual Increase adjustments (i.e. automatic pension increases); changing the benefit calculations; capping total pensionable salary; and suspending retirement benefits if the annuitant takes another job with a pension. While these changes are meaningful, this legislation was primarily intended to reduce the Pension Fund's unfunded liabilities over time. It is not expected to materially reduce such liabilities in the near future, and therefore more structural reform is necessary to address fiscal pressure in the Pension Fund.

Furthermore, given the Pension Protection Clause of the Illinois Constitution, Article XIII, Section 5 (the "**Pension Protection Clause**"), no assurance can be given that legislation to modify benefits, if enacted, will be upheld upon a legal challenge. See "–State Pension Reform Litigation" and "Pensions for Other Board Personnel – Public Act 98-0641" below.

The Board cannot predict whether or when any such legislative reforms will become law, what the content of any such reforms may be, or what the ultimate financial effect of any such reforms would be on the financial health of the Board and the Pension Fund.

The financial health of the Pension Fund and the projected impact of the Pension Fund's underfunding on future contributions to be made by the Board have impacted the rating agencies' determination of the Board's creditworthiness.

Cautionary Language. The information included under the headings "–Background Information Regarding the Pension Fund" through "– Certain Duties" relies on Source Information produced by the Pension Fund Auditors and the Actuaries. Actuarial assessments are "*forward-looking*" information that reflects the judgment of the Pension Fund fiduciaries. A variety of factors impact the Pension Fund's Unfunded Actuarial Liability and Funded Ratio. Increases in member salaries and benefits, a lower rate of return on investment than that assumed by the Pension 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 or the State will make the contributions necessary to meet any escalating costs incurred by the Pension Fund.

The projections in Table 4 are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on the Pension Fund's 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 Pension Fund are made as required. See "BONDHOLDERS' RISKS – Forward-Looking Statements" in this Official Statement. 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.

Historical Contributions. The following table provides historical contribution information and the Actuarially Required Contribution (as defined herein) for Fiscal Years 2005-2015.

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 Required Contribution (ARC)[(3)]**
2005	$158.6	$65.0	$ 9.7	$ 74.7	$258.9
2006	158.6	74.9	35.2	110.1	328.4
2007	148.2	75.2	92.0	167.2	370.2
2008	161.2	75.2	149.9	225.1	290.1
2009	166.8	74.8	188.2	263.1	292.1
2010	161.2	37.6	324.6	362.2	355.8
2011	167.0	10.4	168.0	178.4	425.6
2012	167.7	10.4	195.8	206.2	510.1
2013	165.9	10.9	234.5	245.4	585.5
2014	163.8	11.9	601.6	613.0	719.8
2015	168.1	62.2	634.4	696.5	728.5

Sources: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2005-2014 and Chicago Public Schools Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2015 attached to this Official Statement as APPENDIX B.

(1) As discussed above under "– *State Appropriation Contributions*," the State historically appropriated $65 million in non-GSA funds to the Pension Fund except that for Fiscal Year 2004 the State failed to make such appropriation and instead provided that amount to the Board for capital purposes. The figures for Fiscal Years 2006 through 2009 reflect additional payroll contributions received from the State.

(2) "**BOE Contributions**" are comprised of a number of contributions that are described in Note 12 to the Chicago Public School Comprehensive Annual Financial Reports and are included in the **"Total Employer Contributions"** (**"Total Employer Contributions" - "State Appropriations" = "BOE Contributions"**). The numbers may differ from actuarially or statutorily required contribution amounts and have been the subject of various litigation proceedings. Please see the discussion in APPENDIX B to this Official Statement – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015" - Note 12."

(3) **"Actuarially Required Contributions"** do not include the required contributions associated with the Health Insurance Program as 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 Reports as "*Annual Required 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 2015, the Pension Fund had liabilities of $19,951,289,974 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) $10,344,375,122 if valued on an actuarial basis (using the "**Asset Smoothing Method**" (as described below), or (ii) $10,689,954,320 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $9.6 billion on an actuarial basis (using the Asset Smoothing Method), and $9.3 billion on a market value basis and Funded Ratios of

51.85% on an actuarial basis (using the Asset Smoothing Method) and 52.08% on a market value basis. The fiscal year 2015 Actuarial Liability of $19,951,289,974 represents an increase of $447.4 million compared to the Actuarial Liability as of June 30, 2014. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2015 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 2005-2015 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 2005-2015

(All dollar amounts are in thousands)

Actuarial Valuation Date	Actuarial Value 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)
06/30/2005	$10,506,471,213**	$13,295,876,206	$2,789,404,993	79.02%	$1,968,612,235	141.7%
06/30/2006	10,947,998,433**	14,035,627,452	3,087,629,019	78.00%	1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%
06/30/2014	10,045,542,575	19,503,893,632	9,458,351,057	51.51%	2,233,280,995	423.5%
06/30/2015	10,344,375,122	19,951,289,974	9,606,914,852	51.85%	2,273,551,432	422.6%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its fiscal years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2015, Valuation Information, Exhibit I for fiscal year 2015.

** Health Insurance Fund assets are included for fiscal years ending 6/30/2005 and 6/30/2006 and are excluded with the results for the fiscal year ending 6/30/2007 and thereafter.

Table 3

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Based on GASB No. 67 Actuarial Valuations Fiscal Years 2014-2015 (1)

Actuarial Valuation Date	Fiduciary Net Position (FNP) (a)**	Total Pension Liability (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	425.4%
06/30/2015	$10,689,954,320	$20,713,217,296	$10,023,262,976	51.61%	$2,273,551,432	440.9%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its fiscal years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2015, Section 1: Valuation Summary and Valuation Information, Exhibit I for fiscal year 2015.

(1) Excludes Health Insurance Fund Assets.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 4 presents projected required contributions, liabilities, assets, unfunded liability and funded ratios in the fiscal years 2016 through 2059 for the Pension Fund prepared by the Actuaries and which reflect the impact of P.A. 96-0889.

Table 4

Projection of Contributions, Liabilities and Assets[1]

(Board of Education 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 Contributions	Required Employer Contributions	Additional State Contribution	Additional Board Contribution	Required Board of Education Contributions[2]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio
2016	195.3	700.1	12.1	12.9	675.1	20,434.8	10,872.3	9,562.5	53.2%
2017	201.5	745.4	12.2	13.0	720.2	20,935.3	11,329.7	9,605.6	54.1%
2018	208.1	769.6	12.6	13.4	743.6	21,456.1	11,571.2	9,884.9	53.9%
2019	214.8	794.2	13.0	13.8	767.3	21,997.3	11,918.4	10,078.9	54.2%
2020	221.5	819.0	13.4	14.3	791.4	22,559.9	12,284.6	10,275.3	54.5%
2021	228.3	844.3	13.8	14.7	815.7	23,144.4	12,675.6	10,468.9	54.8%
2022	235.2	869.5	14.2	15.2	840.1	23,752.7	13,096.5	10,656.2	55.1%
2023	242.0	894.6	14.6	15.6	864.4	24,386.6	13,548.2	10,838.4	55.6%
2024	248.8	919.8	15.0	16.0	888.7	25,047.4	14,032.7	11,014.7	56.0%
2025	255.5	944.5	15.4	16.5	912.6	25,734.7	14,550.0	11,184.7	56.5%
2026	261.8	968.0	15.8	16.9	935.3	26,447.7	15,098.8	11,349.0	57.1%
2027	267.8	990.2	16.2	17.3	956.7	27,185.8	15,678.0	11,507.8	57.7%
2028	273.6	1,011.5	16.5	17.6	977.3	27,948.8	16,287.5	11,661.3	58.3%
2029	279.2	1,032.3	16.9	18.0	997.4	28,734.6	16,926.2	11,808.4	58.9%
2030	284.6	1,052.3	17.2	18.3	1,016.8	29,541.2	17,592.9	11,948.4	59.6%
2031	289.9	1,071.8	17.5	18.7	1,035.6	30,366.9	18,286.6	12,080.2	60.2%
2032	295.0	1,090.9	17.8	19.0	1,054.0	31,209.9	19,007.0	12,202.9	60.9%
2033	300.1	1,109.7	18.1	19.3	1,072.2	32,067.0	19,752.4	12,314.6	61.6%
2034	305.0	1,127.8	18.4	19.7	1,089.7	32,935.9	20,521.8	12,414.1	62.3%
2035	309.7	1,145.2	18.7	20.0	1,106.5	33,811.3	21,311.7	12,499.7	63.0%
2036	314.2	1,161.5	19.0	20.2	1,122.3	34,687.6	22,117.7	12,569.9	63.8%
2037	318.3	1,176.9	19.2	20.5	1,137.1	35,559.1	22,936.4	12,622.8	64.5%
2038	322.2	1,191.2	19.5	20.8	1,150.9	36,418.7	23,762.4	12,656.3	65.2%
2039	325.8	1,204.5	19.7	21.0	1,163.8	37,258.1	24,589.5	12,668.6	66.0%
2040	329.1	1,216.6	19.9	21.2	1,175.5	38,069.2	25,411.3	12,657.9	66.8%
2041	332.1	1,227.8	20.1	21.4	1,186.3	38,844.6	26,222.3	12,622.2	67.5%
2042	334.9	1,238.1	20.2	21.6	1,196.3	39,572.3	27,014.1	12,558.3	68.3%
2043	337.3	1,246.9	20.4	21.7	1,204.8	40,245.7	27,781.0	12,464.8	69.0%
2044	339.5	1,255.2	20.5	21.9	1,212.8	40,862.0	28,521.5	12,340.4	69.8%
2045	341.9	1,264.1	20.7	22.0	1,221.4	41,414.4	29,232.5	12,181.9	70.6%
2046	344.4	1,273.2	20.8	22.2	1,230.2	41,907.5	29,918.6	11,988.8	71.4%
2047	347.5	1,284.7	21.0	22.4	1,241.3	42,342.8	30,585.1	11,757.7	72.2%
2048	351.1	1,298.0	31.2	22.6	1,254.2	42,728.9	31,242.4	11,486.5	73.1%
2049	355.4	1,314.2	21.5	22.9	1,269.8	43,073.1	31,901.5	11,171.6	74.1%
2050	360.5	1,333.0	21.8	23.2	1,288.0	43,381.5	32,572.6	10,809.0	75.1%
2051	366.3	1,354.4	22.1	23.6	1,308.7	43,660.0	33,266.2	10,393.8	76.2%
2052	372.7	1,378.0	22.5	24.0	1,331.5	43,909.9	33,990.3	9,919.5	77.4%
2053	379.2	1,401.9	22.9	24.4	1,354.6	44,133.1	34,750.4	9,382.8	78.7%
2054	386.1	1,427.4	23.3	24.9	1,379.1	44,333.9	35,555.5	8,778.4	80.2%
2055	393.4	1,454.6	23.8	25.4	1,405.5	44,513.8	36,413.2	8,100.6	81.8%
2056	401.3	1,483.6	24.3	25.9	1,433.5	44,681.7	37,338.6	7,343.1	83.6%
2057	409.6	1,514.3	24.8	26.4	1,463.1	44,843.7	38,345.5	6,498.2	85.5%
2058	418.0	1,545.4	25.3	26.9	1,493.2	45,009.3	39,450.2	5,559.2	87.6%
2059	426.5	1,577.0	25.8	27.5	1,523.8	45,188.6	40,669.7	4,518.9	90.0%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2015, Valuation Information, Exhibit III.

(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.

(2) Any discretionary contributions by the State of Illinois (other than the Additional State Contribution shown above) are to be credited against the Required Board of Education Contributions.

(3) The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2014 actuarial valuation, including the 7.75% assumed rate of investment return, are exactly realized each year.

The projections in Table 4 rely on information produced by the Pension Fund's independent 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 2015), 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. The information under this heading constitutes Forward-Looking Statements. See "BONDHOLDERS' RISKS – Forward-Looking Statements" in this Official Statement.

For a discussion of proposed State legislation relating to potential partial State funding provided to the Pension Fund, see "RECENT DEVELOPMENTS – Proposed State Legislation Relating to State Funding of the Pension Fund, Pension Reform and Equitable State Funding of the Board" in this Official Statement.

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 2015 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 2015 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund. For valuation purposes, the assumed rate of return on the actuarial value of the assets for the year ending June 30, 2015 was 7.75%. This rate of return was the same as that used for the fiscal year ending June 30, 2014 but was a decrease versus the ten fiscal years prior to the fiscal year ending June 30, 2014 where the Pension Fund assumed an investment rate of return of 8.0%. Due to the volatility of the marketplace, 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, 2015, was 8.21%. Since the actual return was greater than the assumed return, the Pension Fund experienced an actuarial gain during the year ended June 30, 2015, with regard to its investments. The following table summarizes actuarial and market investment return on the assets in the Pension Fund for its fiscal years 2006-2015.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 5

Investment Return

Fiscal Year	**Market Value**	**Actuarial Value**
2006	10.7%	9.6%
2007	17.7%	13.3%
2008	-5.3%	7.9%
2009	-22.4%	0.2%
2010	13.6%	-0.4%
2011	24.8%	-0.5%
2012	-0.4%	1.0%
2013	13.1%	11.2%
2014	17.9%	12.7%
2015	3.6%	8.2%
Average Returns		
Last 10 years:	6.4%	6.2%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2015

Asset Smoothing. As a result of the use of the Asset Smoothing Method of valuation, 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 actuarial 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.

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 Illinois 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 this 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.

Actuaries, the Actuarial Process and GASB. GASB standards are completely independent from the Illinois 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, reports a Net Pension Liability ("**NPL**") and an Actuarially Determined Contribution ("**ADC**"). The net pension liability "**NPL**") reported is equal to the difference between the Total Pension Liability ("**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 Actuarially Determined Contribution ("**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).

Board's Contributions Not Related to GASB Standards. The Board's contribution to the Pension Fund is not based on the standards promulgated by GASB for reporting purposes. Instead, the Board's contribution is based on the requirements of the Illinois Pension Code. While both the GASB and the Illinois Pension Code calculations are actuarially based, there are many differences. Thus, the 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 Illinois 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 45-year period from FY 2015 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 a 30-year fixed-period beginning July 1, 2013) and which is designed to recognize 100% of the total plan liability, rather than just 90% of the total plan liability.

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 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 2015 Actuarial Valuation Report, a copy of which may be viewed as described in "– Overview of Retirement Funds" herein, contains additional information on these assumptions.

The Illinois 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 Illinois 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 Illinois 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 is effective for fiscal year 2015.

GASB 68, Accounting and Financial Reporting for Pensions, is effective for CPS beginning with its 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, will be 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.

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 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.

State Pension Reform Litigation

On December 5, 2013, former Governor Quinn signed into law Public Act 98-0599 (the **"State Pension Reform Act"**). The State Pension Reform Act provided for certain cost-saving and other reforms to four of the State-funded pension systems, including the Teachers Retirement System, which provides benefits to all public school teachers in Illinois who are not employed by the Board. The changes made by the State Pension Reform Act included, but are not limited to, changes to the employer contribution formula, Automatic Annual Increase adjustments, retirement ages and employee contributions. Such changes were scheduled to take effect on June 1, 2014. The State Pension Reform Act was challenged by multiple separate lawsuits on behalf of various classes of annuitants, current and former workers, and labor organizations, alleging, among other things, that the legislation violates the State Constitution's Pension Protection Clause. On May 8, 2015, the Illinois Supreme Court affirmed the decision of the Sangamon County Circuit Court that the State Pension Reform Act is unconstitutional. Changes included in the State Pension Reform Act and its ultimate legal nullification had no direct impact on the Pension Fund or the Annuity Fund. The Board makes no prediction as to whether or how the outcome of this lawsuit may impact the Board's future pension reform efforts or any future litigation affecting current law related to the Pension Fund. See "– Pensions for Other Board Personnel – Public

Act 98-0641" and "– Senate Bill 2437" below for a discussion of legislation and litigation affecting the Annuity Fund.

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 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. The COGFA is a bipartisan, joint legislative commission intended to provide the 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. The COGFA Report is not incorporated by reference into this Official Statement.

Certain Duties

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.

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 of Chicago 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 of Chicago 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 active members (totaling 30,683 active members as of December 31, 2015) contribute 8.5% of their salary. The Pension Code requires that the City of Chicago contribute 1.25 times the amount the member contributed two years prior (the "**Annuity Fund Statutory Required Contributions**"). The City is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Annuity Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually. The Illinois Pension Code does not require that the Annuity Fund Statutory Required Contributions be sufficient to cover the actuarially determined contribution requirement (the "**Annual Required Contribution**"). For the past ten years the Annuity Fund Statutory Required Contribution has been less than the Annual Required Contribution and does not conform to the requirements of GASB 25.

Members and Member Contributions. As of December 31, 2015, the Annuity Fund had 71,915 total members including 24,964 retirees and beneficiaries, 16,268 inactive members entitled to benefits and 30,683 active members (of which 16,156 were vested and 14,527 were non-vested). CPS employees comprise about 56% of the Annuity Fund's active participants. In Fiscal Year 2015, the Board agreed to pay (as it has done in recent years) 7% of current members salary to offset the required employees' contribution (8.5%) to the Annuity Fund. The Board received 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. In the opinion of the Board and its legal counsel, the Board has no statutory duty to contribute any sum to the Annuity Fund. In August 2015, the Board announced a scheduled end to contributions made by CPS directly on behalf of non-union employees. Over the next three years the biweekly contributions made by CPS will be phased out and replaced by offsetting increases in the biweekly contributions made directly by the employees. The CPS non-union employees who participate in either the Annuity Fund or the Pension Fund are subject to this change.

Public Act 98-0641. On June 9, 2014, the Governor signed Public Act 98-0641 ("**P.A. 98-0641**") into law. P.A. 98-0641 made significant changes to the Annuity Fund. P.A. 98-0641 would have significantly increased the City's future contributions to the Annuity Fund via a 40-year funding ramp that would have required that assets were at least 90% of the actuarial liabilities by December 31, 2055. In addition, P.A. 98-641 impacted the Annuity Fund by making changes to cost of living adjustments, retirement ages and employee contributions in order to address its underfunding.

P.A. 98-0641 was challenged in a lawsuit alleging its unconstitutionality on the grounds, among others, that changes to benefits for beneficiaries were an unconstitutional diminishment of such benefits under the Pension Protection Clause. P.A. 98-0641 was determined to be unconstitutional by the Circuit

Court of Cook County, Illinois and that decision was upheld by the Illinois Supreme Court. Consequently, the law in effect at the time of the enactment of P.A. 98-0641 remains in effect at this time in an unchanged form.

In the actuarial report for fiscal year 2014, valuations were made on the basis of the benefit and method changes contained in P.A. 98-0641. In the 2015 Annuity Fund Actuarial Report, valuations are calculated as if the changes contained in P.A. 98-0641 never occurred. The funded status of the Annuity Fund discussed below makes comparisons based on these differing valuations.

Senate Bill 2437. Senate Bill 2437 ("**SB 2437**") has been introduced in the current session of the Illinois General Assembly. It has passed the Senate and was sent to the House, where it was passed with certain amendments. The amended bill is now awaiting action in the Senate, which must occur before the end of the current session of the General Assembly if it is to become eligible for the Governor's signature. SB 2437 makes changes to the funding requirements of the Annuity Fund. SB 2437 increases the City's future contributions to the Annuity Fund via a 40-year funding ramp that would require that assets are at least 90% of the actuarial liabilities by December 31, 2057. During the period from 2018 to 2023, the funding amounts are set by the legislation. Thereafter, the funding amounts are actuarially determined. In addition, SB 2437 impacts the amounts of cost of living adjustments, retirement ages and employee contributions in order to address the Annuity Fund's underfunding. The Board can make no predictions as to if or when the Senate may act on the amended SB 2437, if or when the Governor may sign SB 2437 if it is passed by the General Assembly or whether there may be any future legal challenges to the legislation or what the outcome of such challenges may be if SB 2437 becomes law.

Funded Status of Annuity Fund. As of the end of its fiscal year 2015, the Annuity Fund had actuarial accrued liabilities of $14,647,114,971, compared to $12,307,094,062 as of the end of fiscal year 2014, and assets of: (i) $4,815,126,844, compared to $5,039,297,432 as of the end of fiscal year 2014, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) $4,741,427,557, compared to $5,179,486,296 as of the end of fiscal year 2014, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $9,831,988,127, compared to $7,267,796,630 as of the end of fiscal year 2014, on an actuarial basis (using the Asset Smoothing Method), and $18,617,412,068, compared to $7,127,607,766 as of the end of fiscal year 2014, on a market value basis; and Funded Percentages of 32.87% compared to 40.95 % as of the end of fiscal year 2014, on an actuarial basis (using the Asset Smoothing Method) and 20.30% compared to 42.09% as of the end of fiscal year 2014, on a market value basis. The Actuaries project that, under current law and without additional funding, the Annuity Fund will not have assets on hand to make payments to beneficiaries beginning in 2025. As of the date of this Official Statement, the Actuaries have not reassessed the funding status of the Annuity Fund in light of the provisions of SB 2437.

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**"). The actuarial analysis is contained Pension Fund 2015 CAFR and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601 or as described under "– Overview of the Retirement Funds" herein. 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.

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 60% of the individual member's cost for calendar years 2012, 2013 and 2014; in 2015, the premium subsidy was lowered to 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. 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, and no direct contributions are made for the subsidy. 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 by the Board to build assets to the 90% funded percentage requirement. As of June 30, 2015, there were 17,490 retirees and beneficiaries in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund. The Board contributes to the Pension Fund on a level percentage of pay basis to the extent the Funded Ratio of the Pension Fund is less than 90%. Amounts diverted from the Pension Fund to the Health Insurance Program reduce the Funded Ratio of the Pension Fund and require subsequently increased contributions by the Board to build assets to the 90% funded percentage requirement.

Pursuant to the 2015 Health Insurance Plan Actuarial Valuation Report, as of June 30, 2015 (a) the total actuarial liability for the Health Insurance Program has been estimated to be $1,910,991,991, (b) the actuarial value of assets is $21,713,159, (c) the unfunded actuarial liability is $1,889,278,832, (d) the funded ratio is 1.14% and (e) the annual required contribution was $135,728,777. This estimate represents the amount of healthcare benefits under the Health Insurance Program, without any assumption as to a limit on the amount the Pension Fund may divert to the Health Insurance Program.

Sick Pay Benefits. In addition to the Pension and Health Insurance benefits noted above, as of June 30, 2014, the Board had $357,321,000 in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. See APPENDIX B to this Official Statement – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015" – Note 11.

APPENDIX F

FORMS OF DEPOSIT DIRECTION TO COUNTY COLLECTORS REGARDING PLEDGED TAXES

The Board has directed the County Treasurers of each county in which the School District is located, acting as the collectors of property taxes in such counties (the "**County Collectors**" and each a "**County Collector**") to segregate from each distribution of property tax collections to the Board the amount of total tax collections attributable to the Capital Improvement Tax extended and collected and to directly deposit the amount so segregated with the Trustee under the Indenture (each a **"Deposit Direction"**). On the following pages are the forms of Deposit Direction executed by the Board and delivered to the County Collectors, one each for the Bond Resolution Series Levy and the Annual Coverage CIT Tax Levy.

Form of Deposit Direction Regarding Bond Resolution Series Levy

DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2016 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. 16-1026-RS1 adopted by the Chicago Board of Education of the Board of Education of the City of Chicago (the "*Board*") on October 26, 2016, and being entitled:

> RESOLUTION Providing for the issue of One or More Series of Capital Improvement Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to exceed $840,000,000

(the "*Original Bond Resolution*"), as amended by Resolution No. 16-1207-RS_ adopted by the Board on the 7th day of December, 2016, and being entitled:

> RESOLUTION Affirming the Adoption of, and Restating and Supplementing Resolution No. 16-1026-RS1, Resolution Providing for the issue of One or More Series of Capital Improvement Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to Exceed $840,000,000

(the "*Supplemental Bond Resolution*," the Original Bond Resolution, as amended by the Supplemental Bond Resolution, being referred to herein as the "*Bond Resolution*"), a certified copy of each of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of $840,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax pursuant to Section 34-53.5 of the Illinois School Code for each of the years 2017 to 2052, 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 "*Pledged Taxes*").

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 $_______________ Dedicated Capital Improvement Tax Bonds, Series 2016 (the "*Series 2016 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 2016 Bonds (the "*Series 2016 Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2016 Pledged Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to that certain Master Trust Indenture dated as of December 1, 2016 (the "*Master Indenture*") by and between the Board and Amalgamated Bank of Chicago, as Trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture dated as of December 1, 2016 (the "*First Supplemental Indenture*;" the Master Indenture, as supplemented by the First Supplemental Indenture, is referred to as the "*Indenture*") by and between the Board and the Trustee.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2016 Pledged Taxes are to be extended, commencing with the taxes levied for the year 2017 (collectible in 2018), the Board shall file in your office (i) evidence of the abatement in full of the Series 2016 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 2016 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 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 2016 Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2016 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 account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2016 Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2016 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 2016 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 2016 Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ______________________
For Final Credit to: _____________________
Reference: ____________________________
Attention: _____________________________

[Signature Page follows]

Respectfully submitted this ________ day of _______________, 2016.

____

Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2016 PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
2045	
2046	
2047	
2048	
2049	
2050	
2051	
2052	

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2016, with the Board of Education of the City of Chicago (the "*Board*"), as supplemented by the First Supplemental Indenture, dated as of December 1, 2016 (collectively, the "Indenture"), with the Board, providing for the issuance of $_______________ Dedicated Capital Improvement Tax Bonds, Series 2016 of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2016 Bonds described in said Direction and will apply all collections of the Series 2016 Pledged Taxes as provided in the Direction and the Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ____________________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of _______________, 2016, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2016 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 2017 to 2052, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of _______________, 2016.

____
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 _______________, 2016, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2016 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 2017 to 2052, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of _______________, 2016.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

<u>Form of Deposit Direction Regarding Annual Coverage CIT Tax Levy</u>

**DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES
EXTENDED AND COLLECTED FOR THE PAYMENT OF
ANNUAL DEBT SERVICE COVERAGE FOR THE
DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2016
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. 16-1026-RS1 adopted by the Chicago Board of Education of the Board of Education of the City of Chicago (the "*Board*") on October 26, 2016, and being entitled:

> RESOLUTION Providing for the issue of One or More Series of Capital Improvement Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to exceed $840,000,000

(the "*Original Bond Resolution*"), as amended by Resolution No. 16-1207-RS_ adopted by the Board on the 7th day of December, 2016, and being entitled:

> RESOLUTION Affirming the Adoption of, and Restating and Supplementing Resolution No. 16-1026-RS1, Resolution Providing for the issue of One or More Series of Capital Improvement Bonds of the Board of Education of the City of Chicago in an Aggregate Principal Amount Not to Exceed $840,000,000

(the "*Supplemental Bond Resolution*," the Original Bond Resolution, as amended by the Supplemental Bond Resolution, being referred to herein as the "*Bond Resolution*"), a certified copy of each of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Dedicated Capital Improvement Tax Bonds, in the maximum principal amount of $840,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax on all taxable property within the school district governed by the Board (the "*School District*") pursuant to Section 34-53.5 of the Illinois School Code (the "*Capital Improvement Tax*") for each of the years 2017 to 2052, inclusive, sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution (the "*Pledged Taxes*").

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 (i) the execution and delivery of that certain Master Trust Indenture dated as of December 1, 2016 (the "*Master Indenture*") by and between the Board and Amalgamated Bank of Chicago, as Trustee (the "*Trustee*"), as supplemented by the First Supplemental Indenture dated as of December 1, 2016 (the "*First Supplemental Indenture*;" the Master Indenture, as supplemented by the First Supplemental Indenture, is referred to as the "*Indenture*") by and between the Board and the Trustee, and (ii) the issuance and delivery, pursuant to the Indenture, of its $_______________ Dedicated Capital Improvement Tax Bonds, Series 2016 (the "*Series 2016 Bonds*").

In the Master Indenture, the Board has covenanted to levy the Capital Improvement Tax, as required and in sufficient amounts such that, for each year that Capital Improvement Taxes are levied for the payment of Bonds issued pursuant to the Master Indenture, the amount of Capital Improvement Taxes (including the Pledged Taxes) levied in such year will not be less than 110% of the debt service coming due on such Bonds during the annual period commencing on April 2 of each calendar year (the "*Annual Debt Service Coverage Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Annual Debt Service Coverage Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to.

In each year for which Annual Debt Service Coverage Taxes are to be extended, prior to February 15 of the succeeding calendar year the Board shall file in your office a copy of the resolution authorizing the levy of such Annual Debt Service Coverage Taxes and specifying the amounts to be so levied. Promptly upon receipt of the first distribution of collections of property taxes in each year for which Annual Debt Service Coverage Taxes are to be extended, you are to segregate and pay directly to the Trustee for deposit to the account identified below the amount specified in such resolution.

As of the date of filing of this Direction, the Annual Debt Service Coverage Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ______________________
For Final Credit to: _____________________
Reference: ___________________________
Attention: ____________________________

[Signature Page follows]

Respectfully submitted this ________ day of _______________, 2016.

____
Senior Vice President of Finance
Board of Education of the City of Chicago

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Master Trust Indenture, dated as of December 1, 2016, with the Board of Education of the City of Chicago (the "*Board*"), as supplemented by the First Supplemental Indenture, dated as of December 1, 2016 (collectively, the "Indenture"), with the Board, providing for the issuance of $_______________ Dedicated Capital Improvement Tax Bonds, Series 2016 of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2016 with respect to the Series 2016 Bonds described in said Direction and will apply all collections of the Annual Debt Service Coverage Taxes as provided in the Direction and the Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ____________________________________
Authorized Officer

State of Illinois)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of _______________, 2016, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2016 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 2017 to 2052, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of _______________, 2016.

____
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 _______________, 2016, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Annual Debt Service Coverage for the Dedicated Capital Improvement Tax Bonds, Series 2016 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 2017 to 2052, inclusive, such provisions will be recognized when applicable.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of _______________, 2016.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

FORM OF OPINIONS OF CO-BOND COUNSEL

Date of Issuance

The Board of Education
of the City of Chicago

Dear Members:

We have examined a record of proceedings relating to the issuance of $_______________ aggregate principal amount of Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 Bonds") of the Board of Education of the City of Chicago, a school district of the State of Illinois (the "Board") duly organized and existing under Article 34 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"). The 2016 Bonds are authorized and issued under and pursuant to the Section 34-53.5 of the School Code and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Debt Reform Act"), and by virtue of Resolution Number 16-1026-RS1 adopted by the Board on October 26, 2016 (the "Bond Resolution") as supplemented by Resolution Number 16-1207-RS__ adopted by the Board on December 7, 2016 (the "Supplemental Resolution"). The 2016 Bonds are issued and secured under the Master Trust Indenture dated as of December 1, 2016 (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of December 1, 2016 (the "First Supplemental Indenture") by and between the Board and the Trustee. The 2016 Bonds are a Series of Bonds and a Series of Consolidated Reserve Fund Bonds under the Indenture. Terms used herein that are defined in the Indenture and the First Supplemental Indenture shall have the meaning set forth therein unless otherwise defined herein.

The 2016 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 2016 Bonds are dated January __, 2017 and bear interest from their date payable on April 1, 2017 and semiannually thereafter on each April 1 and October 1. The 2016 Bonds mature on April 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
20__	$,000	. %
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	
20__	,000	

The 2016 Bonds maturing on or after April 1, 20__ are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a single maturity, on _______________ 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The 2016 Bonds maturing on April 1, 20__ and April 1, 20__ are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the First Supplemental Indenture, in part and by lot, at a redemption price equal to the principal amount thereof to be redeemed, by the application of annual sinking fund installments on April 1 of the years and in the principal amounts set forth in the following tables:

20__ Term Bonds		20__ Term Bonds	
Year	Principal Amount	Year	Principal Amount
20__	$,000	20__	$,000
20__	,000	20__	,000
20__	,000	20__	,000
20__	,000		

Pursuant to the Indenture, the 2016 Bonds and all other Bonds hereafter issued under the Indenture are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes without limitation (i) the Capital Improvement Taxes, (ii) the Escrow Fund held by the Trustee under the Indenture; (iii) the Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Debt Service Fund into dedicated sub-funds, including the Series 2016 Dedicated Sub-Fund established and maintained for the benefit of the 2016 Bonds under the First Supplemental Indenture and (iv) the Consolidated Debt Service Reserve Fund for Consolidated Reserve Fund Bonds issued under the Indenture.

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchasers of the 2016 Bonds.

The 2016 Bonds are issued for the purpose of financing Permitted Expenditures allowed under Section 34-53.5 of the School Code. The revenues collected from the Capital Improvement Tax may only be used for the capital improvement purposes allowed under Section 34-53.5 of the School Code and as security for the payment of bonds, including the 2016 Bonds, issued pursuant to Section 34-53.5 of the School Code and the Debt Reform Act.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Capital Improvement Taxes are the property of the Board. The Board has all requisite power and authority under the Constitution and the laws of the State of Illinois to levy the Capital Improvement Tax, to pledge the Capital Improvement Taxes as security for the payment of the 2016 Bonds, to adopt the Bond Resolution and the Supplemental Resolution, to enter into the Indenture and the First Supplemental Indenture, and to issue the 2016 Bonds thereunder.

2. The Bond Resolution and the Supplemental Resolution have been duly adopted by the Board, are presently in full force and effect, are valid and binding upon the Board and are enforceable against the Board in accordance with their terms.

3. The Indenture and the First Supplemental Indenture have been duly authorized, executed and delivered by the Board and constitute valid and binding contractual obligations of the Board enforceable in accordance with their terms.

4. The 2016 Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Board payable from the Series 2016 Dedicated Sub-Fund and the Consolidated Debt Service Reserve Fund, are entitled to the benefits and security of the Indenture and the First Supplemental Indenture, and are enforceable against the Board in accordance with their terms. The 2016 Bonds are not general obligations of the Board. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for the payment of the principal of or interest on the 2016 Bonds.

5. All Bonds, including the 2016 Bonds, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of, lien on and security interest in the Trust Estate for the benefit and security of all Bonds, subject to application of the Trust Estate in accordance with the terms of the Indenture, including periodic withdrawals of moneys free from the lien of the Indenture.

6. Interest on the 2016 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 2016 Bonds will continue to be excluded from the gross income of the owners

thereof for Federal income tax purposes. Interest on the 2016 Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2016 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. 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 2016 Bonds. These requirements relate to the use and investment of the proceeds of the 2016 Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2016 Bonds and the use and tax ownership of the property financed with the proceeds of the 2016 Bonds. The Board has covenanted in the First Supplemental Indenture to comply with these requirements.

Interest on the 2016 Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2016 Bonds, the Bond Resolution, the Supplemental Resolution, the Indenture and the First Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

APPENDIX H

FORMS OF SPECIAL REVENUES OPINIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Katten
KattenMuchinRosenman LLP

575 Madison Avenue
New York, NY 10022-2585
212.940.8800 tel
www.kattenlaw.com

KATTEN DRAFT 12/6/16: SUBJECT TO DEFINITIVE BOND DOCUMENTS

December __, 2016

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Dedicated Capital Improvement Tax Bonds, Series 2016 – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Dedicated Capital Improvement Tax Bonds, Series 2016, in the aggregate principal amount of $____________ (the "2016 CIT Bonds"), issued pursuant to that certain Master Trust Indenture, dated December 1, 2016 (the "Master Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee") and that certain First Supplemental Indenture, dated December 1, 2016 (the "Supplemental Indenture"), by and between the Board and the Trustee.

The Board authorized its issuance of the 2016 CIT Bonds pursuant to the following resolutions: (i) Resolution No. 16-1026-RS1, adopted by the Board on October 26, 2016 (the "Bond Resolution") and (ii) Resolution No. 16-1207-RS_, adopted by the Board on December 7, 2016 (the "Supplemental Bond Resolution," and together with the Bond Resolution, the "Resolutions"). The Board's issuance of the 2016 CIT Bonds pursuant to the Master Indenture, the Supplemental Indenture and the Resolutions is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the Master Indenture, the Supplemental Indenture, the Resolutions, that certain Tax Compliance Certificate, executed by the Board on December __, 2016 (the "Tax Agreement"), the Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Dedicated Capital Improvement Tax Bonds, Series 2016 of the Board of Education of the City of Chicago, dated December __, 2016 (the "Deposit Direction") and applicable statutes of the State of Illinois and the United States, as referenced herein. The Master Indenture, the Supplemental Indenture, the Resolutions, the Tax Agreement and the Deposit Direction are referred to herein, collectively, as the "Bond Documents."

The Financing will be used to fund (i) the costs to acquire, construct and equip school buildings, perform site improvements and acquire and improve other real and personal property in and for the public school district of the City of Chicago, Illinois (the "School District") as permitted by Section 34-53.5 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code") and in accordance with the Board's capital improvement program, as from time to time approved and amended by the Board, including reimbursement of the Board for its prior payment of costs associated with the capital improvement program, (ii) capitalized interest on the 2016 CIT Bonds, (iii) a reserve for the payment of debt service on the 2016 CIT Bonds and (iv) the costs of issuance of the 2016 CIT Bonds.

Payment of the 2016 CIT Bonds is secured by the Board's pledge of and its granting of liens upon revenues resulting from the Board's levy of the capital improvement tax (the "Capital Improvement Tax") authorized pursuant to Section 34-53.5 of the School Code upon all taxable property within the School District. The 2016 CIT Bonds are secured exclusively by the Board's pledge of the Capital Improvement Tax and any interest or other income generated therefrom and are not the general obligations of the Board.

Capitalized Terms used but not defined herein have the meanings assigned to them in the Master Indenture and the Supplemental Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code") would determine that the pledged Capital Improvement Tax revenues that secure payment of the 2016 CIT Bonds (the "Pledged CIT Revenues") are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2016 CIT Bonds, under Illinois law and (ii) "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and, consequently, that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2016 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture.

In connection with the Financing, you have also requested our opinion as to whether the Board's revocation or modification of the Deposit Direction in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due on the 2016 CIT Bonds would violate the Board's covenants under the Bond Documents and Illinois law, including Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act").

II. ASSUMPTIONS

We have examined the Bond Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Bond Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Bond Documents and that the Bond Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Bond Documents submitted to us as originals; (d) the conformity of the Bond Documents submitted to us as copies of the executed and delivered originals thereof; (e) the genuineness of all signatures on all Bond Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Bond Documents or otherwise in connection with the transactions contemplated by the Bond Documents; (g) the representations and warranties of the Board set forth in the Bond Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee, the County Clerks and County Collectors (each, as defined below) will perform its obligations under applicable Illinois law and the Bond Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Bond Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the 2016 CIT Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Bond Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

On October 26, 2016, the Board adopted the Bond Resolution authorizing the issuance of the 2016 CIT Bonds in the maximum aggregate principal amount of $840,000,000 for the purposes of financing capital improvement costs of the School District as well as to pay capitalized interest on and the costs of issuance of the 2016 CIT Bonds.

On December 7, 2016, the Board adopted the Supplemental Bond Resolution for the purpose of, *inter alia*, approving a list of capital projects to be financed with the proceeds of the 2016 CIT Bonds (the "Project List") and authorizing the use of the proceeds of the 2016 CIT Bonds to fund a consolidated debt service reserve for the 2016 CIT Bonds and additional dedicated Capital Improvement Tax bonds that may be issued under the Master Indenture. A copy of the Project List is annexed to the Supplemental Bond Resolution as Exhibit D.

Capital Projects

The capital projects set forth on the Project List consist of various projects to construct, renovate and/or equip school buildings and other facilities within the School District. The estimated costs of such projects aggregate approximately $____________. Certain of the projects set forth on the Project List have previously been included, and approved by the Board, as part of its capital improvement program for fiscal year 2017 and prior years. The Board approves by resolution and publishes its capital improvement program at least once a year and retains a copy on file with the Secretary of the Board. Under the terms of the Supplemental Bond Resolution, the Board may amend the Project List from time to time and additional projects may be substituted in accordance with the Board's capital improvement program. Pursuant to Section 404 of the Supplemental Indenture, the Board has covenanted to include the capital projects set forth on the Project List in each of its annual capital improvement programs until such time that the projects are completed. Accordingly, any changes to the Project List must be included in the Board's capital improvement program and approved by resolution of the Board.

Pursuant to the terms of the Indenture, except to the extent the proceeds of the 2016 CIT Bonds will be used to pay capitalized interest, fund a consolidated debt service reserve fund and pay the costs of issuance of the 2016 CIT Bonds, such proceeds will be used exclusively to fund the costs of completing the capital projects set forth on the Project List (collectively, "Costs of Construction"), as may be amended with approval of the Board, including, the costs of acquisition, construction and equipping of school buildings and facilities (including financing charges related to such costs), the costs of design, engineering and legal expenses, plans, specifications, surveys, as well as administrative expenses and other expenses necessary or incident to completing or determining the feasibility of completing particular projects on the Project List.

Pledged CIT Revenues

The 2016 CIT Bonds are payable from and secured by a valid lien upon and pledge of the Pledged CIT Revenues. As discussed below, the Pledged CIT Revenues will serve as the sole source for the payment of the 2016 CIT Bonds.

Under Section 4 of the Bond Resolution, the Board has levied the Capital Improvement Tax for the years 2017 through 2053 upon all taxable property within the School District for the stated purpose of providing sufficient funds to pay all principal of and interest on the 2016 CIT Bonds for each of the years that the 2016 CIT Bonds are outstanding.[1] The Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce, for each year of the levy, the amount of Capital Improvement Tax revenues set forth in a table in Section 4 of the Bond Resolution, and shall extend the Capital Improvement Tax for collection at such rates on behalf of the Board. Pursuant to Section 705 of the Master Indenture, for each year the 2016 CIT Bonds are outstanding, the Capital Improvement Tax is to be set at a rate so as to produce revenues equal to not less than 110% of all interest and principal payments due on the 2016 CIT Bonds during the next bond year.

[1] The Board has levied the Capital Improvement Tax for years 2015 and 2016 pursuant to prior resolutions. This opinion addresses only whether the Pledged CIT Revenues collected from the levy of the Capital Improvement Tax under the Bond Resolution would be regarded as special revenues in a hypothetical chapter 9 case filed by the Board. Under the terms of the Supplemental Indenture, the Board has elected to capitalize interest payments due on the 2016 CIT Bonds in 2017 and April 1, 2018. Accordingly, the first cash payments to be made to holders of the 2016 CIT Bonds will begin October 1, 2018, after Capital Improvement Tax revenues collected from the levy imposed by the Bond Resolution become available.

Pursuant to Section 4 of the Supplemental Bond Resolution, the Board has confirmed that the multi-year levy of the Capital Improvement Tax imposed by the Bond Resolution is irrevocable while the 2016 CIT Bonds remain outstanding.

Deposit and Application of Pledged CIT Revenues

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200 (the "Property Tax Code") and Sections 6 and 7 of the Bond Resolution, in order to secure the payment of the 2016 CIT Bonds, the Board is authorized to establish an escrow fund to hold and segregate the Pledged CIT Revenues and to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Capital Improvement Tax levied under the Bond Resolution directly into such escrow fund.

Pursuant to the Master Indenture, all of the revenues received from the collection of the Capital Improvement Tax must be paid directly by the County Collectors to the Trustee and deposited into an escrow fund created under the Master Indenture (the "Escrow Fund"). The Escrow Fund shall be an account separate and segregated from all other accounts of the Board. On December __, 2016, the Board's Senior Vice President of Finance (who is a designated official under the Bond Resolution) issued the Deposit Direction to the County Collectors, pursuant to which the Board has irrevocably directed the County Collectors to transfer all collections of the Capital Improvement Tax directly to the Trustee for deposit into the Escrow Fund. Section 709 of the Master Indenture provides that, as long as any of the 2016 CIT Bonds remain outstanding, the Board will not modify or amend the Deposit Direction in any way that would result in the deposit with the Trustee of less than all of the Capital Improvement Tax revenues collected on behalf of the Board in any year. Any modification of the Deposit Direction in a manner not permitted by the Master Indenture is an event of default thereunder.

Pursuant to Section 504(A) of the Master Indenture, on each business day the Trustee is required to allocate moneys in the Escrow Fund as follows: First, to a debt service fund established under the Supplemental Indenture until the amount deposited in that fund is sufficient to pay all interest and principal payments due on the 2016 CIT Bonds during the next bond year;[2] second, to a consolidated debt service reserve fund until the amount deposited in that fund is equal to 14% of the maximum amount of principal and interest payable on the 2016 CIT Bonds (and any other bonds issued under the Master Indenture) in any bond year that such bonds are outstanding; third, to the debt service fund again to fund any other obligations required under the Supplemental Indenture; fourth, to pay tax anticipation notes issued by the Board in anticipation of the collection of Capital Improvement Taxes;[3] fifth, for the payment of indebtedness of the

---

[2] The Master Indenture contemplates the issuance of additional dedicated tax bonds secured by a lien, of equal priority to the lien securing the 2016 CIT Bonds, against the Capital Improvement Tax revenues collected on behalf of the Board. To the extent such additional bonds are issued, the Trustee will allocate the Capital Improvement Tax revenues deposited into the Escrow Fund to the annual debt service due on all outstanding series of such bonds on a *pro rata* basis.

[3] Pursuant to Section 402 of the Master Indenture, all proceeds of sale of tax anticipation notes shall be paid to the Trustee for deposit into the Escrow Fund and allocated pursuant to Section 504(A) of the Master Indenture. Thus, the tax anticipation notes have no material impact on the application of funds under the Master Indenture.

Board secured by Capital Improvement Tax revenues other than bonds issued under the Master Indenture (but which indebtedness must be subordinate to all bonds issued under the Master Indenture); and sixth, to fund a "Permitted Expenditures Account" (a subaccount of the Escrow Fund) for the purpose of paying expenses for capital projects as permitted by Section 504(B) of the Master Indenture.

Accordingly, under the terms of the Master Indenture, all of the Capital Improvement Tax revenues collected on behalf of the Board in any year are deposited directly into the Escrow Fund and then promptly transferred to fund debt service on the 2016 CIT Bonds through the next bond year (*i.e.*, all payments due through April 1st of the year following the year of collection). After the debt service fund and the consolidated debt service reserve are fully funded to their requirements, and, further, after the payment of tax anticipation notes and subordinated indebtedness permitted by the Master Indenture, the Pledged CIT Revenues are then deposited into a separate account – the Permitted Expenditures Account – used for funding capital improvement projects.

Pursuant to Section 504(B) of the Master Indenture, amounts held in the Permitted Expenditures Account may be paid by the Trustee to the Board or its contractors from time to time "for the payment or reimbursement of Permitted Expenditures that are Capital Expenditures…."[4] The Master Indenture defines Capital Expenditures to mean the following:

> an authorized expenditure of the Board that is or may be capitalized under generally accepted accounting practices applicable to the Board and is made with respect to a project or system of the Board. This definition may be revised to reflect the requisites of "*projects and systems*" as such term is used in Section 902 of the U.S. Bankruptcy Code (11 U.S. Code 902).

The Master Indenture defines Permitted Expenditures by adopting the text of Section 34-53.5(a) of the School Code, which governs the permissible uses of the Capital Improvement Tax under Illinois law. In particular, the Master Indenture defines Permitted Expenditures to mean the following:

> expenditures for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this definition, or (iv) the rehabilitation, renovation, and

4 As further described below, proceeds of the 2016 CIT Bonds not used to pay certain costs of financing will be used to pay Costs of Construction, *i.e.*, the costs of capital projects set forth on the Project List. However, Pledged CIT Revenues that are ultimately deposited into the Permitted Expenditures Account and are, therefore, in excess of the debt service requirements of the 2016 CIT Bonds (and any other bonds issued under the Master Indenture) must be used for the payment of "Permitted Expenditures that are Capital Expenditures," which will necessarily be capital improvement costs of the Board but will not necessarily be costs associated with the Project List.

> equipping of an existing school building or buildings. This definition may be revised to reflect any amendment of Illinois law pertaining to permitted uses of the Capital Improvement Taxes.

Payments from the Permitted Expenditures Account pursuant to Section 504(B) of the Master Indenture may only be made after the Board provides the Trustee with a detailed requisition, identifying the person to whom payment should be made and the purpose of the expense incurred, and a certificate from the Board certifying, among other things, that the expense is a proper Permitted Expenditure and Capital Expenditure and has not been previously paid.

In addition, under Section 504(C) of the Master Indenture, the Board is entitled to request access to a revolving fund of not more $5 million payable from the Permitted Expenditures Account and exclusive of any payments made by the Trustee directly to the Board's vendors under Section 504(B) of the Master Indenture. As with the procedures for the direct payment of vendors by the Trustee, the Board may use the revolving fund only for the payment of Permitted Expenditures that are Capital Expenditures. Further, the revolving fund must be held separate from all other funds and accounts of the Board, expressly including its general fund. The revolving fund is designed to enable the Board to pay certain vendor expenses that could not be conveniently paid under the requisition procedures of Section 504(B) of the Master Indenture. However, the Board is required to provide the same detailed requisitions and certifications to the Trustee (only, in this case, after payment is made by the Board) before the Trustee will reimburse the revolving fund, and the Board may only make a payment from the revolving fund after it confirms that such payment matches invoiced amounts for Capital Expenditures that are Permitted Expenditures. (Master Indenture § 504(C).)

Application of Proceeds of 2016 CIT Bonds

Under Section 203(F) of the Supplemental Indenture, all of the net proceeds of the 2016 CIT Bonds will be deposited into (i) the consolidated debt service reserve fund described above in the amount of $____________, (ii) a capitalized interest account in the amount of $____________, and (iii) the "2016 Project Account" in the amount of $____________. Moneys deposited into the 2016 Project Account will be used to pay for the costs of issuance of the 2016 CIT Bonds and Costs of Construction that are both Capital Expenditures and Permitted Expenditures. (Supplemental Indenture § 307(B).) Similar to Section 504(C) of the Master Indenture, Section 307(D) of the Supplemental Indenture provides for a $5 million revolving fund payable by the Trustee from the 2016 Project Account to the Board, which the Board may use to pay its vendors directly subject to substantially the same requirements applicable to the Board's use of the revolving fund under the Master Indenture, provided that such disbursements of proceeds of the 2016 CIT Bonds must be for Costs of Construction in addition to being Capital Expenditures and Permitted Expenditures. Also, similar to Section 504(B) of the Master Indenture, under Section 307(E) of the Supplemental Indenture, moneys on deposit in the 2016 Project Account may be paid by the Trustee directly to the Board's vendors for the payment of Costs of Construction that are Permitted Expenditures and Capital Expenditures, but only upon the filing by the Board with the Trustee of the same requisitions and certifications required under Section 504(B) of the Master Indenture. Finally, under Section 307(F) of the Supplemental Indenture, upon completion of all capital projects set forth on the Project List, the Trustee shall pay to the Board any remaining moneys on deposit in the 2016 Project Account, which may then be used by the Board for the payment of other capital projects in compliance with Section 34-53.5 of the School Code.

Accordingly, all of the proceeds of the 2016 CIT Bonds not used to pay certain financing costs associated with the 2016 CIT Bonds will be used to pay for the costs of completing capital projects identified on the Project List except in the event that all such projects are completed before the bond proceeds are exhausted, in which case, such surplus bond proceeds will be used to pay for other capital projects. Significantly, however, none of the proceeds of the 2016 CIT Bonds may be used by the Board for general operating expenses or for anything other than capital improvement projects. Likewise, all of the Pledged CIT Revenues will be used to pay debt service due on the 2016 CIT Bonds (and any other bonds issued under the Master Indenture) or, to the extent additional Pledged CIT Revenues are available in excess of debt service and reserve requirements under the Master Indenture, to pay for capital improvement costs that meet the definitions of both Permitted Expenditures and Capital Expenditures under the Master Indenture. Here, as well, none of the Pledged CIT Revenues may be used by the Board for general operating expenses or for anything other than capital improvement projects.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and its compliance with the covenants set forth in Articles V and VII of the Master Indenture and Article III and Section 404 of the Supplemental Indenture. We further assume the following:

(a) the Board has not, and as long as the 2016 CIT Bonds remain outstanding, will not amend or modify the Master Indenture or the Supplemental Indenture in any manner that violates the covenants set forth in Sections 705 or 709 of the Master Indenture or Section 404 of the Supplemental Indenture;

(b) the Board has not and, as long as the 2016 CIT Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the 2016 CIT Bonds, the Master Indenture and the Supplemental Indenture shall be the valid, binding and legal obligations of the Board;

(d) as long as any of the 2016 CIT Bonds remain outstanding, no statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the 2016 CIT Bonds, to levy Capital Improvement Tax and to direct the transfer and application of the Capital Improvement Tax revenues as contemplated and required by the Bond Documents, including, without limitation, Sections 8 and 13 of the Act, Section 34.5 of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the 2016 CIT Bonds, and the holders of the 2016 CIT Bonds;

(e) The Board is duly authorized under Illinois law to levy the Capital Improvement Tax for each year the 2016 CIT Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Capital Improvement Tax under the Bond Resolution;

(f) The Board will not use or claim the right to use the collections of the Capital Improvement Tax except as expressly permitted by the Master Indenture and the Board will not use or claim the right to use the proceeds of the 2016 CIT Bonds except as expressly permitted by the Supplemental Indenture;

(g) The Board will comply with the requisition and certification requirements of Section 504 of the Master Indenture and Section 307 of the Supplemental Indenture regarding the Board's use of Pledged CIT Revenues and the proceeds of the 2016 CIT Bonds for the payment or reimbursement of Costs of Construction that are Capital Expenditures and Permitted Expenditures;

(h) The Costs of Construction will be limited to the costs of such projects and improvements and related expenses identified and described in the Project List annexed to the Supplemental Bond Resolution as Exhibit D, as may be amended with approval of the Board;

(i) to the extent the Costs of Construction include administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses are or will be directly related to the capital projects identified on the Project List; and

(j) the Pledged CIT Revenues are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the 2016 CIT Bonds, except any liens that may be granted to holders of additional bonds that may be authenticated and issued under the Master Indenture, which may be of equal priority to the lien granted to the Trustee with respect to the 2016 CIT 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 Bond Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinion requested regarding the Financing, we believe that our reliance on the representations, covenants and other provisions in the Bond Documents relating to the purposes and permitted uses of the Pledged CIT Revenues and the proceeds of the 2016 CIT Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The Board's authority to levy the Capital Improvement Tax is derived from Section 34-53.5 of the School Code. Section 34-53.5(a) provides, in relevant part, as follows:

> *For the purpose of providing a reliable source of revenue for capital improvement purposes*, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this subsection (a), or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings, *the board may levy, upon all taxable property of the school district,* in calendar year 2003*, a capital improvement tax* to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted by (2) $142,500,000.

105 ILCS 5/34-53.5(a) (emphasis added). Section 34-53.5(b) sets forth a formula for calculating the maximum amount of Capital Improvement Tax that may be levied during calendar year 2004 to 2030 and subsequent subsections set forth the applicable formula for later years. Pursuant to Section 34-53.5(f) of the School Code, the Board is authorized to issue bonds in accordance with the Act, "against any revenues to be collected from the capital improvement tax in any year or years."

Pursuant to Section 13 of the Act, the Board may pledge as security for the payment of bonds issued pursuant to Section 34-53.5(f) of the School Code and the Act, *inter alia*, (i) moneys deposited or to be deposited into any special fund of the Board and (ii) "revenues or taxes expected to be received by the [Board] … including taxes imposed by the [Board] pursuant to [a] grant of authority by the State." 30 ILCS 350/13. Here, the Pledged CIT Revenues deposited into the Escrow Fund fall within both of these categories and, accordingly, the Pledged CIT Revenues are a revenue source that may be validly pledged to secure bonds issued by the Board, including the 2016 CIT Bonds.

Section 13 of the Act further provides that –

> Any such pledge [of qualified revenues] made by a governmental unit ***shall be valid and binding from the time such pledge is made***. ***The revenues, moneys and other funds so pledged*** and

> thereafter received by the governmental unit ***shall immediately be subject to the lien of such pledge*** without any physical delivery thereof or further act; and, subject only to the provisions of prior agreements, the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the governmental unit irrespective of whether such parties have notice thereof. ***Pursuant to any such pledge, a governmental unit may bind itself to impose rates, charges or taxes to the fullest extent permitted by applicable law***. No ordinance, resolution, trust agreement or other instrument by which such pledge is created need be filed or recorded except in the records of the governmental unit.

Id (emphasis added). In accordance with Section 34-53.5(f) of the School Code and Section 13 of the Act, under the Master Indenture and the Supplemental Indenture, the Board has granted a lien in favor of the Trustee, for the benefit of the holders of the 2016 CIT Bonds, against all Capital Improvement Tax revenues collected on behalf of the Board and deposited into the Escrow Fund or any other funds or accounts established under such indentures, as well as all other moneys and revenues maintained under such indentures. Under Section 13 of the Act, the Board's pledge of the Pledged CIT Revenues to the payment of the 2016 CIT Bonds is valid and binding on the Board at the time the Board enters into the Master Indenture and the Supplemental Indenture. In addition, the Trustee's lien against the Pledged CIT Revenues is perfected against third parties immediately upon the deposit of the Pledged CIT Revenues into the Escrow Fund at which point they may be deemed "received" by the Board for purposes of the statute.

The Deposit 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 Fund* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Direction, the County Collectors are required by statute to deposit the Capital Improvement Tax revenues into the Escrow Fund. The Board, in turn, has pledged under the Master Indenture not to modify or terminate the Deposit Direction so long as the 2016 CIT Bonds are outstanding in any way that would result in less than all of the Capital Improvement Tax revenues collected by the County Collectors being deposited into the Escrow Fund. Section 5 of the Supplemental Bond Resolution further confirms that the Deposit Direction is irrevocable by the Board.

Bankruptcy Law

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Under the Bankruptcy Code, a municipality, such as the Board, cannot file for a bankruptcy case under chapter 9 unless such municipality is specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy case. 11 U.S.C. § 109(c)(2). Presently, Illinois law does not permit the Board to be a debtor in a bankruptcy case. 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 cases under the Bankruptcy Code. We cannot predict and express no opinion concerning whether the Illinois General Assembly may adopt any such legislation or the impact that such legislation would have on the Board.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters. Of 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.[5] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "1988 Amendments")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988) (the "*Senate Report*"). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[6] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In a key decision interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

---

[5] 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).

[6] 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.

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay.

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Section 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. 11 U.S.C. § 943(b)(5); *see Senate Report*, at 11. Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) … cause, including the lack of adequate protection of an interest in property of such party in interest;

(2) with respect to a stay of an act against property under subsection (a) of this section, if—

(A) the debtor does not have an equity in such property; and

(B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69.

Accordingly, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of section 552(a).[7] *Collier* ¶ 928.02, at 928-3.

[7] Section 552(a) applies by its terms only to "any lien resulting from any *security agreement* entered into by the debtor." 11 U.S.C. § 552(a) (emphasis added). Accordingly, Section 552(a) does not terminate statutory liens granted to bondholders against revenues of the debtor arising after the commencement of a chapter 9 case. A "statutory lien" is "a lien arising solely by force of a statute on specified circumstances or conditions…." 11 U.S.C. § 101(53); *see In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995). We express no opinion regarding whether the liens granted in favor of the Trustee against the Pledged CIT Revenues or any other moneys, funds or accounts held in trust under the Master Indenture or the Supplemental Indenture may be regarded as statutory liens under the Bankruptcy Code.

Special Revenues

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged CIT Revenues, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. First, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[8] contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the Senate Report, which accompanied the Senate's version of the relevant bill (S. 1863) leading to the 1988 Amendments, contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or*

[8] 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).

> *portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

Senate Report, at 14. (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra

Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged CIT Revenues' Qualification as Special Revenues

In the case of the 2016 CIT Bonds, the Bond Documents and applicable Illinois statutory law provide a reasonable basis to conclude that, in a properly litigated case, the Pledged CIT Revenues would be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.[9]

With respect to the first requirement, the Resolutions, the Master Indenture and the Supplemental Indenture provide a reasonable basis to conclude that the Pledged CIT Revenues have been specifically levied to finance one or more projects. Section 4 of the Bond Resolution provides that the Capital Improvement Tax is "*hereby levied*," "[f]or the purpose of providing funds … to pay the principal of and interest on the Dedicated Tax Bonds …." (Emphasis added.) As defined by the Bond Resolution, Dedicated Tax Bonds include the 2016 CIT Bonds and any additional bonds issued by the Board pursuant to Section 34-53.5(f) of the School Code. Presently, the only "Dedicated Tax Bonds" for purposes of the Bond Resolution are the 2016 CIT Bonds. Section 4 of the Bond Resolution further describes the Capital Improvement Tax as a "direct annual tax" levied at a rate sufficient to achieve specified amounts of revenue for each

[9] As a threshold matter, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the Pledged CIT Revenues are property of the Board. Section 20-90 of the Property Tax Code refers to the tax proceeds "*of any taxing district*" while Section 34-53.5 of the School Code states that "*the board may levy* … a capital improvement tax." Such provisions indicate that the Board and not the County Collectors are granted the right to levy and use the Capital Improvement Tax. Similarly, we are of the opinion that, in a properly litigated case, a bankruptcy court would determine that the lien granted to the Trustee, for the benefit of the holders of the 2016 CIT Bonds, upon the Pledged CIT Revenues under the Master Indenture and the Supplemental Indenture is valid and binding pursuant to Section 34-53.5(f) of the School Code and Section 13 of the Act.

year the 2016 CIT Bonds are outstanding as set forth in a table in the Bond Resolution. Therefore, it is reasonably clear that the Capital Improvement Tax, insofar as it is levied pursuant to the Bond Resolution, has been "specifically levied" to repay the 2016 CIT Bonds. Moreover, the Bond Resolution, which imposes the levy of the Pledged CIT Revenues, was adopted for the additional purpose of authorizing the issuance of Dedicated Tax Bonds, including the 2016 CIT Bonds. Thus, as described by the *NBC Report*, the Pledged CIT Revenues have been levied and will be collected "for the specific purpose of paying principal and interest coming due on bonds *issued in conjunction with the levy of the property tax*." *NBC Report*, at 19 (emphasis added).

Consideration must then be given to the purpose of the 2016 CIT Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, the Supplemental Indenture provides, and we assume, that the proceeds of the 2016 CIT Bonds will be used only to fund (i) a capitalized interest account for the 2016 CIT Bonds, (ii) a reserve for debt service due on the 2016 CIT Bonds (as well as additional bonds that may be issued under the Master Indenture) in the event of any deficiency of Pledged CIT Revenues at the time any bond payment is due, (iii) the costs of issuance of the 2016 CIT Bonds and (iv) the Costs of Construction that are also Permitted Expenditures and Capital Expenditures. (Supplemental Indenture § 203(F).)

As discussed above, the Costs of Construction consist of the costs of undertaking and completing the capital projects set forth on the Project List. The Project List has been approved by the Board through its adoption of the Supplemental Bond Resolution and the Board has pledged to include the Project List, as may be modified by the Board from time to time, in its annual capital improvement program, which is also approved by resolution of the Board, until the capital projects set forth on the Project List are complete. We believe that the Project List provides a reasonably identifiable and appropriate list of capital improvement projects that is consistent with the requirement under Section 902(2)(E) of the Bankruptcy Code that the subject taxes be levied to finance one or more projects.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the capital improvement costs of their respective hospital districts. Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the Costs of Construction constitute costs of "one or more projects" for purposes of Section 902(2)(E) of the Bankruptcy Code. The Costs of Construction may include certain administrative expenses, including employee salaries appropriately allocated to capital projects set forth on the Project List or professional fees and expenses, but we assume that all such costs are or will be directly related to the Project List and that the Board will not use the proceeds of the 2016 CIT Bonds to pay its general operating expenses.

In addition, the underlying statute authorizing the levy of the Capital Improvement Tax – Section 34-53.5 of the School Code – expressly limits the permitted uses of the Capital Improvement Tax to capital improvement purposes, including the construction and equipping of new school buildings, the purchase of school grounds or the rehabilitation, renovation, and equipping of existing school buildings. Consistent with these statutory requirements, the Supplemental Indenture limits the Board's use of proceeds of the 2016 CIT Bonds deposited into the 2016 Project Account to "Permitted Expenditures," which definition adopts the language of Section 34-53.5 of the School Code, and further requires that such expenditures be "Capital Expenditures," such that they may be capitalized by the Board under GAAP. These contractual requirements exceed (but remain consistent with) the statutory requirements and appear sufficient to satisfy the requirement of Section 902(2)(E) of the Bankruptcy Code that the Capital Improvement Tax is levied to finance one or more projects of the Board.

In addition to funding the Costs of Construction, the proceeds of the 2016 CIT Bonds will be used to pay certain financing costs associated with the 2016 CIT Bonds, including payment of the costs of issuance, funding of a capitalized interest account and funding of a debt service reserve. Section 902(2)(E) of the Bankruptcy Code refers to taxes that are specifically levied to "finance" one or more projects or systems and the legislative history of the statute clearly reflects Congress' understanding that such projects would be financed with municipal bonds. We view these additional uses of the proceeds of the 2016 CIT Bonds as typical and customary in municipal finance transactions of this type and, thus, reasonably within the scope of financing a municipal project through the issuance of bonds.

Nevertheless, particular attention should be given to the funding of a *consolidated* debt service reserve with the proceeds of the 2016 CIT Bonds. Under the terms of the Master Indenture, the Board may issue additional dedicated capital improvement tax bonds secured by a pledge of the Capital Improvement Tax. Thus, it is possible that proceeds of the 2016 CIT Bonds will ultimately be used – through an application of funds in the consolidated debt service reserve – to pay interest or principal payments on other bonds issued under the Master Indenture. Although, in such a scenario, the particular bonds may not be used to fund capital projects identified on the Project List, they must be used only to fund capital improvement projects of the Board permitted by Section 34-53.5 of the School Code. Therefore, it would remain true that all proceeds of the 2016 CIT Bonds would be used to finance one or more projects of the Board.

As discussed above, the Pledged CIT Revenues deposited into the Escrow Fund under the Master Indenture will be used for several purposes in addition to funding debt service due on the 2016 CIT Bonds and other bonds issued under the Master Indenture. (Master Indenture § 504(A).) In addition to funding debt service, the Pledged CIT Revenues will be used (i) to make payments due on tax anticipation notes issued by the Board in anticipation of collections of the Capital Improvement Tax, (ii) to make payments due on any subordinated indebtedness incurred by the Board that is secured by the Capital Improvement Tax revenues and (iii) to pay the Board's vendors directly for expenses that are both Permitted Expenditures and Capital Expenditures. Although none of these items will necessarily be limited to funding capital projects identified on the Project List, because of the restrictions of Section 34-53.5 of the School Code regarding the permissible uses of the Capital Improvement Tax, each of these applications may ultimately be used only for the payment or reimbursement of capital improvement projects of the Board as further limited by that statute. Moreover, although Section 902(2)(E) requires that the subject tax be levied to finance one or more projects of the debtor, it does not prohibit the use of the tax revenues for additional purposes provided that the tax revenues are not used to fund the general operating expenses of the debtor. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1005 (Spring 2015) ("The Senate Report notes that the entire amount collected by the new tax does not need to be dedicated exclusively to debt service. However, the portion of the tax that is dedicated to debt service cannot be made available for any other general municipal function."); Senate Report, at 21 ("Likewise, any special tax *or portion of a general tax* specifically levied to pay for a municipal financing shall be treated as special revenues.") (emphasis added). Here, all of the Capital Improvement Tax revenues collected and deposited into the Escrow Fund are required to be used for financing indebtedness incurred to pay capital improvement costs or to pay such capital improvement costs directly and all of the Capital Improvement Tax dedicated to the payment of the 2016 CIT Bonds are required to be used to finance the Costs of Construction associated with the Project List and certain other costs of the 2016 CIT Bonds. Accordingly, we do not believe the use of the Capital Improvement Tax under the Master Indenture for purposes other than the payment of debt service on the 2016 CIT Bonds diminishes or alters the validity of our opinions that the Pledged CIT Revenues would be held to be special revenues in a chapter 9 case of the Board.

With respect to the second requirement under Section 902(2)(E) of the Bankruptcy Code, the Bond Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged CIT Revenues may not be used to finance the general operating expenses of the Board.

Most importantly, the Board is authorized to levy the Capital Improvement Tax pursuant to Section 34-53.5 of the School Code solely for the payment of capital improvement projects of the Board. No other purposes are authorized by the statute. Accordingly, the use of Capital Improvement Tax revenues to pay the general operating expenses of the Board would violate the terms of the authorizing statute as well as the Resolutions. Consistent with these limitations, the Master Indenture and the Supplemental Indenture provide for the application of *all* Capital Improvement Tax revenues to either finance indebtedness, including the 2016 CIT Bonds, incurred to pay capital improvement costs or to pay capital improvement costs directly. Any Capital Improvement Tax revenues in excess of debt service requirements may be used only to pay for expenses that are both Permitted Expenditures and Capital Expenditures and any excess proceeds of the 2016 CIT Bonds after completion of all projects on the Project List may be transferred to the Board but then used only to pay for capital improvement projects permitted by Section 34-53.5 of the School Code. Thus, the Bond Documents require that no funds may be used for any purposes other than capital improvement purposes and related financing costs.

In addition, pursuant to Section 6 and 7 of the Bond Resolution, Section 5 of the Supplemental 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 Capital Improvement Tax into the Escrow Fund maintained by the Trustee under the Master Indenture. Section 20-90 of the Property Tax Code, provides that County Collectors "*shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, directly into a designated Escrow Fund established by the district." 35 ILCS 200/20-90 (emphasis added). Thus, upon issuance of the Deposit Direction, the County Collectors are statutorily required to deposit the Capital Improvement Tax revenues into the Escrow Fund. On each business day funds are held in the Escrow Fund, such funds will be deposited or applied in accordance with the waterfall of Section 504(A) of the Master Indenture. The Deposit Direction and the Escrow Fund prevent the Board from receiving the collections of the Capital Improvement Tax and the waterfall provisions of Section 504(A) of the Master

Indenture ensure that all debt service requirements for the 2016 CIT Bonds through the bond year ending after the year of collection may be satisfied with funds deposited in a segregated account and available to the Trustee. Only after the Pledged CIT Revenues flow through the waterfall of the Master Indenture will they become available to the Board for the direct payment of Permitted Expenditures that are Capital Expenditures (subject to the requisition and certification requirements discussed above). The application of the proceeds of the 2016 CIT Bonds under the Supplemental Indenture works similarly in that the Board may obtain access to the bond proceeds only to pay the Costs of Construction, which must also be Permitted Expenditures and Capital Expenditures and are subject to the same requisition and certification requirements applicable to the Pledged CIT Revenues. To the extent there are any surplus proceeds of the 2016 CIT Bonds after completing all projects on the Project List (which is an unlikely event given the estimated costs of such projects), the proceeds may be turned over to the Board but then may be used only to fund capital improvement projects within the scope of Section 34-53.5 of the School Code.

The direct deposit of Pledged CIT Revenues by the County Collectors into the Escrow Fund pursuant to the Master Indenture and the Deposit Direction is not necessary for the Pledged CIT Revenues to be regarded as special revenues under the Bankruptcy Code. Section 902(2)(E) of the Bankruptcy Code requires only that the Capital Improvement Tax be specifically levied to finance one or more projects of the Board and that the Pledged CIT Revenues not be used to fund the general operating expenses of the Board. Nonetheless, by preventing the Board from accessing the Pledged CIT Revenues, except to the limited extent that all debt service and other obligations under the Master Indenture are satisfied, the direct deposit pursuant to the Deposit Direction provides greater security to bondholders that the Pledged CIT Revenues will be applied properly and in a timely manner as required by the Bond Documents.

Pursuant to the Supplemental Bond Resolution, the Board has provided that the Deposit Direction shall be irrevocable. In the event that the Board nevertheless attempted to revoke the Deposit Direction and divert the Pledged CIT Revenues to the Board for applications other than payment of the 2016 CIT Bonds, the Board would be in violation of its covenants under the Master Indenture and Supplemental Indenture and applicable provisions of Illinois law. Pursuant to Section 13 of the Act, the Board is authorized to pledge the Pledged CIT Revenues for the payment of the 2016 CIT Bonds and, under the express language of the statute, the Board's pledge "is valid and ***binding*** from the time such pledge is made." 30 ILCS 350/13 (emphasis added). Similarly, Section 13 of the Act provides that "[p]ursuant to any such pledge, ***a governmental unit may bind itself to impose*** rates, charges or ***taxes*** to the fullest extent permitted by applicable law. To avail itself of these provisions, the Board has adopted the Supplemental Bond Resolution, which provides in Section 5 that "[p]ursuant to the authority granted in Section 13 of the Act, the Board binds itself irrevocably for the term of the Dedicated Tax Bonds to impose the Pledged Capital Improvement Taxes to the fullest extent permitted by law." Accordingly, the Board's pledge of the Pledged CIT Revenues to the payment of the 2016 CIT Bonds is binding on the Board pursuant to Section 13 of the Act. Any use of the Pledged CIT Revenues by the Board in violation of the Board's pledge to apply the Pledged CIT Revenues to the payment of the 2016 CIT Bonds under the Master Indenture and Supplemental Indenture, would be not only a breach of such indentures but a violation of Section 13 of the Act Furthermore, any use of the Pledged CIT Revenues by the Board for purposes other than capital improvement projects of the Board would be a direct violation of Section 34-53.5 of the School

Code. We express no opinion regarding the remedies that may be available to any party based on such violations of Section 13 of the Act and Section 34-53.5 of the School Code.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged CIT Revenues or the proceeds of the 2016 CIT Bonds for any purpose other than to finance indebtedness authorized by the Master Indenture, including the 2016 CIT Bonds, and to pay for capital improvement costs. Thus, assuming the Bond Documents are complied with, the Pledged CIT Revenues cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, if the Board commenced a chapter 9 case, the County Collectors would be authorized to continue to transfer the collections of the Capital Improvement Tax to the Escrow Fund in accordance with the terms of the Deposit Direction and the Trustee would be authorized to continue to apply the Pledged CIT Revenues to the payment of the 2016 CIT Bonds, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged CIT Revenues in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged CIT Revenues that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Direction, the Board obtains possession of the Pledged CIT Revenues (other than amounts permitted by the Master Indenture in excess of debt service requirements), there is a risk that the payment of the 2016 CIT Bonds will be delayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. Section 922(d) creates an exception to the automatic stay and thereby authorizes the continued application of pledged special revenues to the payment of bonds, but it does not compel an unwilling debtor or another party to take such action. We express no opinion regarding the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief.

Continuation of Lien on Pledged CIT Revenues

Again, as we conclude the Pledged CIT Revenues would be characterized as special revenues under Section 902(2)(E) of the Bankruptcy Code, pursuant to Section 928(a) of the Bankruptcy Code, the liens granted to the Trustee under the Master Indenture and the Supplemental Indenture upon the Pledged CIT Revenues should remain valid and enforceable against any Pledged CIT Revenues collected during the bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged CIT Revenues collected prior to the commencement of such case.

As a result, even if application of the Pledged CIT Revenues to the payment of the 2016 CIT Bonds is stayed, the Trustee, on behalf of the holders of the 2016 CIT Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged CIT Revenues, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged CIT Revenues, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the 2016 CIT Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged CIT Revenues. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[10]

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that the Pledged CIT Revenues are (i) upon collection, property of the Board validly pledged to the Trustee, for the benefit of the holders of the 2016 CIT Bonds, under Illinois law and (ii) "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code. Consequently, a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, would determine that (y) application of the Pledged CIT Revenues by the Trustee to the payment of the 2016 CIT Bonds would not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (z) Pledged CIT Revenues collected on behalf of the Board after the commencement of such a bankruptcy case would remain subject to the lien granted in favor of the Trustee under the Indenture. Our opinion that the Pledged CIT Revenues would be determined to be "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code by a federal bankruptcy court, under the conditions and subject to the qualifications articulated herein, is not altered by the possibility that the Board might revoke or modify the Deposit Direction, provided that the Pledged CIT Revenues would continue to be applied only to capital improvement projects permitted by Section 34-53.5 of the School Code and not used for the general operating expenses of the Board.

In addition, based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that in the event the Board revoked or modified the Deposit Direction in a manner that sought to deny the Trustee the deposit of the Pledged CIT Revenues for payment of principal of and interest due

---

[10] Because the 2016 CIT Bonds are dedicated tax bonds secured only by the Board's pledge of Capital Improvement Tax Revenues and not by the full faith and credit of the Board, pursuant to Section 927 of the Bankruptcy Code, assuming the bankruptcy court does conclude that the Pledged CIT Revenues are special revenues, the holders of the 2016 CIT Bonds will not be entitled to assert a general unsecured claim against the Board in the event the Pledged CIT Revenues prove insufficient to fully satisfy their claims.

on the 2016 CIT Bonds, the Board's actions would violate its covenants under the Bond Documents and Illinois law, including Section 13 of the Act.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court would reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a state's authority to control its municipalities. These considerations may allow a bankruptcy court properly to, among other things, authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We express no opinion as to the availability of temporary relief by a court pending a final determination on the merits of a proceeding seeking to determine the parties' rights with respect to the Pledged CIT Revenues.

We also refer you to the Special Report by the TriBar Opinion Committee, <u>Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions</u>, 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 and the State of Illinois or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion may be furnished to, but may not be relied upon by, the Board's professional advisors, municipal bond rating agencies engaged by the Board for the purpose of rating the 2016 CIT Bonds and the professional advisors of any such rating agencies. We further consent to the inclusion of a copy of this opinion in the appendices to the preliminary official statement and the official statement with respect to the public offering of the 2016 CIT Bonds.

Very truly yours,

McDermott
Will & Emery

Boston Brussels Chicago Dallas Düsseldorf Frankfurt Houston London Los Angeles Miami
Milan Munich New York Orange County Paris Rome Seoul Silicon Valley Washington, D.C.

Strategic alliance with MWE China Law Offices (Shanghai)

MWE DRAFT 12/05/16: SUBJECT TO REVIEW OF DEFINITIVE BOND FINANCING DOCUMENTS

[December __, 2016]

To: Barclays, as Representative of the Underwriters

Re: [Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2016]

Ladies and Gentlemen:

We have acted as counsel for the underwriters in connection with the issuance of certain bonds, designated as the [Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2016], in the aggregate principal amount of [$_______] (the "*Series 2016 Bonds*"). The Series 2016 Bonds are being issued by the Board of Education of the City of Chicago (the "*Board*"), a body politic and corporate of the State of Illinois established under and governed by Article 34 of the School Code, 105 ILCS 5/34 (the "*School Code*"). The Series 2016 Bonds are being issued pursuant to, *inter alia*, (i) section 34-53.5(f) of the School Code, (ii) the Local Government Debt Reform Act, 30 ILCS 350 *et. seq*. (the "*Debt Reform Act*"), (iii) Resolution No. 16-1026-RS1 adopted by the Board on October 26, 2016 (the "*Bond Resolution*") authorizing the issuance, from time to time, in one or more series, of its Dedicated Capital Improvement Tax Bonds in an aggregate principal amount not to exceed $840,000,000, (iv) Resolution 16-1207-RS_ adopted by the Board on December [__], 2016 (the "*Supplemental Resolution*") supplementing the Bond Resolution and authorizing specific projects to be undertaken by the Board in accordance with the requirements described herein, and (v) a Master Trust Indenture, dated as of December __, 2016 (the "*Master Trust Indenture*"), by and between the Board and Amalgamated Bank of Chicago as trustee for the Series 2016 Bonds (the "*Trustee*"), as supplemented by a First Supplemental Indenture, dated as of December __, 2016 (the "*Supplemental Indenture*" and, together with the Master Trust Indenture, the "*Indenture*"), by and between the Board and the Trustee.[1]

[1] Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

You have requested our legal opinion regarding whether, in a future bankruptcy case commenced by the Board under chapter 9 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq*. (the "*Bankruptcy Code*"), a federal bankruptcy court having jurisdiction over such case, acting reasonably, after full consideration of all relevant factors, properly and competently briefed and argued, would hold that the Pledged Capital Improvement Taxes (as defined below) that secure payment of the Series 2016 Bonds (i) upon collection, are property of the Board validly pledged to the Trustee for the benefit of the holders of the Series 2016 Bonds under Illinois law and (ii) constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code. 11 U.S.C. § 902(2)(E).

In connection with the financing, you have also requested our opinion as to whether the Board's revocation or modification of the Deposit Direction (as defined below) in a manner that sought to deny the Trustee the deposit of the Pledged Capital Improvement Taxes for payment of principal of and interest due on the Series 2016 Bonds would violate the Board's covenants under the Bond Documents and Illinois law, including Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act").

I. FACTS AND ASSUMPTIONS

The Series 2016 Bonds will be issued as dedicated capital improvement tax bonds under the Local Government Debt Reform Act and as specified in section 34-53.5 of the School Code which provides, in pertinent part, as follows:

> (a) For the purpose of providing a reliable source of revenue for capital improvement purposes, including without limitation (i) the construction and equipping of a new school building or buildings or an addition or additions to an existing school building or buildings, (ii) the purchase of school grounds on which any new school building or an addition to an existing school building is to be constructed or located, (iii) both items (i) and (ii) of this subsection (a), or (iv) the rehabilitation, renovation, and equipping of an existing school building or buildings, the board may levy, upon all taxable property of the school district, in calendar year 2003, a capital improvement tax to produce, when extended, an amount not to exceed the product attained by multiplying (1) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted by (2) $ 142,500,000. For example, if the percentage increase in the Consumer Price Index is 2.5%, then the computation would be $ 142,500,000 x 0.025 = $ 3,562,500.
>
> (b) In each calendar year from 2004 through 2030, the board may levy a capital improvement tax to produce, when extended, an amount not to exceed the sum of (1) the maximum amount that could have been levied by the board in the preceding calendar year pursuant to this Section and (2) the product obtained by

> multiplying (A) the sum of (i) the maximum amount that could have been levied by the board in the preceding calendar year pursuant to this Section and (ii) $142,500,000 by (B) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers for all items published by the United States Department of Labor for the 12 months ending 2 months prior to the month in which the levy is adopted.
>
> …
>
> (e) An initial tax levy made by the board under this Section must have the approval of the Chicago City Council, by resolution, before the levy may be extended. The board shall communicate its adoption of the initial tax levy by delivering a certified copy of the levy resolution to the Clerk of the City of Chicago. The Chicago City Council shall have 60 days after receipt, by the Clerk of the City of Chicago, of the certified resolution to approve or disapprove the levy. The failure of the Chicago City Council to take action to approve or disapprove the initial tax levy within the 60-day period shall be deemed disapproval of the initial tax levy. Upon the adoption of each subsequent levy by the board under this Section, the board must notify the Chicago City Council that the board has adopted the levy.
>
> (f) The board may issue bonds, in accordance with the Local Government Debt Reform Act …, against any revenues to be collected from the capital improvement tax in any year or years and may pledge, pursuant to Section 13 of the Local Government Debt Reform Act [*30 ILCS 350/13*], those revenues as security for the payment of any such bonds.[2]

The items described in (a)(i)-(iv) are "*Permitted Expenditures*" (as defined in the Indenture), and the taxes levied as described above are hereinafter referred to as the "*Pledged Capital Improvement Taxes*."

The Series 2016 Bonds will be secured by and payable from the Pledged Capital Improvement Taxes pursuant the Bond Resolution, the Supplemental Resolution, the Indenture and section 13 of the Debt Reform Act which provides, in pertinent part, as follows:

> A governmental unit may pledge, as security for the payment of its bonds, (1) revenues derived from the operation of any utility system or revenue producing enterprise, (2) moneys deposited or to be deposited into any special fund of the governmental unit, (3) grants or other revenues or taxes expected to be received by the governmental unit from the State or federal government, including taxes imposed by the governmental unit pursuant to grant of authority by the State, such as sales or use taxes or utility taxes, (4) special assessments to be collected with

[2] 105 ILCS 5/34-53.5(a), (b), (e) & (f).

> respect to a local improvement financed with the proceeds of bonds, or (5) payments to be made by another governmental unit pursuant to a service, user or other similar agreement with such governmental unit.
>
> Any such pledge made by a governmental unit shall be valid and binding from the time such pledge is made. The revenues, moneys and other funds so pledged and thereafter received by the governmental unit shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act; and, subject only to the provisions of prior agreements, the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the governmental unit irrespective of whether such parties have notice thereof. Pursuant to any such pledge, a governmental unit may bind itself to impose rates, charges or taxes to the fullest extent permitted by applicable law. No ordinance, resolution, trust agreement or other instrument by which such pledge is created need be filed or recorded except in the records of the governmental unit.[3]

The Series 2016 Bonds are being issued to provide funds for (i) Permitted Expenditures, (ii) the payment of certain interest that will accrue on the Series 2016 Bonds, and (iii) the payment of certain costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds are payable from the Pledged Capital Improvement Taxes that are to be levied by the Board beginning in the 2017 tax levy year and for each subsequent tax levy year pursuant to the Bond Resolution, the Supplemental Resolution, and section 34-53.5 of the School Code. 105 ILCS 5/34-53.5. Pursuant to the Bond Resolution and the Supplemental Resolution, the Board has authorized and effected irrevocably and on a multi-year basis a levy of the Pledged Capital Improvement Taxes for each year that the Series 2016 Bonds are scheduled to be outstanding, in amounts sufficient to satisfy the Annual Debt Service Requirement in any such Bond Year.

To the extent that the initial levy of Pledged Capital Improvement Taxes is insufficient to satisfy the Annual Debt Service Requirement in any such Bond Year, the Board is obligated by the terms of the Bond Resolution, the Supplemental Resolution and the Indenture to levy the Pledged Capital Improvement Taxes each year at the maximum allowable levy under section 34-53.5 of the School Code.

Pursuant to sections 502 and 503 of the Master Trust Indenture, all of the Capital Improvement Taxes, when collected, shall be paid to the Trustee, as escrow agent thereof, for immediate deposit into a the School Construction Tax Escrow Fund (the "*Escrow Fund*"), and such funds shall be held in trust by the Trustee as part of the Trust Estate. The Escrow Fund shall be an account separate and segregated from any general account maintained by or on behalf of the

[3] 30 ILCS 350/13.

Board. The Board has covenanted that it shall do, or cause to be done, all acts and things necessary to cause the Capital Improvement Taxes to be deposited into the Escrow Fund and not to any other fund or account of the Board or any other person, including without limiting the foregoing, filing the Deposit Direction (as defined below) with the County Collectors.

Pursuant to the Indenture, on each business day that Pledged Capital Improvement Taxes are deposited in the Escrow Fund by the Trustee, the Trustee, as escrow agent, is to transmit the ratable portion attributed to the Series 2016 Bonds to the Trustee until the Trustee holds an amount sufficient for the payment of the annual debt service due on or prior to the first day of March of the next Bond Year.

Pursuant to Section 504(A) of the Master Trust Indenture, on each business day, the Trustee is required to allocate moneys in the Escrow Fund as follows: First, to a Series Sub-Fund in the Debt Service Fund under the Supplemental Indenture until the amount deposited in that fund is sufficient to pay all interest and principal payments due on the Series 2016 Bonds during the next bond year; [4] second, to a Consolidated Debt Service Reserve Fund established under the Master Trust Indenture until the amount deposited in that fund is equal to 14% of the maximum amount of principal and interest payable on the Series 2016 Bonds (and any other bonds issued under the Master Trust Indenture) in any bond year that such bonds are outstanding; third, to the Debt Service Fund to fund any other obligations required under the Supplemental Indenture; fourth, to pay Tax Anticipation Notes issued by the Board in anticipation of the collection of Capital Improvement Taxes;[5] fifth, to pay Subordinated Indebtedness issued by the Board secured by Capital Improvement Tax revenues other than bonds issued under the Master Trust Indenture; and sixth, to fund a "Permitted Expenditures Account" (a subaccount of the Escrow Fund) for the purpose of paying expenses for capital projects as permitted by Section 504(B) of the Master Trust Indenture.

Pursuant to the Bond Resolution, the Supplemental Resolution, the Indenture, the Direction Regarding the Direct Deposit of Taxes Extended and Collected for payment of [Board of Education of the City of Chicago Dedicated Capital Improvement Tax Bonds, Series 2016], dated December __, 2016 (the "*Deposit Direction*") and the other transaction documents executed in connection with the issuance of the Series 2016 Bonds: (i) the Board is authorized to

[4] The Master Trust Indenture contemplates the issuance of additional dedicated tax bonds secured by a lien, of equal priority to the lien securing the Series 2016 Bonds, against the Capital Improvement Tax revenues collected on behalf of the Board. To the extent such additional bonds are issued, the Trustee will allocate the Capital Improvement Tax revenues deposited into the Escrow Fund to the annual debt service due on all outstanding series of such bonds on a *pro rata* basis.

[5] Pursuant to section 402 of the Master Trust Indenture, the Board reserves the right to issue Tax Anticipation Notes in anticipation of the collection of Capital Improvement Taxes to be collected in the current Tax Collection Year or the next ensuing Tax Collection Year. Section 402 provides that all proceeds from the sale Tax Anticipation Notes shall be deposited into the Escrow Fund and allocated pursuant to Section 504(A) of the Master Trust Indenture. Thus, the Tax Anticipation Notes have no material impact on the application of funds under the Master Trust Indenture.

direct (and has or will irrevocably direct) the Cook and DuPage County tax collectors (the "*Tax Collectors*") to collect the Pledged Capital Improvement Taxes and transmit such tax revenues to the Trustee, as escrow agent, for payment of principal and interest due on the Series 2016 Bonds[6]; (ii) the Pledged Capital Improvement Taxes will only be used to make principal and interest payments on the Series 2016 Bonds, for the payment of Capital Expenditures that are Permitted Expenditures (each as defined in the Indenture), and for the other limited purposes delineated in section 540(A) of the Master Trust Indenture; (iii) the Board will not have direct or immediate access to the Pledged Capital Improvement Taxes and such tax revenues will not be used for the Board's general purposes; (iv) the net proceeds of the Series 2016 Bonds shall be deposited into the Consolidated Debt Service Reserve Fund, the 2017 Capitalized Interest Account and the 2017 Project Account, respectively, created under the Indenture and such proceeds may be used by the Board solely for the payment or reimbursement of costs related to capital projects that are Permitted Expenditures, the funding of certain capitalized interest and the payment of certain costs of issuance; and (v) the Pledged Capital Improvement Taxes will be segregated from all other funds and accounts of the Board, including without limitation, any general or operating funds thereof, except with respect to the reimbursement of Capital Expenditures that are Permitted Expenditures pursuant to the requirements of the Permitted Expenditures Account of the Indenture.

The Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.[7]

As noted above, pursuant to section 13 of the Debt Reform Act, the Board is authorized to pledge the Capital Improvement Tax revenue for payment of the Series 2016 Bonds. In Section 5 of the Supplemental Resolution, the Board has confirmed that the multi-year levy of the Capital Improvement Tax imposed by the Bond Resolution is irrevocable for so long as the Series 2016 Bonds remain outstanding. Furthermore, pursuant to section 709(A) of the Master Trust Indenture, the Board is not permitted to amend, modify, terminate or revoke the Deposit Direction in any manner that would result in the deposit with the Trustee of less than all of the

---

[6] We express no opinion regarding the Board's power to revoke the Deposit Direction, though we note that the Board's modification and, *a fortiori*, its revocation of the Deposit Direction in a manner contrary to section 709(A) of the Master Trust Indenture would constitute an Event of Default under Section 801(3) thereunder.

[7] 35 ILCS 200/20-90 (emphasis added).

Capital Improvement Tax revenues collected on behalf of the Board in any year. Pursuant to section 13 of the Debt Reform Act, the Board's pledge of the Capital Improvement Tax revenues becomes binding immediately valid and binding:

> Any such pledge made by a governmental unit shall be valid and binding from the time such pledge is made. The revenues, moneys and other funds so pledged and thereafter received by the governmental unit *shall immediately be subject to the lien of such pledge* without any physical delivery thereof or further act; … Pursuant to any such pledge, a governmental unit *may bind itself to impose rates, charges or taxes to the fullest extent permitted by applicable law*.[8]

Accordingly, any attempt by the Board to impermissibly amend, modify, terminate or revoke the Deposit Direction in any manner not otherwise permitted under the Master Trust Indenture, and to utilize the Pledged Capital Improvement Tax revenues for some purpose other than for Capital Expenditures that are Permitted Expenditures, would (i) trigger an Event of Default under the Master Trust Indenture and (ii) violate the binding pledge prescribed under section 13 of the Debt Reform Act and Section 34-53.5 of the School Code (except to the extent that the enforceability of such provisions may be limited by bankruptcy or insolvency laws).

Pursuant to the Supplemental Resolution, the Board has authorized its Capital Improvement Program and, in particular, a specific list of authorized capital improvement projects comprising the 2017 Project, each meeting the definition of Permitted Expenditures and Capital Expenditures. The Board has represented that it will only use the Capital Improvement Taxes for Permitted Expenditures and Capital Expenditures in connection with the 2017 Project and debt service in respect of the 2017 Bonds.

II. SCOPE OF REVIEW[9]

In rendering the opinion set forth herein, we have examined and relied upon copies of the proceedings of the Board for the authorization and issuance of the Series 2016 Bonds, certified to us as being true and complete copies, including, without limitation, the following documents:

(a) the Indenture;

(b) the Bond Resolution;

(c) the Supplemental Resolution;

(d) the Deposit Direction;

[8] 30 ILCS 350/13 (emphasis added).

[9] Headings and defined terms are used in this opinion for the convenience of the recipients and have no independent legal significance.

(e) [Opinions of bond counsel];

(f) [Tax Regulatory Certificate];

(g) [Tax Collection Agreement]; and

(h) [Additional documents].

III. ASSUMPTIONS AND QUALIFICATIONS

In issuing the opinions set forth herein, we have relied upon and assume the accuracy of the Board's representations and warranties and its compliance with the covenants set forth in Articles V and VII of the Master Trust Indenture and Article III and Section 404 of the Supplemental Indenture. Our opinion is further based upon and subject to the following assumptions and qualifications:

(a) We have assumed with your permission (i) that the documents referenced herein are authentic and all signatures thereto are genuine, (ii) that each party to the documents is duly organized or formed, as the case may be, and validly exists in good standing under the laws of the jurisdiction governing its organization or formation and that each natural person who is a signatory to the documents examined by us has the legal capacity and authority to sign such documents, (iii) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (iv) that each of the parties to the documents examined by us has duly authorized, executed and delivered such documents, (v) that the representations and warranties of the Board set forth in the documents are true as of the date thereof in all respects material to the analysis herein, (vi) that the documents submitted to us as copies conform to the executed and delivered originals thereof; (vii) that the signatures on all documents submitted to us are original, (viii) 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, (ix) that each of the documents examined by us is enforceable against the parties thereto in accordance with its respective terms (except to the extent that enforceability may be limited by bankruptcy or insolvency laws), (x) that there has been no fraud, mistake or illegality on the party of any party in connection with the transactions contemplated by such documents; and (xii) the documents have not been amended, modified, terminated or superseded.

(b) We have assumed with your permission that each of the Board, the City and the Trustee have abided by, and will continue to abide by, state law and all of the resolutions and documents referenced herein to which they are parties, and that the Tax Collectors have abided by, and will continue to abide by, state law and the Deposit Directions provided by the Board.

(c) We have assumed with your permission that the statutes and resolutions referenced herein are not amended, nullified or repealed.

(d) We have assumed with your permission that the resolutions referenced herein (including, without limitation, the Bond Resolution and the Supplemental Resolution) have been duly authorized by the Board and constitute legally valid and binding obligations of the Board, enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy or insolvency laws).

(e) We have assumed with your permission that the Series 2016 Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the Board, enforceable in accordance with their terms and terms of the Indenture, the Bond Resolution and the Supplemental Resolution (except to the extent that enforceability may be limited by bankruptcy or insolvency laws);

(f) We have assumed with your permission that the Bond Resolution, as supplemented by the Supplemental Resolution, constitutes a present levy upon all of the taxable property within the School District both in the 2017 tax levy year and in each successive Bond Year in the amount of the Annual Debt Service Requirement for each such Bond Year for so long as the Series 2016 Bonds remain outstanding.

(g) We have assumed with your permission that all procedural and other requirements set forth in the School Code and the Debt Reform Act (including, without limitation, section 13 thereof) were adhered to in connection with the authorization and issuance of the Series 2016 Bonds.

(h) We have assumed with your permission that the Board has not and, as long as the Series 2016 Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Bond Resolution, the Supplemental Resolution or the specific authorizations and other terms set forth therein.

(i) We have assumed with your permission that the Chicago City Council has duly and properly approved the tax levy associated with the Series 2016 Bonds pursuant to, *inter alia*, section 34-53.5(f) of the School Code.

(j) We have assumed with your permission that the Capital Improvement Tax has been levied specifically for the Board's Capital Improvement Program, and the Board will only use funds for Permitted Expenditures and Capital Expenditures in connection with the 2017 Project and debt service in respect of the Series 2016 Bonds, as described in the Supplemental Resolution and the Indenture;

(k) We have assumed with your permission that the Board will not use or claim the right to use the collections of the Pledged Capital Improvement Taxes except as expressly permitted by the Indenture, and that the Board will not use or claim the right to use the proceeds of the Series 2016 Bonds other than to pay Permitted Expenditures, debt service in respect of the Series 2016 Bonds or as otherwise expressly permitted under the Indenture; and

(l) We have relied upon the opinion of bond counsel, being concurrently provided to you, that the Board's pledge of the Pledged Capital Improvement Taxes pursuant to section 13 of the Debt Reform Act, the Indenture and the other transaction documents executed in connection with the issuance of the Series 2016 Bonds is legal, valid and binding from the time such pledge is made and creates a perfected security interest in favor of the Trustee upon receipt thereof as security for the payment of principal and interest due on the Series 2016 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 believe that our reliance on the representations, covenants and other provisions in the transaction documents referenced herein is reasonable for purposes of the opinions expressed herein. We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based.

III. LEGAL ANALYSIS

A. Board Eligibility for Chapter 9 Bankruptcy

Before addressing the issue of whether the Pledged Capital Improvement Taxes constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code, it should be noted that this issue would only arise in the event that the Board were to file a voluntary petition for relief under chapter 9 of the Bankruptcy Code and was deemed eligible to be a debtor under the governing provisions of the Bankruptcy Code. *See* 11 U.S.C. § 109(c), 301 & 921. Among the eligibility requirements for a chapter 9 debtor under the Bankruptcy Code is that the entity must be "specifically authorized, in its capacity as a municipality or by name, to be a debtor under such chapter by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under such chapter … ." 11 U.S.C. § 109(c)(2). The statutory authorization must be "exact, plain, and direct with well-defined limits so that nothing is left to inference or implication." *Sullivan County Reg'l Refuse Disposal Dist*., 165 B.R. 165 B.R. 60, 73 (Bankr. D.N.H. 1994).

Illinois law does not currently permit municipalities in Illinois to file for protection under the Bankruptcy Code, except in accordance with the provisions of the Local Government Financial Planning and Supervision Act, 50 ILCS 320/1, which is applicable only to units of local government with populations under 25,000. Accordingly, Illinois state law does not currently authorize the Board to be a debtor in a bankruptcy proceeding. However, in the past, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit larger units of local government to be debtors in bankruptcy under the Bankruptcy Code, and the Governor has previously proposed legislation to allow for municipal bankruptcy in general, and for the Board in particular. We make no prediction as to whether any such authorizing legislation will be enacted in the future, or what limitations, if any, such enactment might impose.

To the extent that the Board is authorized through enabling legislation to become a chapter 9 debtor in the future, we discuss below whether a federal bankruptcy court having jurisdiction over such a case would hold that the Pledged Capital Improvement Taxes, pledged and levied for the specific purpose of paying for the 2017 Project and the principal and interest on the Series 2016 Bonds, constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code. 11 U.S.C. § 902(2)(E).

B. Special Protections Afforded to "Special Revenues"

The question of whether the Pledged Capital Improvement Taxes constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code is an important one, as "special revenues" are afforded favorable treatment under the Bankruptcy Code. For example, it is generally the case that, pursuant to Bankruptcy Code section 552(a), "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). With exceptions, this provision has the general effect of extinguishing a creditor's pre-petition lien with respect to property acquired by the debtor or the bankruptcy estate after the bankruptcy case is commenced. However, "special revenues" are insulated from the effect of section 552(a) pursuant to Bankruptcy Code section 928(a) which states that:

> [n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case.

11 U.S.C. § 928(a).

While section 928(a) has the effect of preserving a pre-petition lien on the debtor's post-petition "special revenues," section 928(b) provides for the subordination of such lien to the debtor's "necessary operating expenses":

> Any such lien on special revenues, other than municipal betterment assessments, derived from a project or system shall be subject to the necessary operating expenses of such project or system, as the case may be.

11 U.S.C. § 928(b). Thus, under certain circumstances, a bankruptcy court could determine that a municipal debtor is entitled to utilize "special revenues" for operating expenses before such revenues are transmitted to the indenture trustee or the beneficial owners of the bonds. The term

"necessary operating expenses" is not defined under the Bankruptcy Code, but the legislative history accompanying the provision suggests that it is intended to be limited in scope.[10]

We further note that section 552(a), by its express terms, pertains only to consensual contractual liens; it does not extinguish pre-petition statutory liens. *See Alliance Capital Management L.P. v. County of Orange* (*In re County of Orange*), 189 B.R. 499, 502 (C.D. Cal. 1995). Statutory liens,[11] to the extent they are valid and perfected under applicable state law, are not affected by Bankruptcy Code section 552(a) and continue to attach to property acquired by the debtor after the commencement of the case. But to the extent the statutory liens do not qualify as "special revenues" within the meaning of section 902(2), the enforcement of such liens may be subject to the automatic stay under sections 362(a) and 922(a).

The commencement of a bankruptcy case triggers an automatic stay under Section 362(a) of the Bankruptcy Code that generally enjoins the enforcement of creditor remedies against the debtor and its estate and properties, including "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 … or to recover a claim against the debtor that arose before the commencement of the case" as well as "the setoff of any debt owing to the debtor that arose before the commencement of the case under this title against any claim against the debtor ... ." 11 U.S.C. § 362(a)(1) & (7). As the legislative history accompanying Bankruptcy Code section 362 suggests:

[10] *See* Pub. L. 100-597 ("Necessary operating expenses are operating expenses which are necessary to keep the project or system going and producing special income ... It is not intended to displace any broader standard contained in the terms of the pledge or applicable non-bankruptcy law."). *See also Bank of N.Y. Mellon v. Jefferson Cnty*. (*In re Jefferson Cnty*.), 482 B.R. 404, 437 (Bankr. N.D. Ala. 2012) (holding that the "necessary operating expenses" under section 928(b) include expenses that are "expended to keep the system or project operating in the sense that … [it] is kept in good repair and generating the special revenues, not improvements or enhancements," as well as those that are "directly related to the project or system").

[11] The term "statutory lien" is defined under the Bankruptcy Codes as a "lien arising solely by force of a statute on specified circumstances or conditions, or lien of distress for rent, whether or not statutory, but does not include security interest or judicial lien, whether or not such interest or lien is provided by or is dependent on a statute and whether or not such interest or lien is made fully effective by statute." 11 U.S.C. § 101(53). Although we express no opinion as to whether section 13 of the Debt Reform Act creates a statutory lien on the Pledged Capital Improvement Taxes for purposes Section 101(53) of the Bankruptcy Code, a colorable argument can be made that it does even though the Board has also granted liens on such revenues pursuant to the terms of the Indenture. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County."). *See also* 30 ILCS 350/13 ("Any such pledge made by a governmental unit shall be valid and binding *from the time such pledge is made*. The revenues, moneys and other funds so pledged and thereafter received by the governmental unit *shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act*") (emphasis added).

> The automatic stay is one of the fundamental debtor protections provided by the bankruptcy laws. It gives the debtor a breathing spell from his creditors. It stops all collection efforts, all harassment, and all foreclosure actions. It permits the debtor to attempt a repayment or reorganization plan, or simply to be relieved of the financial pressures that drove him into bankruptcy.[12]

Accordingly, creditors must generally seek relief from the automatic stay in order to exercise their rights and remedies against the debtor or the debtor's property. *See* 11 U.S.C. § 362(d).

In addition to the automatic stay arising under section 362(a), in a chapter 9 case, an additional, broader stay is imposed under Bankruptcy Code section 922(a) which enjoins actions "against an officer or inhabitant of the debtor" seeking to enforce a claim against a municipal debtor. 11 U.S.C. § 922(a).

However, Bankruptcy Code section 922(d) provides an exception to the automatic stays created under sections 362(a) and 922(a), respectively, for "special revenues." Under section 922(d), a chapter 9 petition does not operate to stay the "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(a).[13] This exception to the automatic stay enables parties responsible for collecting and disbursing the debtor's pledged "special revenues" to make post-petition bond payments as they come due and to distribute "special revenue" funds to bondholders post-petition without violating the automatic stay. *Syncora Guar. Inc v. City of Detroit*, No. 13-CV-14305, 2014 U.S. Dist. LEXIS 94107, (E.D. Mich. July 11, 2014), at *5 (citing COLLIER ON BANKRUPTCY, ¶ 922.05).

C. Scope and Application of the Term "Special Revenues"

The term "special revenues" is defined under section 902(2) of the Bankruptcy Code as:

> (A) receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems;
>
> (B) special excise taxes imposed on particular activities or transactions;

---

[12] H.R. Rep. No. 595, 95th Cong., 1st Sess. 340 (1977); S. Rep. No. 989, 95th Cong., 2dSess. 54-55 (1978).

[13] The text of section 922(d) cross-references Bankruptcy Code section 927, but this is a drafting error most likely resulting from the differently numbered provisions in the Senate draft of the bill. *See generally* S. Rep. No. 100-506, at 100-506 (referring to § 928 as § 927); COLLIER ON BANKRUPTCY, ¶ 922.05[3] ("The reference in section 922(d) to section 927 is in error; the reference should be to section 928"); Robert S. Amdursky, *The 1988 Municipal Bankruptcy Amendments: History, Purposes, and Effects*, 22 URB. LAW. 1, 12-13 (1990) (noting the drafting error and correcting it to a cross reference to section 928).

> (C) incremental tax receipts from the benefited area in the case of tax-increment financing;
>
> (D) other revenues or receipts derived from particular functions of the debtor, whether or not the debtor has other functions; or
>
> (E) 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). This definition delineates five categories of "special revenues"; three of which involve tax revenue streams and the other two of which cover non-tax-related receivables.

For purposes of analyzing the application of the term "special revenues" to the Pledged Capital Improvement Taxes at issue in the instant financing, our focus is on subsection (E) – *i.e.*, "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) (emphasis added).

As a leading bankruptcy commentator notes:

> [T]axes available for general municipal purposes do not constitute "special revenues." If, however, the taxes are identified and restricted in use to a specific project or system, they may qualify as special revenues. An additional sales or property tax levy to support bonds issued to finance construction of a particular project or system such as a stadium or rapid transit may qualify, whether or not the project or system itself is revenue producing or whether it is supported solely or primarily through taxes specially levied to support the project or system. The important consideration in the applicability of this subparagraph (E) is the nature and scope of the restrictions placed on the use of the tax receipts and the specific identification of the tax receipts.[14]

The legislative history accompanying the enactment of section 902(2) provides additional insight into the proper scope and construction of the term "special revenues." The Senate Report recognizes that "any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues." S. Rep. No. 100-506, at 21 (1988). A House Report denotes the restricted use and application of special tax revenues is a key factor in determining whether such revenues qualify as "special revenues" under section 902(2):

> [W]here a special property tax is levied and collected for the specific purposes of paying principal and interest coming due on bonds issued in conjunction with the

[14] COLLIER ON BANKRUPTCY, ¶ 902.03[5].

> 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."[15]

A separate House Report discussing the addition of Section 902(2) 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."[16]

Our research revealed that, while several cases discuss section 902(2), there are only two reported case law decisions addressing the scope and application of Bankruptcy Code subsection (E) thereof – *In re Heffernan Mem'l Hosp. Dist*., 202 B.R. 147 (Bankr. S.D. Cal. 1996) and *In re Sierra Kings Health Care Dist*., No. 09.19728-B-9, 2010 Bankr. LEXIS 6536 (Bankr. E.D. Cal. Sept. 13, 2010).[17]

The *Heffernan* case involved a California hospital district that sought protection under chapter 9. The debtor and the city organized a special financing authority and obtained voter-approval for the issuance of certain sales tax revenue bonds, the proceeds of which were to be used to purchase certain of the debtor's obligations and pay creditors in accordance with the debtor's proposed chapter 9 plan of adjustment. The bonds were secured by a pledge of the newly levied sales tax revenues. The court held that the sales tax revenue, though not levied to finance a new capital project, nonetheless constituted "special revenues" under section 902(2)(E) based upon the court's finding that the revenues were "restricted in use to a specific project or system." 202 B.R. at 149 (quoting COLLIER ON BANKRUPTCY, ¶ 902.01A). Among the factors that the court considered was that the tax revenues were earmarked solely for the security and payment of the bonds, and that the revenues which were not available for "general municipal purposes." *Id.* The court, therefore, confirmed the debtor's chapter 9 plan of adjustment. *Id.*

The *Sierra Kings* case involved a California healthcare district that sought protection under chapter 9. The debtor had defaulted on certain of its general obligation bonds which were issued years prior to improve and expand several facilities owned by the district. The general obligation

---

15 134 Cong. Rec. H77-03 (1988) (addressing H.R. 3845).

16 H.R. 1011, 100th Cong., 2d Sess. 6 (1988) (addressing H.R. 5347) (emphasis added).

17 The court in *Jefferson Cnty*., 482 B.R. at 428, found that the sewer system's operating revenues and taxes constituted "special revenues" within the meaning of Bankruptcy Code sections 902(2)(A), (D) and (E), but the court did not address or explicate the interpretation or application of subsection (E). Moreover, the litigants in *Jefferson Cnty*. agreed that the revenues at issue qualified as special revenues under section 902(2)(A). 465 B.R. 243, 276 (Bankr. N.D. Ala.), *opinion amended and superseded*, 474 B.R. 228 (Bankr. N.D. Ala. 2012), *aff'd*, No. BR 11-05736-TBB, 2012 WL 3775758 (N.D. Ala. Aug. 28, 2012) ("The Indenture Trustee and the Receiver agree that the revenues of the County's sewer system that are Pledged Revenues defined by sections 1.1 and 2.1 of the Indenture are special revenues under § 902(2)(A)").

bonds were secured by *ad valorem* property taxes without limitation as to rate or amount. Although the court discussed the application of section 902(2)(E), the court was not required to make an independent legal determination regarding whether the *ad valorem* property tax revenues fell within the definition of "special revenues" but did approve a settlement and compromise that required the debtor to acknowledge and stipulate that the tax revenues were, in fact, "special revenues" as defined in section 902(2)(E) of the Bankruptcy Code. 2010 Bankr. LEXIS at *18-19.

In analyzing the overall treatment of the Pledged Capital Improvement Taxes in bankruptcy and whether the Pledged Capital Improvement Taxes qualify as "special revenues" under section 902(2)(E), a reviewing court is likely to consider the following factors:

(a) pursuant to the Bond Resolution, the Series 2016 Bonds are being issued to (i) finance project costs – *i.e.*, the costs of acquisition, construction and equipping of school buildings, site improvements and other real and personal property in and for the School District – that constitute Capital Expenditures and Permitted Expenditures, (ii) the payment of certain interest that will accrue on the Series 2016 Bonds, and (iii) the payment of certain costs of issuance of the Series 2016 Bonds;

(b) pursuant to the Indenture and the Supplemental Resolution, the Pledged Capital Improvement Taxes may be used only for Permitted Expenditures and Capital Expenditures in connection with the 2017 Project or debt service in respect of the 2017 Bonds;[18]

(c) the Pledged Capital Improvement Taxes are subject to a valid lien under section 13 of the Debt Reform Act, 30 ILCS 350/13, the Indenture and the other transaction documents executed in connection with the issuance of the Series 2016 Bonds;

(d) pursuant to the Indenture, the net proceeds of the Series 2016 Bonds will be deposited into the Consolidated Debt Service Reserve Fund, the 2017 Capitalized Interest Account and the 2017 Project Account, respectively, and such proceeds may be used by the Board solely for (i) the payment or reimbursement of costs related to capital projects that are Permitted Expenditures and Capital Expenditures (defined by reference to "'projects and systems' as such term is used in Section 902 of the U.S. Bankruptcy Code"), (ii) the funding of certain capitalized interest and (iii) the payment of certain costs of issuance.

[18] As a threshold matter, we are of the opinion that a federal bankruptcy court having jurisdiction over a chapter 9 bankruptcy case commenced by the Board, acting reasonably, after full consideration of all relevant factors, properly and competently briefed and argued, would determine that the Pledged Capital Improvement Taxes are the property of the Board. Section 20-90 of the Property Tax Code refers to the tax proceeds "of any taxing district" while Section 34-53.5 of the School Code states that "the board may levy … a capital improvement tax." These provisions demonstrate that the Board and not the County Collectors are granted the right to levy and use the Capital Improvement Tax.

(e) pursuant to the Indenture, in order to obtain a disbursement from the Permitted Expenditures Account, the Board must submit to the Trustee (i) a requisition detailing the purpose for which the obligation was incurred and (ii) a certification that the obligation is a proper Capital Expenditure and a proper Permitted Expenditure;

(f) under the governing provisions of the School Code, the Debt Reform Act, the Bond Resolution, the Supplemental Resolution and the Indenture, the use and application of the Pledged Capital Improvement Taxes is restricted to the payment of the principal and interest of the Series 2016 Bonds, the payment of Capital Expenditures that are Permitted Expenditures and the other limited purposes delineated in section 540(A) of the Master Trust Indenture;

(g) the Board will not have direct or immediate access to the Pledged Capital Improvement Taxes, and such tax revenues will not be used for Board's general purposes;

(h) pursuant to the Bond Resolution, the Supplemental Resolution, 35 ILCS 200/20-90, the Indenture and the Deposit Direction, the Board is authorized to direct (and has or will irrevocably direct) the Tax Collectors to collect the Pledged Capital Improvement Taxes and transmit such tax revenues to the Escrow Fund for payment of principal and interest due on the Series 2016 Bonds;

(i) pursuant to the Indenture, on each business day that Pledged Capital Improvement Taxes are deposited in the Escrow Fund, the Trustee is to allocate the money in the Escrow Fund in the order of priority specified in the Indenture, including lastly to the Permitted Expenditures Account of the Escrow Fund for disbursement in accordance with the Indenture; and

(j) the Pledged Capital Improvement Taxes will be segregated from all other funds and accounts of the Board, including without limitation, any general or operating funds thereof, except with respect to the reimbursement of Capital Expenditures that are Permitted Expenditures.

Based upon these factors, a straight-forward application of the statutory language in section 902(2)(E), the earmarking of the Series 2016 Bonds proceeds for capital improvement "projects and systems" rather than the general purposes of the Board, the proper restrictions regarding the application of the Pledged Capital Improvement Taxes to the payment of principal and interest due on Series 2016 Bonds and the payment of Capital Expenditures that are Permitted Expenditures, the segregation of the Pledged Capital Improvement Taxes from the other funds and accounts of the Board (including without limitation, any general or operating funds thereof), and the case law, legislative history and other legal authorities cited herein, we conclude (subject to the assumptions, qualifications, limitations and exceptions set forth herein) that a court having jurisdiction over a chapter 9 bankruptcy case commenced by the Board would determine that the Pledged Capital Improvement Taxes that secure payment of the Series 2016 Bonds (i) upon collection, are property of the Board validly pledged to the Trustee for the benefit of the holders of the Series 2016 Bonds under Illinois law and (ii) constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code.

However, we note that the issue is not free from doubt, as there is no controlling case law authority addressing the "special revenues" qualification of capital improvement taxes pledged and levied under section 34-53.5 of the School Code and/or section 13 of the Debt Reform Act. And, indeed, there are very few reported decisions addressing the scope and application of the term "special revenues" under section 902(2) generally, let along subsection (E) thereof. Neither of the two reported decisions cited above addressing subsection (E) arose in the Seventh Circuit, which is where a bankruptcy filing by the Board would be filed. Moreover, in certain of the few Chapter 9 cases which have been filed, debtors have asserted exceedingly narrow views of what constitutes "special revenues," preferring to assert any conceivable argument to the effect that the particular proceeds do not qualify as "special revenues," with the goal of making the proceeds generally available. While such arguments have yet to persuade any federal bankruptcy court, settlements favorable to the debtor have resulted, and no assurance can be given that in financial extremis the Board may not make the same type of arguments notwithstanding its stated pledge not to do so.

IV. REASONED OPINION

Based upon the foregoing, and upon our examination of such questions of law and statutes as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that a federal bankruptcy court having jurisdiction over a chapter 9 bankruptcy case commenced by the Board, acting reasonably, after full consideration of all relevant factors, properly and competently briefed and argued, would hold that the Pledged Capital Improvement Taxes that secure payment of the Series 2016 Bonds (i) are upon collection property of the Board validly pledged to the Trustee, for the benefit of the holders of the series 2016 Bonds, under Illinois law and (ii) constitute "special revenues" within the meaning of section 902(2)(E) of the Bankruptcy Code, and that, consequently, (y) any and all of such pledged taxes levied and collected after the commencement of the chapter 9 case would remain subject to the Trustee's lien pursuant to section 928(a) of the Bankruptcy Code, and (z) the collection and application of the Pledged Capital Improvement Taxes by the Trustee would not be subject to an automatic stay pursuant to section 922(d) of the Bankruptcy Code. *See* 11 U.S.C. §§ 902(2)(E), 922(d) & 928(a). Our opinion that the Pledged Capital Improvement Tax revenues would be determined to be "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code by a federal bankruptcy court, under the conditions and subject to the qualifications articulated herein, is not altered by the possibility that the Board might revoke or modify the Deposit Direction, provided that the Pledged Capital Improvement Tax revenues would continue to be applied only to capital improvement projects permitted by Section 34-53.5 of the School Code and not used for the general operating expenses of the Board.

In addition, based upon our examination of such questions of law and statutes as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, it is our opinion that in the event the Board sought to impermissibly amend, modify, terminate or revoke the Deposit Direction in any manner not otherwise permitted under the Master Trust Indenture, and to utilize the Pledged Capital Improvement Tax revenues for some purpose other than for Capital Expenditures that are Permitted Expenditures, the Board's actions would (i) trigger an Event of Default under the Master Trust Indenture and (ii) violate the binding pledge prescribed under section 13 of the Debt Reform Act and Section 34-53.5 of the School Code (except to the extent that the enforceability of such provisions may be limited by bankruptcy or insolvency laws). We express no opinion regarding the remedies that may be available to any party based on such violations of Section 13 of the Act and Section 34-53.5 of the School Code.

Our opinion is reasoned and presumes that any decision rendered will be based on existing legal precedents in other circuits, including those discussed herein. However, as noted above, the issue is not free from doubt, as there is no controlling case law authority or binding legal precedent addressing the "special revenues" qualification of capital improvement taxes pledged and levied under section 34-53.5 of the School Code and/or section 13 of the Debt Reform Act, so no assurance can be given that a bankruptcy court would not hold otherwise.

The opinion expressed herein is not a guaranty as to what any particular federal bankruptcy court would actually hold, but a reasoned opinion as to the decision a federal bankruptcy court would reach if the issues are properly presented to it, and the federal bankruptcy court followed existing precedent as to legal and equitable principles applicable in bankruptcy cases. In this regard, we note that legal opinions on bankruptcy law matters unavoidably have inherent limitations that generally do not exist in respect of other issues on which opinions to third parties are typically given. These limitations arise, for instance, from the expansive equitable powers that courts can exercise in bankruptcy or other insolvency proceedings. These limitations may apply with greater force in the case of a municipal bankruptcy under chapter 9 of the Bankruptcy Code than in a bankruptcy case under another chapter of the Bankruptcy Code because of the scarcity of reported decisions under chapter 9, the relative infrequency of chapter 9 cases, and the substantial deference that a court may accord to the needs a governmental entity may have in protecting public health, safety, and welfare. The recipients of this opinion should take these limitations into account in analyzing the bankruptcy risks associated with the transactions described herein.

We express no opinion as to the availability of temporary relief by a court pending a final determination on the merits of a proceeding seeking to determine the parties' rights with respect to the Pledged Capital Improvement Tax revenues.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing, and Chapter 11 Transactions, 46

BUS. LAW. 717, 733 (1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.[19]

We do not assume any continuing obligation or responsibility to advise you of any changes in law, or any change in circumstances of which we become aware, which may affect the opinion contained herein or to update, revise or supplement this opinion for any other reason. Thus, the risk of uncertain outcomes in actual cases cannot be eliminated even when an opinion letter is rendered. Opinions of counsel are not binding on any court or party to the court proceeding.

This opinion is written solely for the benefit of the addressee[s]; no other persons or entities are entitled to rely on this opinion in any way without our express written consent. Copies of this opinion may be furnished to, but may not be relied upon by, the Board's professional advisors, municipal bond rating agencies engaged by the Board for the purpose of rating the Series 2016 Bonds and the professional advisors of any such rating agencies. Our opinions are limited to matters of Illinois law and applicable federal law, and we assume no responsibility as the applicability of laws of other jurisdictions. This opinion is limited to the matters expressly set forth herein and no opinion is implied or may be inferred beyond the matters expressly so stated. This opinion is given as of the date hereof and we do not undertake any liability or responsibility to inform you of any change in circumstances occurring, or additional information becoming available to us, after the date hereof which might alter the opinions contained herein.

Very truly yours,

McDermott Will & Emery LLP

DM_US 77975312-8.071370.0011

[19] *See also* Real Estate Opinion Letter Guidelines, 38 REAL PROP. PROB. & TR. J. 241, 250 (Summer 2003); TriBar Opinion Comm., Third-party "Closing" Opinions, 53 Bus. Law. 592, 607 n. 37 (1998); Model Bond Opinion Report, National Association of Bond Lawyers Committee on Opinions and Documents (February 14, 2003).

APPENDIX I

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York ("**DTC**"), has been furnished by DTC for use in this Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds are 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 the 2016 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "**Exchange Act**"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "**SEC**"). More information about DTC can be found at www.dtcc.com.

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued. See "THE 2016 BONDS - General."

To facilitate subsequent transfers, all 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 2016 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 2016 Bonds are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the 2016 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2016 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 2016 Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such 2016 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 THE 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOARD OF EDUCATION OF THE CITY OF CHICAGO • DEDICATED CAPITAL IMPROVEMENT TAX BONDS, SERIES 2016

Chicago Public Schools

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com