DAC Bond®

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

*In the opinion of Quarles & Brady LLP and Hardwick Law Firm, LLC, Co-Bond Counsel ("**Bond Counsel**"), assuming continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the 2015 Project Bonds is excludable from gross income of the owners thereof and is not an item of tax preference for federal income tax purposes. Interest on the 2015 Project Bonds is not exempt from present State of Illinois income taxes. See **APPENDIX F** and "**TAX MATTERS**."*

BOARD OF EDUCATION OF THE CITY OF CHICAGO
UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED ALTERNATE REVENUES)

$280,000,000
Series 2015C Project Bonds

$20,000,000
Series 2015E Project Bonds (Green Bonds)

The Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues) will be issued by the Board of Education of the City of Chicago (the "**Board**") in two series: $280,000,000 Series 2015C ("**Series 2015C Project Bonds**") and $20,000,000 Series 2015E (Green Bonds) ("**Series 2015E Project Bonds**" and collectively the "**2015 Project Bonds**" or the "**Bonds**").

The proceeds of the Bonds will be used, together with certain funds legally available to the Board, to (i) provide funds for the continued implementation of the Board's Capital Improvement Program, including the Green Bond Projects, as described herein, (ii) fund capitalized interest on certain series of the Bonds, and (iii) pay the costs of issuance of the Bonds (including the Underwriters' discount).

The maturities, amounts, interest rates and payment dates, prices or yields, and CUSIP numbers of the 2015 Project Bonds are set forth on the inside cover. Certain series of the Bonds are subject to redemption prior to maturity as described herein.

The 2015 Project Bonds will be fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Principal of and interest on the Bonds will be paid by the trustee under the Indenture (as defined herein) pursuant to which such Bonds are issued (the "**Trustee**"), as trustee, registrar and paying agent for the Bonds, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursal to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See "**THE BONDS – Book-Entry-Only System**."

The Bonds are general obligations of the Board to the payment of which the Board has pledged its full faith and credit. The Bonds are Alternate Revenue Bonds (as defined herein) and are payable from and secured by a lien on Pledged State Aid Revenues (as defined herein). To the extent that the Pledged State Aid Revenues securing a series of Bonds are insufficient to pay debt service, such Bonds will be payable from *ad valorem* taxes levied by the Board, without limitation as to rate or amount, against all of the taxable property in the School District (as defined herein) governed by the Board, the boundaries of which are coterminous with the boundaries of the City of Chicago. The Bonds are also payable from all funds, accounts and sub-accounts established as security for such Bonds pursuant to the Indenture pursuant to which such Bonds are issued. See "**SECURITY FOR THE BONDS**."

The 2015 Project Bonds are being offered when, as and if issued and received by the Underwriters, subject to the delivery of the approving legal opinions of Bond Counsel. In connection with the issuance of the 2015 Project Bonds, certain legal matters will be passed upon for the Board by its General Counsel, James L. Bebley, and by its special counsel, Katten Muchin Rosenman LLP, Chicago, Illinois, and for the Underwriters by their co-counsel, Thompson Coburn LLP, Chicago, Illinois and Charity & Associates, P.C., Chicago, Illinois.

Delivery of the Bonds is expected to be made through the facilities of DTC in New York, New York, on or about April 29, 2015.

PNC Capital Markets LLC **BMO Capital Markets**

Cabrera Capital Markets, LLC **Loop Capital Markets** **Siebert Brandford Shank & Co., L.L.C.** **Wells Fargo Securities**

Citigroup **Estrada Hinojosa & Company, Inc.** **Goldman, Sachs & Co.** **Jefferies**

Mesirow Financial, Inc. **Ramirez & Co., Inc.** **William Blair**

Dated: April 21, 2015

$280,000,000 Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues) Series 2015C

Interest is payable on June 1 and December 1 of each year, commencing December 1, 2015 / Base CUSIP*: 167505

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2035†	$110,000,000	5.25%	5.53%	96.578%	167505 QP4
2035†‡	5,000,000	6.00%	5.38%	104.591%	167505 QQ2
2039†	165,000,000	5.25%	5.63%	94.968%	167505 QR0

$20,000,000 Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues) Series 2015E (Green Bonds)

Interest is payable on June 1 and December 1 of each year, commencing December 1, 2015 / Base CUSIP*: 167505

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2032	$20,000,000	5.125%	5.42%	96.676%	167505 QS8

† Term bond; subject to mandatory sinking fund redemption.

‡ Priced to the first call date.

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

This Official Statement should be considered in its entirety. All references herein to laws, agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Bonds are further qualified by reference to the information with respect thereto contained in the Indenture for the 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 federal and State funding of programs which may affect the transfer of funds from the federal and State 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 2015 PROJECT BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER 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

TABLE OF CONTENTS

APPENDICES

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOARD OF EDUCATION OF THE CITY OF CHICAGO

UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED ALTERNATE REVENUES)

\$280,000,000	**\$20,000,000**
Series 2015C Project Bonds	**Series 2015E Project Bonds (Green Bonds)**

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 the 2015 Project Bonds (as defined herein and also referred to herein as the "**Bonds**"). All capitalized terms used in this Official Statement and not otherwise defined in the body of this Official Statement have the same meanings as assigned thereto in **APPENDIX B – "DEFINITIONS OF CERTAIN TERMS**." A summary of certain provisions of the Indenture (as defined herein) is attached as an Appendix to this Official Statement. See **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2015C/E INDENTURE.**"

The Bonds

The Bonds are "*alternate bonds*" (defined herein as "**Alternate Revenue Bonds**") issued under Illinois' Local Government Debt Reform Act, as amended (30 ILCS 350 et. seq.) (the "**Debt Reform Act**"), which are "*general obligation bonds*" backed by the full faith and credit of the Board and are payable from and secured by "*alternate revenues*" pledged by the Board (the "**Pledged Revenues**"). The Pledged Revenues securing the Bonds are Pledged State Aid Revenues (as defined herein). The Board has levied *ad valorem* property taxes against all of the taxable property in the School District (as defined herein), without limitation as to rate or amount, for each year that the Bonds are outstanding, in amounts sufficient to pay debt service on the Bonds when due (the "**Pledged Taxes**"). In addition, the Board has covenanted to take all actions necessary to cause the levy and extension of *ad valorem* property taxes in excess of those previously levied if necessary to pay debt service on the Bonds and without limitation as to rate or amount. The Pledged Taxes will be collected each year and applied to payment of the Bonds in the event that there has not been deposited with the Trustee under the Indenture securing such Bonds (from Pledged State Aid Revenues or, at the option of the Board, from other legally available funds of the Board) the total annual debt service payable on the Bonds in such year. Each series of the Bonds will be issued pursuant to a Bond Resolution ("**Bond Resolution**") of the Board and a trust indenture with a trustee that pledges and grants a lien on the Pledged State Aid Revenues, the Pledged Taxes and all funds, accounts and sub-accounts maintained as security for the Bonds issued thereunder. See "**SECURITY FOR THE BONDS**."

The 2015 Project Bonds will be issued in two series: \$280,000,000 Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues), Series 2015C (the "**Series 2015C Project Bonds**") and \$20,000,000 Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues), Series 2015E (Green Bonds) (the "**Series 2015E Project Bonds"**). The Series 2015C Project Bonds and Series 2015E Project Bonds will be issued under a Trust Indenture dated as of March 1, 2015 (the "**Series 2015C/E Indenture**" or the "**Indenture**"), by and between the Board and Zions First National Bank, Chicago, Illinois, as Trustee, registrar and paying agent (the "**Trustee**"). See **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2015C/E INDENTURE."**

Use of Proceeds of the Bonds

The proceeds of the Bonds will be used, together with certain funds legally available to the Board, to (i) provide funds for the continued implementation of the Board's Capital Improvement Program, including the Green Bond Projects, as described herein, (ii) fund capitalized interest on certain series of the Bonds, and (iii) pay the costs of issuance of the Bonds (including the Underwriters' discount). See "**BOARD OF EDUCATION OF THE CITY OF CHICAGO—Capital Improvement Program,**" **"PLAN OF FINANCE**" and **"– Estimated Sources and Uses of Funds."**

Other 2015 Alternate Revenue Bonds and Use of Proceeds

On March 26, 2015 the Board issued its $89,200,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015A (the "**Series 2015A Bonds"**) and its $88,900,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015G (the "**Series 2015G Bonds**") as variable rate index bonds pursuant to a separate offering. The net proceeds of the Series 2015A Bonds provided funds to currently refund the Board's outstanding Series 2000B Bonds and the net proceeds of the Series 2015G Bonds provided funds to currently refund the Board's outstanding Series 2011D Bonds. Approximately $4.3 million of alternate revenue bonds previously expected by the Board to be issued as fixed rate bonds pursuant to a separate offering during the current fiscal year instead have been combined with and will be issued as a part of the Series 2015C Project Bonds.

Bond Authorizations Under the Debt Reform Act and Prior Authorization Bonds

Pursuant to the Debt Reform Act, the Board has adopted a resolution authorizing the issuance of each series of the Bonds as Alternate Revenue Bonds (each such resolution is referred to herein as an "**Authorization**"). Each Authorization authorizes the issuance of Alternate Revenue Bonds in a not to exceed principal amount payable from a designated source of Pledged Revenues. To the extent the Bonds are payable from Pledged Revenues consisting of State or federal funds, the Authorization must include a determination by the Board that the Pledged Revenues are sufficient in each year to pay debt service on the bonds authorized and provide an additional 10% coverage (provided that, for Authorizations adopted prior to 2003 or providing other sources of Pledged Revenues, the required additional coverage is 25%).

The 2015 Project Bonds are issued pursuant to a resolution adopted by the Board on September 25, 2012 (the "**2012 Authorization**"), authorizing the issuance of Alternate Revenue Bonds in a principal amount not to exceed $750,000,000 and payable annually from not more than $150,000,000 of the State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code. The Board has previously issued Alternate Revenue Bonds under the 2012 Authorization which will remain outstanding following implementation of the Board's Plan of Finance (as herein defined) as follows: $109,825,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2012B, $150,000,000 (not to exceed) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2013B ("**Series 2013B Bonds**"), and $150,000,000 (not to exceed) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013C ("**Series 2013C Bonds**"). The 2015 Project Bonds will use all but $40,175,000 of the remaining bonding authority under the 2012 Authorization.

In accordance with the Debt Reform Act, the Board has caused to be published, in a newspaper of general circulation within the School District, a copy of each Authorization and a notice that the bonds to be issued pursuant to such Authorization are subject to a "*back-door referendum*" on the filing of a petition by the required number of voters pursuant to the Debt Reform Act. No such petition requiring a "*back-door-referendum*" was filed with the Board. In connection with each Authorization the Board has called and published a notice of a public hearing concerning the intent of the Board to sell bonds authorized by such Authorization pursuant to the provisions of Illinois' Bond Issue Notification Act (30 ILCS 352). Following such public hearing, the Board is authorized to adopt one or more Bond

Resolutions authorizing the issuance of Alternate Revenue Bonds up to the amount authorized in each Authorization.

SECURITY FOR THE BONDS

Bonds Are General Obligations of the Board

The Bonds are the direct and general obligations of the Board to the punctual payment of which the Board has pledged its full faith and credit and taxing power. The Bonds are not the obligations of the City of Chicago, the State or any other political subdivision of the State (other than the Board). Neither the full faith and credit nor the taxing power of the City of Chicago, the State or any other political subdivision of the State (other than the Board) is pledged to the payment of the Bonds.

Source of Payment for the Bonds – Pledged State Aid Revenues and Pledged Taxes

Each series of the 2015 Project Bonds will be secured by a lien on and are payable from the (i) Pledged State Aid Revenues (as defined herein) securing such series of the Bonds, and (ii) Pledged Taxes levied by the Board against all of the taxable property in the School District (as defined herein), without limitation as to rate or amount. See "**—Pledged Taxes**" and "**—Pledged State Aid Revenues.**"

Statutory Pledge and Lien

As Alternate Revenue Bonds, the Bonds are entitled to the benefits and security of the Debt Reform Act that provides that the pledge of the Pledged Revenues and the Pledged Taxes as security for the payment of the Bonds is valid and binding from the time such pledge is made and that the pledge of the Pledged Revenues, Pledged Taxes and the other moneys and funds so pledged and thereafter received by the Board shall be immediately subject to the lien of such pledge without any physical delivery or further act and that the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board irrespective of whether such parties have notice of such lien. The Debt Reform Act also provides that covenants relating to Alternate Revenue Bonds are enforceable by any bondholder. The right to such enforcement is included in the Indenture securing the Bonds.

Pledged State Aid Revenues

<u>Security for the 2015 Project Bonds, the Series 2015A Bonds and Series 2015G Bonds</u>. Portions of the State Aid revenues received by the Board have been pledged as Pledged State Aid Revenues securing the 2015 Project Bonds, the Series 2015A Bonds and the Series 2015G Bonds.

<u>Outstanding Pledged State Aid Alternate Revenue Bonds</u>. In addition to the bonds described in the foregoing paragraph, the Board has issued and has outstanding approximately $4,902,047,800 aggregate principal amount of Alternate Revenue Bonds secured by Pledged State Aid Revenues under various Authorizations of the Board (the "**Outstanding Pledged State Aid Alternate Revenue Bonds**"). See **APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014.**"

<u>Overview of State Aid</u>. General State Aid ("**GSA**" or "**State Aid**") represents the major portion of State support for Illinois public elementary and secondary schools. GSA is not targeted or categorical in nature, but may generally be expended at the discretion of the local school districts. However, the School Code requires the Board to dedicate a minimum of $261.0 million annually from its GSA revenue (the "**Supplemental General State Aid Allocation**") to schools for supplemental programs for children from low-income families and such amount cannot be pledged by the Board as Pledged Revenues securing Alternate Revenue Bonds.

<u>State Aid Calculation and Payment</u>. GSA consists of a regular foundation formula claim and a poverty grant. The calculation of the regular foundation claim depends primarily upon the foundation

level (i.e. dollar level of financial support per student representing the combined total of State and local resources available), a school district's best three months' average daily attendance, and local resources such as equalized assessed valuation of property and corporate personal property replacement taxes ("**PPRT**") within the school district. For fiscal year 2015, the foundation level is set at $6,119. The poverty grant depends on the school district's Department of Human Services low-income count for the fiscal year under consideration.

In calculating GSA, the State employs a formula consisting of a number of variables, including one referred to as "*available local resources*." One factor used in determining a school district's available local resources is the amount of revenue that it derives from local property taxes and PPRT. Consequently, the level of GSA in future years may be impacted by a number of factors, including (i) changes in the equalized assessed valuation of property within the School District, (ii) the addition of new property to the School District's tax base, and (iii) the determination of the School District's maximum operating tax rate in any given year under the Limitation Law.

The School Code provides for semimonthly GSA payments to be made during the months of August through June in an amount equal to 1/22 of the total amount to be distributed and are to be made as soon as possible after the 10th and 20th days of each month. Typically, payments are available on the 11th and 21st days of the month or on the following working day if the payment date falls on a weekend or a holiday.

Appropriation by the General Assembly. Even though GSA payments are calculated according to the formulas summarized above, they are also subject to appropriation by the General Assembly. Since fiscal year 2010, the General Assembly has not appropriated sufficient funds to fund the State Aid claims for school districts in Illinois. The Illinois State Board of Education is required by law to prorate payments to school districts when the Illinois Legislature allocates only a portion of the needed funds. As a result since fiscal year 2010, the Board has received a portion of its statutory claim as follows:

2010	2011	2012	2013	2014	2015
98.3%	99.9%	95.0%	89.2%	88.7%	89.1%

The Board expects to receive 89.1% of the GSA claim in fiscal year 2015 and the Board's fiscal year 2015 budget reflects these amounts. Although the Board has experienced delays in receipt of certain funds due from the State in recent years, payments of appropriated amounts of GSA from the State have consistently been received by the Board on time over the last 10 years.

Because receipt of GSA payments is subject to appropriation by the General Assembly, they are consequently subject to the availability of sufficient revenues to the State of Illinois and competing obligations and spending priorities of the State of Illinois. The Board cannot predict that such revenues, obligations and spending priorities will result in the Board receiving the full value of its GSA payments in any given year.

Further financial information regarding the State of Illinois may be obtained on its 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.

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

In addition to the general requirement of maintaining recognition, the Board must also adhere to a variety of other legislated standards in order to receive State financial support, including the following:

- Filing of an annual plan describing the distribution of its Supplemental General State Aid Allocation ($261 million) to its attendance centers based on the number of students eligible to receive free or reduced-price lunches or breakfasts under the federal Child Nutrition Act of 1966.
- 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. The financial loss is calculated on the basis of a daily penalty of .56818 percent (1 divided by 176) for each day of required operation not met. Under certain circumstances, a school district may not be penalized for failure to meet the required school calendar requirement.
- Filing of an annual report relating to the number of children who have received, have not received, or are exempted from necessary immunizations and health examinations. If less than 90 percent of those students enrolled in a school district have had the necessary immunizations or health examinations, 10 percent of each subsequent State Aid payment is withheld by the regional superintendent until the school district is in compliance with the 90 percent requirement.

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

Historical State Aid Revenues. In fiscal year 2015, the Board expects to receive $1,022.6 million in GSA, with an additional payment of $16.3 million in expected adjustments on prior-year GSA allocations. Of the $1,022.6 million in GSA, the amount of $261 million (Supplemental General State Aid Allocation) must be appropriated directly to schools within the School District based on the number of low-income students, consistent with State statute.

The following table sets forth the total GSA received by to the Board for each of the fiscal years 2005 through 2015, the required contributions for Supplemental General State Aid Allocations to individual schools, and the net amount deposited into the General Fund and available as Pledged State Aid Revenues. Note that the amounts below do not reflect GSA received by the Board in a fiscal year as a result of adjustments in prior-year GSA allocations.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

General State Aid
Fiscal Years 2005 – 2015
(Dollars in Millions)

Fiscal Year	Total GSA Received[(1)]	Supplemental General State Aid Allocation	Unrestricted GSA General Fund Deposit[(2)]
2005	$ 910.4	$ 261.0	$ 649.4
2006	962.5	261.0	701.5
2007	1,023.9	261.0	762.9
2008	1,091.1	261.0	830.1
2009	1,139.7	261.0	878.7
2010	1,152.2	261.0	891.2
2011	1,147.1	261.0	886.1
2012	1,120.2	261.0	859.2
2013	1,078.4	261.0	817.4
2014	1,075.0	261.0	814.0
2015[(3)]	1,022.6	261.0	761.6

(1) Source: Illinois State Board of Education. Net of Illinois State Board of Education audit adjustments.
(2) Reflects moneys available to fund Pledged State Aid Revenues and pledges of State Aid revenues made in connection with other obligations of the Board.
(3) Reflects budgeted amount.

State Aid Revenues - Historical Revenues and Amounts Used for Alternate Revenue Bonds Debt Service. The table below sets forth the historical GSA General Fund Deposits, the amount of these revenues that the Board has used to pay debt service on its Alternate Revenue Bonds secured by Pledged State Aid Revenues, and the Excess State Aid Revenues after payment of debt service available for operations and any lawful purposes of the Board. The column in the table below entitled "*Pledged State Aid Revenues Used to Pay Debt Service on Alternate Revenue Bonds*" does not include total debt service requirements on such bonds and a portion of such total debt service was paid by other revenues of the Board.

Fiscal Year	Unrestricted GSA General Fund Deposit[(1) (2)]	Pledged State Aid Revenues Used to Pay Debt Service on Alternate Revenue Bonds	Excess State Aid Revenues
2005	$ 649.4	$83.9	$565.5
2006	701.5	110.3	591.2
2007	762.9	134.0	628.9
2008	830.1	153.6	676.5
2009	878.7	178.7	700.0
2010	891.2	184.3	706.9
2011	886.1	252.4	633.7
2012	859.2	207.5	651.7
2013	817.4	209.5	607.9
2014	814.0	173.1	640.9
2015[(3)]	761.6	191.3	570.3

(1) Source: Chicago Public Schools. Net of Illinois State Board of Education audit adjustments.
(2) Reflects moneys available to fund Pledged State Aid Revenues and pledges of State Aid revenues made in connection with other obligations of the Board.
(3) Reflects budgeted amount.

Pledged Taxes

Pledged Taxes Levied. The Board has levied Pledged Taxes in amounts sufficient to satisfy the debt service on each series of Bonds in each year. The Pledged Taxes are *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount. The provisions of the Limitation Law that require voter approval for certain property tax increases are not applicable to the extension and collection of the Pledged Taxes that secure the Bonds. See **APPENDIX D – "THE REAL PROPERTY TAX SYSTEM**." In addition, the Board has covenanted to take all actions necessary to cause the levy and extension of *ad valorem* property taxes in excess of those previously levied if necessary to pay debt service on the Bonds and without limitation as to rate or amount. Since the Pledged Taxes will be levied prior to closing of the Bonds, no further action of the Board or the School District is required to implement the extension and collection of the Pledged Taxes to pay the Bonds. The Debt Reform Act and the Indenture pledges and grants a lien on the Pledged Taxes to secure the Bonds.

Abatement of Pledged Taxes Following Funding of Debt Service Fund. The Board intends to make each payment on the Bonds from the Pledged State Aid Revenues securing such Bonds (or in the event of a shortfall, at the option of the Board, from other legally available funds) and anticipates that the Pledged Taxes that have been levied will be abated on a year-by-year basis prior to such taxes being extended for collection. The Board has never had to extend Pledged Taxes for collection to provide sufficient revenues for payment of any of its Alternate Revenue Bonds.

The Pledged Taxes can be abated by the Board each year only following deposit to the *"debt service fund"* securing a series of the Bonds, on or before a date established by the Indenture, of Pledged State Aid Revenues (or, at the option of the Board, other legally available funds) in amounts sufficient to cause the amount on deposit in such account to equal the total interest on and principal of the Bonds that will come due and payable, whether at maturity or upon mandatory sinking fund redemption, during such year. Annually, the Board must take a formal action to abate the Pledged Taxes that have been levied and bar their extension and collection for such year.

Direct Deposit of Pledged Tax Revenues with Trustee**.** In the event the Pledged Taxes are extended for collection in any year, the Board has directed the County Collectors to segregate from each distribution of property taxes to be paid to the Board that percentage attributable to the levy of the Pledged Taxes. The Board has directed the County Collectors to directly deposit the amount so segregated with the Trustee under the Indenture securing such Bonds and not pay such tax revenues to the Board. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account established under the Indenture and (ii) applied to the payment of the interest on and principal of the Bonds due during the calendar year in which such Pledged Taxes are collected. For additional information concerning the levy and collection of the Pledged Taxes, see **APPENDIX D – "THE REAL PROPERTY TAX SYSTEM**."

Flow of Pledged State Aid Revenues and Pledged Taxes Under the Indenture

Indenture Debt Service Funds and Accounts. The Indenture establishes an account for deposit of funds to provide for payment of Bonds (a "**Debt Service Fund**") as a separate fund pledged to the payment of debt service on the Bonds secured by the Indenture. The Indenture also establishes separate accounts within such Debt Service Fund: (i) an account for the deposit of Pledged State Aid Revenues (the "**Pledged State Aid Revenues Account**"), and (ii) an account for the deposit of Pledged Taxes (the "**Pledged Taxes Account**").

Application of Pledged State Aid Revenues; Abatement of Pledged Taxes. The Pledged State Aid Revenues received by the Trustee from the Board will be applied to the payment of debt service on the Bonds secured by the Indenture in accordance with the following procedures set forth in the Indenture.

(i) On or before February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of the Pledged Taxes described below (each such date being referred to as a "**Deposit Date**"), the Board will deposit in the Pledged State Aid Revenues Account such amounts of Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Account to equal the interest on and principal of the Bonds scheduled to be paid from Pledged State Aid Revenues for the next succeeding Bond Year (as defined herein) as set forth in the Indenture. "**Bond Year**" for the Series 2015C Project Bonds and Series 2015E Project Bonds means each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

(ii) In the event that on any Deposit Date there has been deposited to the credit of the Pledged State Aid Revenues Account an insufficient amount to satisfy the amount required by the Indenture, the Board will take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit and available in the Pledged State Aid Revenues Account, to provide funds sufficient to satisfy the requirements in (i) above.

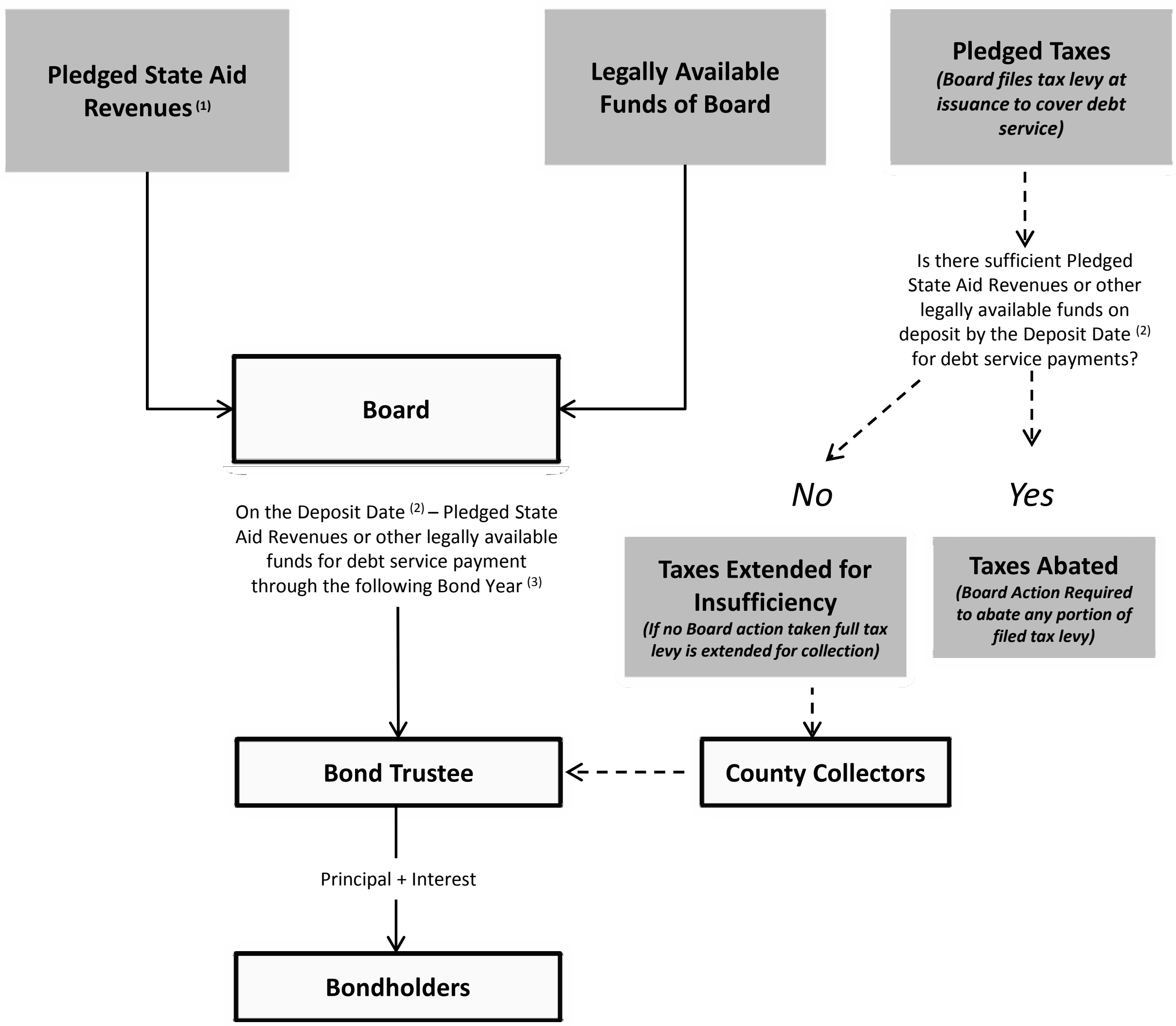
(iii) Following the Deposit Date, whenever sufficient funds are on deposit in the Pledged State Aid Revenues Account the Board may take such actions as are necessary to abate the Pledged Taxes.

Flow of Funds Diagram. The Board has levied Pledged Taxes in amounts sufficient to satisfy the debt service on the 2015 Project Bonds in each year and no further action of the Board or the School District is required to implement the extension and collection of the Pledged Taxes to pay the 2015 Project Bonds. Once Pledged State Aid Revenues (or, at the option of the Board, any other legally available funds) are annually deposited with the Trustee in amounts sufficient to pay the debt service on a series of the 2015 Project Bonds as required by the Indenture securing such Bonds, the Board must take a formal action to abate the Pledged Taxes that have been levied and bar their extension and collection for such year.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The diagram below describes the collection, deposit and application of Pledged State Aid Revenues and Pledged Taxes under the Indenture:

Flow of Pledged State Aid Revenues and Pledged Taxes under the Indenture



(1) State distributes Pledged State Aid Revenues in semi-monthly installments during August through June.
(2) Deposit Date is February 15th with respect to the Bonds.
(3) Bond Year for the Bonds means each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

Additional Bonds Payable From Pledged State Aid Revenues

Pursuant to the Indenture, the Board reserves the right to issue Additional Bonds from time to time payable on a parity with the Bonds secured by the Indenture from all or any portion of the Pledged State Aid Revenues under the Indenture or any other source of payment which may be pledged under the Debt Reform Act; provided, however, that no Additional Bonds may be issued except in accordance with the provisions of the Debt Reform Act as in existence on the date of issuance of the Additional Bonds, including the Board's determination as to the availability of the required coverage of Pledged State Aid Revenues to the debt service on such Additional Bonds and any outstanding Alternate Revenue Bonds pursuant to the Debt Reform Act. Subject only to compliance with such provisions of the Debt Reform

Act, there is no limit on the aggregate principal amount of Additional Bonds that may be issued by the Board.

Pursuant to the Indenture, the Board also reserves the right to issue bonds or other evidences of indebtedness payable from the Pledged State Aid Revenues under the Indenture, which are subordinate to the Bonds secured by the Indenture. Such subordinate obligations will be paid from excess Pledged State Aid Revenues available to the Board in each year after making required deposits to secure the Bonds, the Outstanding Pledged State Aid Alternate Revenue Bonds and any Additional Bonds secured by the Indenture.

PLAN OF FINANCE

Overview of Financing

The plan of finance includes the issuance of the 2015 Project Bonds and the issuance of three additional series of Alternate Revenue Bonds pursuant to separate offerings that together will constitute the Board's 2015 overall plan of finance.

The 2015 Project Bonds are being issued to provide funds for the Board's Capital Improvement Program, including the reimbursement of costs already incurred by the Board and the repayment of draws on existing bonds or notes issued to fund the Board's Capital Improvement Program including (i) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013B, which may be outstanding in a maximum principal amount of $150,000,000 (the "**Series 2013B Bonds**"); and (ii) Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013C, which may be outstanding in a maximum principal amount of $61,097,400 (the "**Series 2013C Bonds**"). As of the date of this Official Statement the Series 2013C Bonds are held by PNC Bank, N.A. ("**PNC Bank**") and the Series 2013B Bonds are held by BMO Harris Bank N.A. ("**BMO Harris Bank**").

On March 26, 2015 the Board issued its $89,200,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015A (the "**Series 2015A Bonds"**) and its $88,900,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015G (the "**Series 2015G Bonds**") as variable rate index bonds pursuant to a separate offering. The net proceeds of the Series 2015A Bonds provided funds to currently refund the Board's outstanding Series 2000B Bonds and the net proceeds of the Series 2015G Bonds provided funds to currently refund the Board's outstanding Series 2011D Bonds. The existing swap agreement pertaining to the Series 2011D Bonds was transferred so that such agreement applies to the Series 2015G Bonds. See **"DEBT STRUCTURE - Board's Interest Rate Swap Agreements."**

Approximately $4.3 million of alternate revenue bonds previously expected by the Board to be issued as fixed rate bonds pursuant to a separate offering during the current fiscal year instead have been combined with and will be issued as a part of the Series 2015C Project Bonds.

Financing of the Capital Improvement Program

The 2015 Project Bonds will be used to provide funds to pay or reimburse the Board for the cost of various projects such as overcrowding relief, facility needs, facility upgrades, site improvements and information technology which are all are part of its Capital Improvement Program. See **"BOARD OF EDUCATION OF THE CITY OF CHICAGO—Capital Improvement Program."**

Financing of the Green Bond Projects

The proceeds of the Series 2015E Project Bonds will be applied to reimburse the Board for the costs of portions of the Capital Improvement Program related to facility needs, facility upgrades and site improvements that can be further categorized as promoting energy efficiency and/or environmental sustainability on the Board's properties (the "**Green Bond Projects**"). The purpose of designating the Series 2015E Project Bonds as Green Bonds is to allow investors to invest directly in projects which the Board has identified as environmentally beneficial on the Board's properties. The Board has designated certain projects under its Capital Improvement Program as Green Bond Projects based on their ability to reduce energy use in existing CPS buildings. Energy efficiency projects may include projects that were originally designated to be incorporated in the Chicago Infrastructure Trust financing. The Board makes no representation that every use of Series 2015E Project Bonds will meet Green Bond principles and standards as they may evolve over time. The proceeds of the Series 2015E Project Bonds may be applied to reimburse funds advanced by the Board for Green Bond Projects.

Future Financings

The Board expects to issue additional bonds to fund capital projects that are part of its fiscal year 2015 budget and may issue additional bonds, from time to time, to continue implementation and funding of the Capital Improvement Program and to refund outstanding bonds of the Board. Consistent with applicable provisions of State law, the Board has the authority to adopt additional authorizing resolution(s) under which some of these bonds may be issued. See "**BOARD OF EDUCATION OF THE CITY OF CHICAGO – Capital Improvement Program**."

In addition, the Board expects to enter into or renew existing lines of credit for purposes of funding interim cash flow needs and capital expenditures of the Board. See **"DEBT STRUCTURE – Lines of Credit."**

Debt Service Schedule

The debt service schedule for the 2015 Project Bonds included in this Official Statement is included in a table entitled "*Long-Term Debt Obligations"* under the caption **"DEBT STRUCTURE – Outstanding Debt Obligations."**

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Estimated Sources and Uses of Funds

The following table shows the estimated sources and uses of funds in connection with the issuance of the aggregate principal amount of the 2015 Project Bonds:

	Series 2015C Bonds	Series 2015E Bonds	Total
ESTIMATED SOURCES:			
Principal amount of the Bonds	$280,000,000.00	$20,000,000.00	$300,000,000.00
Original issue discount (net of premium)	-11,837,450.00	-664,800.00	-12,502,250.00
Total Estimated Sources of Funds	$268,162,550.00	$19,335,200.00	$287,497,750.00
ESTIMATED USES:			
Capital Projects	$256,449,358.02	-	$256,449,358.02
Green Projects	-	18,514,843.02	18,514,843.02
Pay Costs of Issuance [1]	3,034,441.98	216,745.87	3,251,187.85
Fund Capitalized Interest	8,678,750.00	603,611.11	9,282,361.11
Total Estimated Uses of Funds	$268,162,550.00	$19,335,200.00	$287,497,750.00

[1] Includes estimated costs of issuance and the Underwriters' discount.

[Remainder of Page Intentionally Left Blank]

THE BONDS

General

The 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 Bonds and the book-entry-only system are described below under the subcaption "**— Book-Entry-Only System**." Except as described under the subcaption "**— Book-Entry-Only System**" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of 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 below), 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 Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner's Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to Bondholders or registered owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

The Bonds shall be issued only in fully registered form without coupons and shall be dated the date of issuance. The Bonds shall mature on the dates and in the principal amounts shown on the inside cover page hereof. The Bonds shall be issued in Authorized Denominations as defined in the Indenture securing such series of the Bonds (but no single Bond shall represent principal maturing on more than one date). See **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2015C/E INDENTURE."**

Interest on the Series 2015C Project Bonds and Series 2015E Project Bonds

The Series 2015C Project Bonds and Series 2015E Project Bonds shall bear interest at the respective rates shown on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid or as of the date on which it is authenticated prior to the first date on which interest is to be paid. Interest on the Series 2015C Project Bonds and Series 2015E Project Bonds shall be payable on June 1 and December 1 of each year, commencing December 1, 2015. 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.

Redemption Provisions

<u>Optional Redemption</u>

Series 2015C Project Bonds. The Series 2015C Project Bonds are subject to prior redemption at the option of the Board, in such principal amounts and from such maturities (Series 2015C Project Bonds maturing on the same date but with differing interest rates being considered different maturities) as the Board shall determine, and by lot within the same maturity, in integral multiples of $5,000 on any date on or after December 1, 2024, at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Series 2015E Project Bonds. The Series 2015E Project Bonds are subject to prior redemption at the option of the Board, in such principal amounts as the Board shall determine, and if in part by lot, in integral multiples of $5,000 on any date on or after December 1, 2024, at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2015C Project Bonds

The Series 2015C Project Bonds bearing an interest rate of 5.25% and maturing on December 1, 2035, are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to the principal amount thereof, plus accrued interest, in the aggregate principal amounts set forth in the following table:

Redemption Dates December 1	Principal Amount
2032	$15,330,000
2033	20,700,000
2034	36,645,000
2035*	37,325,000

*Final Maturity

The Series 2015C Project Bonds bearing an interest rate of 6.00% and maturing on December 1, 2035, are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to the principal amount thereof, plus accrued interest, in the aggregate principal amounts set forth in the following table:

Redemption Dates December 1	Principal Amount
2032	$385,000
2033	1,020,000
2034	1,780,000
2035*	1,815,000

*Final Maturity

The Series 2015C Project Bonds maturing on December 1, 2039, are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to the principal amount thereof, plus accrued interest, in the aggregate principal amounts set forth in the following table:

Redemption Dates December 1	Principal Amount
2036	$38,140,000
2037	40,140,000
2038	42,250,000
2039*	44,470,000

*Final Maturity

Board Purchase of Bonds In Lieu of Mandatory Sinking Fund Redemption. On or before the 60th day next preceding any mandatory sinking fund redemption date for the Bonds, at the written direction of the Chief Financial Officer of the Board, moneys held in the Pledged State Aid Revenues Account or the Pledged Taxes Account (under the Indenture securing such Bonds) for the mandatory sinking fund redemption of Bonds on such date may be applied to the purchase of Bonds of the maturity subject to mandatory sinking fund redemption on such date in a principal amount not exceeding the principal amount of Bonds subject to mandatory redemption on such date. Bonds so purchased shall be delivered to the Trustee and canceled. Each such Bond or portion thereof so purchased, delivered and canceled shall be credited against the mandatory sinking fund redemption obligation of the Board on such date.

Redemption Procedures. In the case of any redemption of Bonds at the option of the Board, the Board shall give written notice to the Trustee under the Indenture securing such Bonds of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts of the Bonds of each maturity to be redeemed. Such notice shall be given at least 60 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, (i) there shall be paid on or prior to the specified redemption date to the Trustee under the Indenture an amount in cash and/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 Bonds to be redeemed on the specified redemption date at their redemption price plus interest accrued and unpaid to the date fixed for redemption; such amount and moneys shall be held in a separate, segregated account for the benefit of the registered owners of the Bonds so called for redemption, or (ii) such redemption notice given under certain provisions in the Indenture may state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds shall not constitute an Event of Default under the Indenture.

Whenever the Trustee is required to redeem the Bonds pursuant to the mandatory sinking fund provisions of the Indenture, the Trustee shall select the Bonds to be redeemed, 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.

Whenever Bonds are redeemed, whether pursuant to mandatory sinking fund redemption or optional redemption, the particular Bonds or portion thereof to be redeemed shall be selected as follows: (i) any Bond of a denomination of more than $5,000 shall be in the principal amount of an Authorized Denomination and (ii) in selecting portions of such Bonds for redemption, the Trustee under the Indenture securing such Bonds shall treat each such Bond as representing that number of Bonds of denominations of $5,000 which is obtained by dividing the principal amount of such Bond to be redeemed in part by $5,000. If all Bonds are held in book-entry only form, the particular Bonds or portions thereof to be redeemed shall be selected by the securities depository for the Bonds in such manner as such securities depository shall determine.

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

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond of any series while in the book-entry only system, see "**– Book-Entry Only System**" below. Subject to the limitations described below, the Bonds are transferable upon surrender thereof at the principal corporate trust office of the Trustee under the Indenture securing such Bonds, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to, the Trustee and duly executed by the Owner or such Owner's attorney duly authorized in writing. Subject to the limitations described below, any Bond may be exchanged at the principal corporate trust office of the Trustee upon surrender thereof, together with an assignment duly executed by the registered owner thereof or such registered owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of Bonds of like date and tenor of any Authorized Denomination as the Bonds surrendered for exchange bearing numbers not contemporaneously outstanding. The Trustee under the Indenture securing such Bonds 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.

Book-Entry-Only System

The following information concerning The Depository Trust Company, New York, New York ("**DTC**"), has been furnished by DTC for use in this Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization"* within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "**Exchange Act**"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "**SEC**"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See "**THE BONDS - General**."

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee under the Indenture securing such Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures ("**MMI Procedures**"). Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or its Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, the Board or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board, or the Trustee under the Indenture securing such bonds, disbursement of such payments to

Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Bonds. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates are required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE UNDER THE INDENTURE SECURING A SERIES OF BONDS HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

Defeasance

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by the Trustee under the Indenture securing such Bonds at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the Indenture securing such Bonds 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 Bonds. As a condition to such defeasance of the Bonds, the Board shall have delivered to or deposited with the Trustee under the Indenture securing such Bonds (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which shall be sufficient, without further reinvestment 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 (d) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all registered owners of said Bonds a notice that such deposit has been made with the Trustee under the Indenture securing such Bonds and that said Bonds are deemed to have been paid in accordance with the Indenture securing such Bonds 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.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

General

The Board is a body politic and corporate of the State of Illinois. 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 its boundaries (the "**School District**") for grades kindergarten through twelve.

The School District has boundaries coterminous with the boundaries of the City of Chicago. 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.

Governing Body

The seven member Chicago Board of Education 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 of Chicago (the "**Mayor**"). The appointments do not require approval of the City Council.

Mayor Rahm Emanuel took office on May 16, 2011 and subsequently appointed an entirely new Chicago Board of Education to govern the School District. Mayor Emanuel was elected to a second term as Mayor in April 2015.

Under the School Code, the Chicago Board of Education 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 Chicago Board of Education are as follows:

David J. Vitale was re-elected the President of the Chicago Board of Education on August 27, 2014. Previously, Mr. Vitale served as the Chief Administrative Officer for the Chicago Public School system from 2003 - 2008. Mr. Vitale is the Chairman of Urban Partnership Bank, a newly-formed bank serving the financially underserved neighborhoods of Chicago, Cleveland and Detroit. From February of 2001 through November of 2002, Mr. Vitale served as President and Chief Executive Officer of the Chicago Board of Trade ("**CBOT**"). In addition to serving as a member of the CBOT's Board of Directors and Executive Committee, Mr. Vitale also served as President and CEO of the MidAmerica Commodity Exchange, an affiliate of the CBOT. Mr. Vitale is a former Vice Chairman and Director of Bank One Corporation, where he was responsible for Bank One's Commercial Banking, Real Estate, Private Banking, Investment Management and Corporate Investments businesses. Mr. Vitale serves on the Boards of Directors of United Airlines, ISO New England (Chairman), Wheels Inc., DNP Select Income Fund (Chairman), Alion Science and Technology and Ariel Investments. He also serves on several civic and charitable boards including: The Visiting Committee of the Harvard Graduate School of Education; the Board of Trustees of the Museum of Science and Industry; The Art Institute of Chicago (Vice Chairman); the Board of Managers of the YMCA of Metropolitan Chicago (Former Chair); Member of the Advisory Council of the Graduate School of Business at the University of Chicago; Advisory Committee of the Kellogg School of Management; Northwestern University; Illinois Institute of Technology (Vice Chairman); Chairman of the Visiting Committee of The School for Social Service Administration at the University of Chicago; Leadership Greater Chicago (Former President); The Partnership for New Communities (Vice Chairman); and The Chicago Council on Global Affairs. Mr. Vitale is a graduate of Harvard University and earned an MBA from the University of Chicago.

Jesse H. Ruiz was re-elected Vice President of the Chicago Board of Education on August 27, 2014. Mr. Ruiz previously served as Chairman of the Illinois State Board of Education. Mr. Ruiz is a partner at the law firm of Drinker Biddle & Reath LLP firm, where he is a member of the Corporate and Securities Group and co-chair of the firm's Diversity Committee. He concentrates his practice on mergers and acquisitions and the representation of public and middle market companies. Mr. Ruiz recently served on the U.S. Department of Education Equity and Excellence Commission. In August 2010, Mr. Ruiz was appointed to the ABA Presidential Advisory Commission on Hispanic Legal Rights and Responsibilities by the President of the American Bar Association. He is past President of the Hispanic Lawyers Association of Illinois and the past Chairman of the Hispanic Lawyers Scholarship

Fund of Illinois and Chicago Committee on Minorities in Large Law Firms. Mr. Ruiz also serves on the Board of Directors of Commonwealth Edison Company, an Exelon company, and on several other civic and charitable boards and committees. Previously, Mr. Ruiz was a management consultant with the international consulting firm of Booz Allen & Hamilton (n/k/a Booz & Co.). Mr. Ruiz received his JD from The University of Chicago Law School and his Bachelor's Degree in economics and business administration from the University of Illinois at Urbana-Champaign.

Dr. Carlos M. Azcoitia currently serves as Distinguished Professor of Practice in Educational Leadership at National Louis University. From 2011-2012, he oversaw and supported thirty-six schools in his role as Interim Chief of Midway Network in Chicago Public Schools. He has also coached and mentored new principals and assessed candidates for the principalship. Previously, from 2003-2007, Dr. Azcoitia served as the founding principal of John Spry Elementary/Community Links High School in the Little Village community, which is the first school in Chicago to include a pre-kindergarten through high school program in one building and sets high goals for student success; aiming for a 100% high school and college graduation. Before he founded John Spry Elementary/Community Links High School, Dr. Azcoitia served as the Deputy Chief of Education at Chicago Public Schools (1996-2003), where he was responsible for managing wide-ranging departments, programs and services. He began his career as a teacher at Kosciuszko School, teaching 7th and 8th grades (1974-1982). He also serves as the Chair of the Board of Trustees at Northeastern Illinois University, as a Steering Committee Member of the Coalition of Community Schools, and a member of the Board of Directors of the Chicago High School for the Arts and Ignatian Spirituality Center in Miami, Florida. Dr. Azcoitia received his Doctorate in Education from Northern Illinois University, his Masters of Education from National Louis University and his Bachelor's degree from the University of Puerto Rico.

Dr. Henry S. Bienen served as the 15th president of Northwestern University and currently serves as President Emeritus of Northwestern University. He was the James S. McDonnell Distinguished University Professor and Dean of the Woodrow Wilson School of Public and International Affairs at Princeton University prior to his appointment at Northwestern. Dr. Bienen is one of the first three university presidents awarded the Carnegie Corporation Academic Leadership Award for innovative leadership in higher education. He is a member of the American Academy of Arts and Sciences, the Board of Directors of the Chicago Council on Global Affairs and serves on its executive committee, and chairs both the Board of Trustees of Ithaka Harbors and the Board of Directors of Rasmussen College. He was formerly a member of the Argonne National Laboratory's Board of Governors, and served on the board's executive, nominating and auditing committees. Dr. Bienen received a Bachelor's Degree from Cornell University and a Master's Degree from the University of Chicago. He was awarded a PhD from the University of Chicago. Dr. Bienen was awarded an honorary Doctorate of Humane Letters from Northwestern University, received the University of Chicago Professional Achievement Alumni Award and the 2008 Niagara Peace & Dialogue Award from the Niagara Foundation in 2008.

Dr. Mahalia A. Hines is currently the Chief Executive Officer 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 tenure 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 continues to work with school leaders of public and charter schools in urban areas throughout the country. 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, her Master's Degree from Northeastern University and Bachelor's Degree from Central State University.

Deborah H. Quazzo currently is the managing partner at GSV Advisors, which she founded in 2009 to support the development of innovative ideas in the education and business services sectors through advisory services, working with emerging companies, as well as sophisticated industry leaders. GSV Advisors also co-hosts the annual Arizona State University GSV Education Innovation Summit, which celebrates new ideas across the education sector from early childhood to lifelong learning. Prior to GSV Advisors, Ms. Quazzo co-founded ThinkEquity Partners, an investment bank with offices across the nation, and served as the company's President and Head of Investment Banking. Previously, Ms. Quazzo was a Managing Director in Investment Banking and head of the Global Growth Group at Merrill Lynch & Co. and began her career at J.P. Morgan. Ms. Quazzo is Chairman of the Board of Marwen, a visual arts education provider for underserved Chicago youth and is a member of the board of Steppenwolf Theater Company. She is also ex officio board member of The Chicago Public Education Fund and previously served on the boards of America's Promise Alliance in Washington, D.C. (core advocates for underserved youth in America), KIPP Chicago (Knowledge is Power Program), New Schools for Chicago, Teach for America Chicago and the Network for Teaching Entrepreneurship in Chicago (NFTE). Ms. Quazzo received a Bachelor's Degree from Princeton University and an MBA from Harvard University.

Andrea Zopp is President and CEO of the Chicago Urban League, an organization that supports and advocates for economic, educational and social progress for African Americans and other minorities through an agenda focused on economic empowerment. Before her appointment to the Chicago Urban League, Ms. Zopp was executive vice president and general counsel at the Exelon Corporation. Prior to joining Exelon, Ms. Zopp served in similar roles at Sears Holdings Corporation and Sara Lee Corporation, before then as a partner in the law firm of Sonnenschein Nath & Rosenthal. Ms. Zopp was also the first woman and African American to serve as First Assistant State's Attorney in the Cook County State's Attorney's office where she was responsible for the day-to-day operations of the nation's second largest prosecutor's office. Ms. Zopp has served as a member and President for many civic organizations and in 2004, she became chair of the Blue Ribbon Commission on Magnet and Selective Enrollment School Admissions for the Chicago Public Schools. Ms. Zopp received a Bachelor's Degree in history and science and a Juris Doctor Degree from Harvard University.

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

Member	**Term Expires**
David J. Vitale, President	June 30, 2018
Jesse H. Ruiz, Vice President	June 30, 2018
Dr. Carlos M. Azcoita	June 30, 2015
Dr. Henry S. Bienen	June 30, 2015
Dr. Mahalia A. Hines	June 30, 2018
Deborah H. Quazzo	June 30, 2015
Andrea Zopp	June 30, 2015

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.

Federal Grand Jury Investigation

The Board has been served with federal grand jury subpoenas dated April 14, 2015 seeking records pursuant to an official criminal investigation relating to past and current Board contracts with SUPES Academy, Synesi Associates, and Proact Search. The subpoenas also seek other records, including employment records and personnel files of four Board employees including Barbara Byrd-Bennett, the Board's Chief Executive Officer. The Board will respond to these subpoenas.

The Board has a current Leadership Development Services Agreement with SUPES Academy, LLC that provides a total maximum compensation of $20.5 million for services from June 2013 through June 2016. The contract was approved by the Board in June 2013 and awarded to SUPES Academy, LLC on a non-competitive basis based on a sole-source request presented to the Board's Non-Competitive Review Committee and approved by the Chief Procurement Officer.

The Board cannot predict the outcome of this investigation and the Board believes that this investigation will not materially impact its finances or its ability to timely pay debt service on or the security for the 2015 Project Bonds.

Barbara Byrd-Bennett has announced that she will be taking a leave of absence from her position as Chief Executive Officer of the Board effective April 17, 2015. Jesse H. Ruiz, the current Vice President of the Board, will serve as Acting Chief Executive Officer effective April 17, 2015. See the captions "**- Governing Body**" and "**CHICAGO PUBLIC SCHOOLS – Central Administration.**"

Overlapping Entities

There are six major units of local government located in whole or in part within the boundaries of the School District governed by the Board, 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 units 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 foregoing governmental units levies taxes upon property located in the City, and, in some cases, in other parts of Cook County as well. For additional information about the Board, see "**BOARD OF EDUCATION OF THE CITY OF CHICAGO**." Information about these other units of local government is set forth below.

Major Units of Government

The City of Chicago (referred to herein as, the "**City**" or 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**"). The City Council consists of 50 aldermen ("**Aldermen**"), each representing one of the City's 50 wards. Aldermen are elected for four-year terms.

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 (the "**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 board of 17 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**") is 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.

The Metropolitan Water Reclamation District of Greater Chicago (the "**Water Reclamation District**") 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.

Interrelationships of These Bodies

The governmental units and other public bodies described above, share in varying degrees a common property tax base with the Board. See "**BOARD OF EDUCATION OF THE CITY OF CHICAGO – Outstanding Debt Obligations – Board's Overlapping Debt Schedule**." However, they are all separate legal and financial units, and the financial condition or circumstances of any one unit does not necessarily imply similar financial conditions or circumstances for the Board.

Other Public Bodies

Other governmental bodies in the Board's geographical boundaries are described below. These governmental bodies are authorized to issue debt obligations, but are not authorized to levy real property taxes.

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 "**BOARD OF EDUCATION OF THE CITY OF CHICAGO – Outstanding Debt Obligations – Board's Overlapping Debt Schedule**."

The Chicago Transit Authority (the "**CTA**") is a municipal corporation empowered to acquire, construct, own, operate and maintain a transportation system in the City and portions of the County. The CTA is governed by a seven-member board. The CTA may not levy real property or other taxes.

The Regional Transportation Authority (the "**RTA**") is a municipal corporation authorized to provide planning, funding, coordination and fiscal oversight of three separately governed operating entities which provide public mass transportation services in a six-county area of northeastern Illinois, including Cook County. The RTA is governed by a 16-member board, consisting of City and suburban members appointed by elected officials in the six-county RTA region. The RTA may not levy real property taxes.

The Metropolitan Pier and Exposition Authority (the "**MPEA**"), formerly known as the Metropolitan Fair and Exposition Authority, is a municipal corporation which owns the McCormick Place convention and exposition facilities and Navy Pier. MPEA is authorized to impose certain taxes primarily to provide security for the payment of its bonds. The MPEA may not levy real property taxes.

CHICAGO PUBLIC SCHOOLS

School System and Enrollment

The following table presents the number of schools and the fall enrollment for the Chicago Public Schools for fiscal years 2010 through 2014. For fiscal year 2015 total schools are 664 and fall enrollment was 396,683.

Chicago Board of Education
Number of Schools and School Enrollment

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Number of Schools					
Elementary (1)	474	474	473	468	422
Special	13	12	12	12	5
High School	109	107	103	98	109
Vocational/Technical (4)	8	8	8	8	-
Charter Schools	71	82	87	95	126
Kindergarten to H.S. (k-12)(3)	-	-	-	-	5
Total Schools	675	683	683	681	667
School Enrollment (2)					
Elementary (1)	272,308	264,569	263,540	261,638	254,864
Special	2,073	1,940	1,839	1,961	907
High School	91,390	87,061	85,068	81,735	86,184
Vocational/Technical (4)	9,956	8,833	8,226	7,927	-
Charter Schools	33,552	40,278	45,478	50,200	54,572
Kindergarten to H.S. (K-12)(3)	-	-	-	-	4,018
Total School Enrollment	409,279	402,681	404,151	403,461	400,545

(1) Elementary schools include the traditional classification of middle schools.
(2) Includes the number of students in each type of school regardless of the students' grades.
(3) The Kindergarten to High School (K-12) school 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.
(4) The governance and school types were changed in fiscal year 2014. As a result, there is no longer a category for "Vocational/Technical."

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.

Acting Chief Executive Officer....................... Jesse H. Ruiz
Chief Administrative Officer........................... Timothy Cawley
Chief Financial Officer.................................... Ginger Ostro
General Counsel .... James L. Bebley

Chief Executive Officer

Jesse H. Ruiz currently serves as the Acting Chief Executive Officer of the Board effective April 17, 2015. See "**BOARD OF EDUCATION OF THE CITY OF CHICAGO– Governing Body**" and " **- Federal Grand Jury Investigation**" herein.

Barbara Byrd-Bennett was appointed the Chief Executive Officer of the Board on October 12, 2012 and is currently on a leave of absence from that position effective April 17, 2015. See "**BOARD OF EDUCATION OF THE CITY OF CHICAGO - Federal Grand Jury Investigation**" herein. A former teacher and principal, Ms. Byrd-Bennett is a lifelong educator with experience running schools and districts in New York City, Detroit and Cleveland. Previously, Ms. Byrd-Bennett served as the Chief Education Advisor, where she oversaw the development of curriculum and instructional policy for the Board and helped guide the Board's school and neighborhood administrators, from network chiefs to principals. She also played an integral role in guiding the Board during contract negotiations with the CTU. Byrd-Bennett has over 30 years of experience working in schools. She began as a teacher in the

New York City public school system. After 12 years in the classroom, she became a principal and held that position for 8 years. In 1994, she was appointed to serve as the superintendent of the Crown Heights school district, the third-largest school district in New York City. Following her tenure in New York City, Ms. Byrd-Bennett spent over 10 years leading large urban public school districts, first in Cleveland (1998-2006) and then in Detroit (2009-2011). As the Chief Executive Officer of the Cleveland public school system, she successfully balanced the school district's budget each year of her tenure after inheriting a more than $150 million deficit. In Detroit, as the district's Chief Academic and Accountability Auditor, she worked side-by-side with the district's emergency financial manager where she helped implement a plan to restore the District's financial and educational stability. Ms. Byrd-Bennett holds a Master's of Science from Pace University, a Master's of the Arts from New York University and a Bachelor's of the Arts from Long Island University. Ms. Byrd-Bennett also holds honorary doctorate degrees from Cleveland State University, Baldwin-Wallace College, John Carroll University and the University of Notre Dame.

Chief Administrative Officer

Timothy Cawley is Chief Administrative Officer of the Board. Previously, Mr. Cawley served as managing director for Finance and Administration at the Academy for Urban School Leadership (AUSL), which manages 32 schools within the School District. Mr. Cawley joined AUSL after a 30-year business career, serving in senior management positions at various Fortune 500 companies. Mr. Cawley began his career at Procter and Gamble in a series of brand management positions, and has served as senior vice president of Global Logistics for Motorola, president of SBC/Ameritech International, and chief executive officer for Revell Monogram. Mr. Cawley holds a Bachelor's in Business Administration from the University of Notre Dame.

Chief Financial Officer

Ginger Ostro is the Chief Financial Officer of the Board, appointed on May 28, 2014. Ms. Ostro previously served as the CPS Budget Director. As budget director, she oversaw a team of professionals responsible for developing and managing the operating, capital, and debt service budgets. Prior to joining CPS in 2011, she maintained senior leadership roles at the Illinois Student Assistance Commission (ISAC) and served as director of Governor's Office of Management and Budget for the State of Illinois. With a career commitment to public service and education, Ms. Ostro has also served in policy and budget roles at Governor's State University, Chicago Metropolis 2020, and the Department of Children and Family Services, among others. Ms. Ostro has an A.B. from the University of Chicago and a Master's of Public Policy from the Kennedy School of Government at Harvard University.

General Counsel

James L. Bebley is the General Counsel of the Board, appointed on July 1, 2012. Previously he served as First Deputy General Counsel and as Deputy General Counsel for Finance and Budget. Mr. Bebley's 27 years of experience includes practice at Ice Miller in Chicago where he concentrated on economic development and municipal finance and acted as bond counsel, issuer's counsel and underwriter's counsel for tax-exempt bond issues, and Carney & Brothers, where he handled transactional matters and assisted in developing the firm's municipal finance group. He also served at the City of Chicago's Law Department and the Office of the Mayor. Mr. Bebley is a graduate of Daniel Hale Williams Elementary School and Robert Lindblom Technical High School, both in the Chicago Public School system. He earned his Bachelor of Science in Finance from the University of Illinois (Urbana-Champaign) College of Commerce and Business Administration in 1982 and his Juris Doctorate from the College of Law in 1985.

Capital Improvement Program

Overview. The Board's Capital Budget addresses the most critical infrastructure needs, including areas of health and safety, as well as key capital priorities designed to support student achievement. The Capital Budget balances addressing the Board's most pressing necessities while remaining fiscally prudent, given the Board's limited resources.

The Capital Budget is assembled as part of the School District's Five-Year Capital Plan and Ten-Year Master Education Facility Plan pursuant to State law. CPS published an updated fiscal year 2015 Capital Plan and the Five-Year fiscal year 2015 – 2019 Capital Plans in conjunction with the release of the Board's fiscal year 2015 overall budget on July 22, 2014. Further information regarding the Boards Capital Budget may be obtained on its 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 fiscal year 2015 – 2019 Five-Year Capital Plan provides for over $1.2 billion in investments, with over $510 million for fiscal year 2015 alone. In fiscal year 2015, CPS will provide $261 million in funding and has in addition secured $214 million of outside funding to invest in access to quality education programs; repair and modernize buildings; alleviate overcrowding at local schools while streamlining CPS' approach to capital spending with the second smallest capital spending plan in six years.

In addition, the fiscal year 2015 Capital Plan allocates approximately $35 million in funding for projects related to the downsizing of the Central Office headquarters which will be paid from the savings the move itself generates.

Addressing District Needs. The CPS Five-Year Action Plan, "*The Next Generation: Chicago's Children*," and the findings and recommendations of the Educational Facility Master Plan set out the direction for CPS and guide the fiscal year 2015 Capital Plan and Five-Year Capital Plans, which focus on providing access to quality education programs; repairing and modernizing buildings; relieving overcrowding; and downsizing central operations to invest in the classroom.

Access to Quality Education Programs. CPS plans to better align high school and elementary curricula; to strengthen traditional neighborhood schools through programs such as International Baccalaureate Programmes ("**IB**") and the **S**cience, **T**echnology, **E**ngineering, and **M**ath ("**STEM**") programs; and create opportunities for more students to attend Selective Enrollment schools, Career and Technical Education (CTE) programs, and service leadership schools. These investments continue several years of progress in which CPS has provided over $33 million for CTE, IB, and STEM programs.

Strengthening neighborhood schools by building new International Baccalaureate Programme Campuses. The fiscal year 2015 Capital Plan provides $11.7 million in investments in science labs, art labs, and ADA improvements to ensure that the five newly-approved IB campuses Seward, Agassiz, Ebinger, Moos and Peirce Elementary Schools have the infrastructure to meet the rigorous academic requirements and that students are prepared to continue their IB education at Back of the Yards, Clemente, Hyde Park, Morgan Park, Lincoln Park, Senn, and Taft High Schools.

Providing career-focused education. CPS proposes $22 million in investment to make needed structural repairs and building modernization at the national Blue Ribbon-Award winning Lane Tech High School, which had the District's highest enrollment at 4,120 students this school year. Another $7 million will be spent on modernization efforts at Dunne Technology Academy, a K-8 Level 2 school on the Far South Side of the City.

Meeting the demand for selective enrollment seats. With $60 million expected tax increment funds provided by the City, CPS will build a new College Preparatory High School. Currently, more than

2400 students who qualify to attend selective enrollment are not able to attend because there is not enough space available to meet demand. The City also designated over $16 million in TIF funds for an expansion of the highly successful Walter Payton College Preparatory High School.

Career and Technical Education. Building on more than $4 million in investments at 5 schools in fiscal year 2014, CPS is again setting aside funds to support Career and Technical Education programs. For fiscal year 2015, $1.9 million will be used to build a new manufacturing and welding lab at Bowen High School to meet the growing demand for graduates with these skills.

College and Career Suites. Twenty high schools across the City will have dedicated space to serve as the hub for students to engage in career exploration, build college awareness, apply to/select colleges, and to identify and seek scholarship and financial aid opportunities. With this $1.7 million investment CPS will further the ultimate goal of raising college acceptance and matriculation rates of students throughout the School District.

Modernizing labs. CPS will be investing $2.1 million for new art, computer, and science labs at 10 schools in fiscal year 2015.

Repairing and modernizing buildings.

Air conditioned classrooms to aid learning. A $100 million initiative is underway to install air conditioning in every CPS classroom within 5 years. Over 200 schools do not have air conditioning in every classroom and in fiscal year 2015, CPS will invest $20 million, to provide air conditioning to 57 schools. Since 2013, CPS has invested in air conditioning at 124 schools.

Increasing access to modern learning technology. District-wide, CPS will be investing $26 million in IT to support growing demands and 21st century learning and testing requirements.

Modernizing playgrounds and fields and making other site improvements. CPS will be investing $29.5 million as part of Healthy Schools, Physical Education, and Recess initiatives to provide greater access to modern playgrounds, turf fields, and campus parks. CPS will continue the Five-Year plan to ensure every school has access to a playground, adding play lots at 18 schools. In 2015, three schools will receive turf fields.

Protecting the health and safety of students, teachers, and adults in the school community. CPS will be investing in safety technology and in making building repairs for the health and safety of adults and children in District buildings. CPS is also continuing an annual investment in security at schools, providing $4.8 million for 20 schools with security equipment and cameras; this is in addition to $13 million in cameras over 80 schools since fiscal year 2012. Over the Five-Year Capital Plan, nearly $13 million will support safety and security equipment. In fiscal year 2015, CPS is setting aside $68.2 million for building repairs including masonry that is cracked and at risk of crumbling; chimneys that are in danger of collapse; and roofs that are leaking and causing interior damage. Over the Five-Year Capital Plan, CPS will allocate over $430 million for building repairs.

Improving ADA accessibility. CPS is continually working to improve the accessibility of the School District's facilities. Most of the investment is reflected in the budget for other projects, as the opportunity to improve accessibility is completed at the same time CPS is making other repairs or upgrades. In addition, CPS set aside approximately $500,000 each year for other projects that may arise.

Relieving Overcrowding. When faced with overcrowding in schools, the Board evaluated all options to relieve overcrowding such as boundary changes, changes to the enrollment policies and practices, and relocation of programs. Still, there are many growing school communities where capacity expansion is the only option. CPS received funding in fiscal year 2014 and allocated $110 million to construct new schools that will address severe overcrowding, including an elementary school on the

Southeast side and an elementary school on the Southwest side. Since 2012, CPS has addressed overcrowding at 33 schools across the City. In the fiscal year 2015 budget, the Board will relieve overcrowding at 8 neighborhood schools and will build annexes at three schools, including Edwards, Jamieson, and Canty.

School Actions

Acting on the recommendation of the Commission on School Utilization (the "**Commission**"), an independent body formed to facilitate community dialogue, the Board voted in May 2013 to close 50 underutilized schools. By redirecting resources from closing underutilized facilities, the Board provided students from those schools access to better performing educational options close to their previous school. The Board estimates that approximately $40 million in annual operating savings will result from the closures and that these savings will benefit students across the district.

As part of the consolidation process, the Board adopted a supplemental capital budget that included an upfront investment of $155 million in "*welcoming schools*"—schools assigned to students from closed or consolidated schools. The money was targeted to provide children with the resources they need to thrive in the classroom, including new and upgraded technology, enhanced safety technology, air conditioning in every classroom, a library in every school, iPads for children in grades 3-8, improved ADA accessibility, upgraded facilities and improved food service capacity.

A study by the University of Chicago Consortium on Chicago School Research found that 93 percent of the 11,000 students relocated in the process ended up in schools with higher performance ratings than the schools they had previously attended. Data from the 2013-2014 school year showed that grade-point averages, attendance and student-on-track rates were up, and misconducts were down, for students impacted by consolidation.

The Board worked in partnership with community members and City agencies to expand Safe Passage routes—routes staffed by trained adults to ensure safety to and from school—and provide safe learning environments to accommodate the transition posed by school consolidations. In all, the Board added 53 new routes for 46 welcoming schools and seven co-locations. The Board—with support from the City and State—expanded the Safe Passage program to include more routes and more schools.

Educational Reform Initiatives

The Board's vision is that every CPS student in every neighborhood will be engaged in a rigorous, well-rounded instructional program and will graduate prepared for success in college, career and life. This vision is embodied in five strategic pillars that define the School District's core work. The School District's vision has resulted in significant gains in student achievement.

Pillar 1 – High Standards, Rigorous Curriculum and Powerful Instruction:

- The graduation rate of CPS seniors rose to 69.4 percent in the 2013-2014 school year, a School District record. The graduation rate is up 8 percentage points in just two years. Freshmen of Track, which represents the number of 9th graders on pace to graduate on time, grew to 84.1 percent—also a School District record.
- The School District set a record with 44 Gates Millennium Scholars. It was the fifth time in six years the School District led the nation in that category.
- Students set a School District record with a composite score of 18 on the ACT examination in 2013-2014. Seniors collectively earned more than $800 million in scholarship money.
- Students in grades 2-8 saw gains in both reading and math against the national average on the Northwest Evaluation Association exams in 2013-2014. Scores on the National Assessment for Educational Progress showed significant progress in both math and reading, often outpacing State and national averages.

- The 2013-2014 school year marked the first time CPS students had access to the number of instructional hours necessary for a full school day and a full school year. This means that a student who enters kindergarten today and persists through the 12^{th} grade will receive an additional 2 ½ years of instructional time.
- The Board announced a $10 million investment in arts education for the 2014-2015 school year to ensure schools meet the Board's comprehensive Arts Education Plan.
- The Board used Tax Increment Financing money to add 84 newly dedicated arts teachers for the 2014-2015 school year. Nearly 600 schools now have arts liaisons to connect with cultural institutions and community partners to enrich students' understanding of the arts.
- Nearly 20,000 students participated in Advanced Placement coursework and took accompanying exams last school year, an increase of nearly 10 percent from the previous year. CPS ranks second in the nation as the district with the most African-American students enrolled in AP courses.
- The Board will begin awarding the State Seal of Biliteracy to graduating seniors who demonstrate proficiency in English and in a secondary language. Employers and colleges seek out these students for their valuable linguistic skills and inter-cultural flexibility.
- The School District is continuing expansion and enhancement of proven high-quality school models and programs that engage and accelerate students on the path to college and career success.

***Pillar 2 – Systems of Support that Meet Student Needs*:** Every student is unique, and high expectations for all students must be coupled with a holistic approach that supports the individual needs of each. All students need special attention to grow both personally and academically. Specific accomplishments include:

- Student daily attendance climbed to a record 93.2 percent in 2013-2014.
- Investments in social-emotional programs have contributed to an unprecedented 36 percent decrease in out-of-school suspensions for high school students.
- The Board partnered with leaders in higher education to form the Chicago Higher Education Compact, a collaboration dedicated to developing solutions to increase college enrollment, persistence and completions for CPS graduates.
- The University of Chicago Consortium on School Research found that an estimated 14 percent of CPS freshmen will earn a four-year degree within 10 years of starting high school, up from just 8 percent in 2006.
- The School District launched the Personalized Learning Advancing Youth (PLAY) initiative as a framework for personalized learning in the District. The initiative is designed to ensure that all students have access to tailored learning experiences that meet their individualized needs.
- CPS Connects – a partnership with the Chicago City of Learning (CCOL) -- provides students with virtual activities and hands-on learning opportunities outside the confines of their neighborhoods. Students choose activities based on their interests and receive incentives for their accomplishments (i.e., trips to the City's museums, zoo, etc.)
- The School District has expanded and raised awareness about the Chicago Star Scholarship program, which provides eligible CPS students with a free education at City Colleges of Chicago.
- The Board has expanded early college/dual enrollment programs that give college-ready high school juniors and seniors exposure to college-level courses, as well as the confidence to succeed in more academically challenging environments, and the opportunity to earn credits toward a college degree.
- The Board has continued to expand a multi-tiered system of supports (MTSS) in every school – both academic and behavioral – that provides struggling students with additional targeted interventions to ensure success, as well as access to grade-level core content through strong differentiated instruction.

- The Board expanded re-engagement services for Chicago youth not enrolled in school by adding 800 seats in option schools for the 2014-2015 school year.

Pillar 3 – Engaged and Empowered Families and Community**:** Effective schools guide families to support children's learning at home and leverage the talents of parents as volunteers. School and district leaders must draw on all the resources of the City and its neighborhoods: parents, nonprofits and businesses, universities and community groups, faith-based leaders, government officials, philanthropists and activists. Specific objectives include the following:

- In an effort to empower families with the information and tools to support children's learning at home and school, the School District has launched Parent Universities and Parent Engagement Centers.
- The Board manages the largest community schools system in the nation, known as the Community Schools Initiative (CSI). Awarded by the Coalition for Community Schools in 2006 with the Community Schools National Award for Excellence, CSI has launched more than 200 schools, in partnership with nearly 50 lead non-profit organizations, that serve as hubs of their communities to meet students' and families' academic and non-academic needs to develop educated citizens and strengthen local neighborhoods.
- The Board continues to improve services that help parents to navigate the Board, such as rapid response call lines to answer time-sensitive questions and Parent Engagement Centers to provide information about Board schools, programs and services, a mechanism to file complaints, and the opportunity to use computers and attend parent workshops.
- In partnership with parent organizations, the School District has expanded high school fairs to give students and families greater ability to make informed choices about programs and educational opportunities. The School District has also increased equity of access to high-quality school options by establishing a streamlined, single high school application system.
- The Board continues to prepare Local School Councils (LSCs) to become effective leaders, advocates and innovators.
- The Community Partnership Program (CPP) collaborates with organizations throughout the City and surrounding area to provide quality early childhood programs to children and families in Chicago. The funds for this program come from the State Early Childhood Block Grant, through the Illinois State Board of Education (ISBE).
- The Board and the City continues their commitment to strengthen community partnerships at the district level, i.e., partner with community stakeholders (religious organizations, community-based organizations, businesses, universities, government agencies) to support building strong schools and communities throughout the School District.

Pillar 4 – Committed and Effective Teachers, Leaders and Staff**:** The Board must support a culture of collective responsibility, high performance and continuous improvement by helping employees understand their role in meeting system-wide goals and supporting them to succeed and grow in their daily practice. Specific objectives are as follows:

- In 2014-2015, an additional 85 teachers earned the prestigious National Board Certification. This gives CPS more than 2,200 Board Certified Teachers—more teachers with this distinguished credential than any urban district in the nation.
- The Board continued to expand and refine REACH *(**R**ecognizing **E**ducators Advancing **Ch**icago) Students* the Board's comprehensive, new teacher evaluation system. *REACH Students*, launched during the 2012-2013 school year, was created with input from teachers in collaboration with the Chicago Teachers Union (CTU) to provide a roadmap for good teaching and the necessary tools teachers need to drive student achievement.
- The Chicago Public Schools Principal Fellowship, a partnership with Northwestern University's Center for Nonprofit Management at the Kellogg School of Management, and

the School of Education and Social Policy, gives 21 high-performing principals executive leadership development that includes customized coaching, leadership training and mentoring of colleagues.

- The Board continues to implement a system to induct and support new leaders (Principals, Networks, Assistant Principals, Central Office, Teacher Leaders), and provide ongoing, differentiated professional development for experienced leaders, as well as appropriate skills and capacity building for all employees.
- The Board is refining a high-visibility recognition platform for top performers, tying rewards and recognition to performance, and empowering great leaders with autonomy to innovate and a platform to share best practices School District-wide.
- The Board is working to create deep connection and meaningful understanding of the Board District's vision, strategy, priorities, actions and success through robust, compelling, and frequent employee communication, engagement, and feedback loops.
- The Principal Quality Initiative (PQI) aims to place a high-performing principal in every school. PQI has established five critical levers that help recruit, train, evaluate and reward principals, and recognize their critical role in improving student achievement.

Pillar 5 – Sound Fiscal, Operational and Accountability Systems**:** Board financial, operational and accountability systems must be driven by priorities leading to student success. Every employee should be held accountable for his/her contribution to student outcomes, and all team members must be provided with useful data and guidance allowing them to effectively work toward these goals. Specific objectives include the following:

- The Board has made every effort to keep cuts away from the classroom by identifying ways to cut spending from central office, administration and operations. With the additional $55 million in cuts in fiscal year 2015, CPS has cut $740 million cumulatively since fiscal year 2011 in these areas to ensure that every dollar possible is helping improve outcomes in the classroom.
- The Board has expanded Safe Passage so that it now serves 53,227 students at 94 schools. It has added security cameras at 93 schools and integrated them with the 911 center. The Board's focus on improving the school climate has led to implementation of restorative justice, social/emotional supports, and anti-bullying curricula in schools.
- The Board has expanded out-of-school-time supports, including expanding Safe Haven, which now serves over 10,000 students in 110 sites for after-school and between semester programs.
- Leading indicators of student safety, school climate and academic achievement show significant gains over the past three school years. The District has seen 33 percent drop in out of school suspension rate, a 37 percent drop in referral for expulsion rate, a 35 percent drop in the in-school arrest rate, a 25 percent drop in the CPS student shooting victimization rate and a 12 percent drop in the number of students who were victims of homicides.
- The Board has developed an education facilities master plan that is driven by a 10-year neighborhood vision of the types of schools and programs residents want and maintains the optimal number of seats to serve students efficiently while assuring adequate funding.
- The Board reached an agreement to sell the CPS headquarters building for $28 million. As a result of Central Office relocation, the School District expects to save more than $70 million over the next 15 years.
- The Board approved agreements to sell nine unused, surplus properties for nearly $1.9 million. In addition to receiving significant payment, the School District will end maintenance costs associated with each location.
- The Board seeks to continue to provide relevant and timely data and reports to all stakeholders (teachers, staff, parents, administrators) in order to ensure transparency, facilitate informed decision-making and enable targeted student development.

- The Board created a school funding process – student-based budgeting – that is equitable and provides maximum flexibility for principals to meet student needs.
- The Board developed a detailed operating plan by department that is tied to strategic, fiscal, and policy priorities, and design and implement a robust management routine inclusive of performance vs. goals (e.g., progress toward key initiatives and benchmarks, budget vs. actuals, etc.) and data-driven decision-making, in order to implement the Board's vision with fidelity.

Early Childhood Education Initiatives**.** In February 2013, the Board announced that for the first time, every Chicago public school will offer full-day kindergarten. Over the past two years the Board has steadily expanded access to full-day kindergarten, adding 6,000 additional seats, bringing the total number of students with access to full-day kindergarten to 26,500. With this change, the Board will move from guaranteeing only a half-day kindergarten in elementary schools to guaranteeing a full-day for the approximately 30,700 children entering the School District each year.

In April, 2013, the Mayor announced that more than 2,300 additional children across the City will have access to new, high-quality early-learning program opportunities and wrap-around services—such as health, social and emotional programs--associated with these programs starting in the fall of 2013. In addition to that investment, an overhaul of the process for reviewing and allocating funding for these programs was also announced. As a result of this new process, 724 schools and community-based provider locations were funded to provide high-quality early-learning programs, serving approximately 44,600 children between the ages of 0-5. The vast majority of these locations are based in community organizations or schools; 95 of these locations are run by faith-based organizations and six will be in charter schools. Also beginning in 2013, families who are not eligible for free and reduced price lunch will be asked to contribute a co-payment on a sliding fee scale to participate in Board school-based programs.

In October, 2014, the Mayor announced that 2,620 additional children will have access to high-quality early childhood education as a result of a Social Impact Bond Program, an innovative financing format that will fund pre-K education over the next four years. The program provides early childhood education to students over the life of the project through a half-day Child-Parent Center (CPC) model, a program that works with both students and their parents to improve educational outcomes.

In January, 2015, the Mayor announced that Chicago had been awarded $600 million for early childhood education programming over the next five years. The U.S. Department of Health and Human Services (HHS) renewed Chicago's Head Start Funding due to the strength of the City's programs. Following the implementation of full-day kindergarten in 2013-2014 and leveraging the federal government's guaranteed funding over the next five years, the City will triple the number of full-day pre-kindergarten (pre-K) programs – from 100 today to 300 – by 2019. This expansion will bring full-day programs to 4,000 additional children at CPS.

Chicago Teachers' Union and Other Employee Groups

For its 2015 fiscal year, the Board currently employs approximately 39,146 persons. Approximately 86% of the Board's employees are represented by seven unions that engage in collective bargaining with the Board. As of July 1, 2014, approximately 62% of the Board's employees were represented by the Chicago Teacher's Union ("**CTU**") and approximately 24% 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 Board has extant collective bargaining agreements with all of the labor organizations that represent Board employees which are effective during the following periods

Labor Organization	Start Date	End Date
Chicago Teachers Union	July 1, 2012	June 30, 2015
SEIU Local 73	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, 2017
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

The Board has reached a successor agreement with SEIU Local 73 that will be effective during the period of July 1, 2015 to June 30, 2018, in which the Board agreed to provide the employees a 2% 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 1.5% of salary and agreed to reduce paid time off for custodians and bus aides.

The Chicago Teachers Union has demanded bargaining and publicly stated that it will not agree to extend the current collective bargaining agreement even if the Board makes an offer to extend the agreement. The Board has until April 30, 2015 to determine whether or not it will offer an extension. In the meantime, the Board has met with the Chicago Teachers Unions representatives to develop ground rules for bargaining which has commenced, though the Board has reserved its right to offer to extend the current agreement for one year.

On June 13, 2011, the Governor signed into law Senate Bill 7 (Public Act 097-0008) ("**P.A. 97-8**"). P.A. 97-8 amends a section of the Illinois Pension Code, numerous sections of the Illinois School Code and sections in the Illinois Educational Labor Relations Act ("**IELRA**").

P.A. 97-8 amends IELRA to provide that if the Board and the CTU fail to reach an agreement after a reasonable period of mediation on a collective bargaining agreement, the dispute will be submitted to a fact-finding panel to help resolve the impasse. It also amends IELRA to include procedures for this fact-finding panel process.

P.A. 97-8 amends IELRA with respect to CPS teachers and their strike rights in three key ways. First, teachers may not engage in a strike where mediation has been used without success and if an impasse has been declared, unless at least 14 days have elapsed after the final offer has been made public. Second, if fact-finding was invoked, teachers may not engage in a strike until at least 30 days has elapsed after a fact-finding report has been released to the public. Third, teachers may not strike until at least 75% of all bargaining unit members of CTU have voted to authorize the strike.

For a discussion of pension and retirement benefits for eligible employees, see **"PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS**."

GENERAL AND ECONOMIC INFORMATION

The below general and economic developments provide context for understanding the setting within which the Board's financial activities take place. This section provides material for analyzing that setting.

Population 1980 – 2013

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
2013 Estimate	316,128,839	12,882,135	5,240,700	2,718,782

Source: U.S. Department of Commerce, Bureau of the Census.

Principal Employers

	2013			2004		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
U.S. Government	49,860	1	0.95%	88,000	1	1.64%
Chicago Public Schools	39,094	2	0.75	39,402	2	0.73
City of Chicago	30,340	3	0.58	35,978	4	0.67
Cook County	21,482	4	0.41	26,505	5	0.49
Advocate Health Care	18,512	5	0.35	25,196	6	0.47
J.P. Morgan Chase & Co	16,045	6	0.31	-	-	-
University of Chicago	15,452	7	0.29	-	-	-
State of Illinois	14,731	8	0.28	17,222	8	0.32
AT&T Inc.	14,000	T9	0.27	17,000	9	0.32
United Continental Holdings, Inc. (1)	14,000	T9	0.27	15,830	10	0.30
Jewel-Osco	-	-	-	36,749	3	0.69
United Parcel Service of America Inc.	-	-	-	19,563	7	0.36
Total	233,516		4.46%	321,445		5.99%

(1) Owns and operates United Airlines.
Source: Reprinted with permission, Crain's Chicago Business January 20, 2014 © Crain Communications, Inc.

Non-Farm Employment by Major Industry Sector

	Chicago MSA		Illinois		United States	
Sector	Nov-08	Nov-14	Nov-08	Nov-14	Nov-08	Nov-14
Trade, Transportation and Utilities	20.5%	20.3%	20.4%	20.1%	19.2%	19.2%
Government	12.8%	12.4%	14.7%	14.3%	16.9%	15.9%
Education and Health Services	13.8%	15.3%	13.7%	15.2%	14.3%	15.5%
Professional and Business Services	16.1%	17.6%	14.3%	15.6%	12.8%	13.9%
Leisure and Hospitality	8.9%	9.4%	8.8%	9.2%	9.5%	10.3%
Manufacturing	10.2%	9.0%	10.9%	9.8%	9.6%	8.7%
Financial Activities	6.9%	6.4%	6.5%	6.2%	5.9%	5.7%
Construction	4.4%	3.6%	4.3%	3.6%	5.1%	4.4%
Other Services	4.4%	4.2%	4.4%	4.2%	4.0%	3.9%
Information	1.9%	1.8%	1.9%	1.6%	2.2%	1.9%
Mining and logging	0.0%	0.0%	0.2%	0.2%	0.6%	0.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: U.S. Department of Labor, Bureau of Labor Statistics.

General Demographic Statistics (Demographic and Economic Statistics)

(dollars in thousands)

Year	Personal Income	Per Capita Personal Income	Median Household Income
2004	$137,820,341	$25,694	$50,093
2005	139,159,977	26,075	51,635
2006	139,547,983	26,295	52,408
2007	138,936,974	26,324	52,477
2008	139,190,968	26,452	52,664
2009	141,675,329	26,888	53,709
2010	153,959,010	29,381	59,201
2011	140,483,393	26,933	54,036
2012	145,456,281	28,246	53,852
2013	148,352,487	28,304	51,391

Source: Personal Income and Median Household Income is for Cook County, Illinois. Median Household Income and personal Income information is provided by Claritas Data Services.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Principal Property Taxpayers

2012 and Nine Years Ago
(in thousands of dollars)

		2012 (1)			2003		
Taxpayer	**Type of Business**	**Equalized Assessed Value (3)**	**Rank**	**Percentage of Total Equalized Assessed Value**	**Equalized Assessed Value**	**Rank**	**Percentage of Total Equalized Assessed Value**
Willis Tower	Retail & Office	$ 386,267	1	0.29%	$ 467,362	1	0.42%
Aon Center	Insurance	255,346	2	0.19	307,715	2	0.28
Merchandise Mart	Retail & Office	243,605	3	0.18	-	-	-
Citadel Center	Office	237,236	4	0.18	-	-	-
One Prudential Plaza	Financial Services	234,963	5	0.18	266,448	4	0.24
Equity Office (2)	Property Management	209,267	6	0.16	307,093	3	0.28
Blue Cross Blue Shield Tower	Office	205,275	7	0.15	-	-	-
Water Tower Place	Retail & Office	201,246	8	0.15	-	-	-
Chase Tower	Banking	200,707	9	0.15	233,214	5	0.21
One North Wacker Drive	Office	191,524	10	0.14	144,867	8	0.13
Citicorp Center	Banking	-	-	-	185,968	6	0.17
Three First National Plaza	Retail & Office	-	-	-	171,376	7	0.16
AT & T Corporate Center	Communications	-	-	-	138,142	9	0.13
311 South Wacker	Investments	-	-	-	124,511	10	0.11
		$ 2,365,436		1.77%	$2,346,696		2.13%

Source: Cook County Treasurer's Office and Cook County Clerk's Office.
(1) 2013 information is unavailable.
(2) Equity Office owns and manages two adjoining tower office buildings.
(3) The Equalized Assessed Valuation for 2012 is $133,397,995,365.

Annual Unemployment Rates

Year	Cook County	Chicago MSA	State of Illinois	United States
2004	6.7%	6.3%	6.2%	5.5%
2005	6.4%	6.0%	5.8%	5.1%
2006	4.8%	4.5%	4.7%	4.6%
2007	5.2%	4.9%	5.1%	4.6%
2008	6.4%	6.1%	6.4%	5.8%
2009	10.4%	10.0%	10.0%	9.3%
2010	10.8%	10.4%	10.4%	9.6%
2011	10.3%	9.9%	9.7%	8.9%
2012	9.3%	9.0%	9.0%	8.1%
2013	9.6%	9.2%	9.1%	7.4%
2014	7.5%	7.0%	7.3%	6.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

DEBT STRUCTURE

Outstanding Debt Obligations

Long-Term Debt Obligations. The Board has approximately $6.0 billion aggregate principal amount of outstanding long-term debt, consisting of approximately $5.81 billion aggregate principal amount of Alternate Revenue Bonds (not including the 2015 Project Bonds or the implementation of the Board's Plan of Finance) and approximately $196 million aggregate principal amount of leases with the Public Building Commission (the "**PBC Leases**"). See "--**Board's Debt Service Schedule.**" 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 "**BOARD OF EDUCATION –**

Other Public Bodies – The Public Building Commission of Chicago." 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 of Education 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Board's Debt Service Schedule

The table below sets forth the Board's Debt Service following the close of the Bonds and implementation of the Plan of Finance. Debt service is shown on a calendar year basis (rather than on the basis of the Board's fiscal year) to be consistent with the tax year used for the levy and collection of the Pledged Taxes that secure the bonds.

Board's Debt Service Schedule
(Dollars in Thousands)

Calendar Year	Outstanding Alternate Revenue Bonds(1) (2)	PBC Leases	Series 2015C and Series 2015E Bonds	Total Annual Debt Service
2015	$468,652	$53,256	$9,282	$531,190
2016	472,614	51,839	15,763	540,216
2017	478,334	51,857	15,763	545,954
2018	475,556	51,954	15,763	543,273
2019	497,043	29,877	15,763	542,683
2020	524,476	28,505	15,763	568,744
2021	543,211	-	15,763	558,974
2022	538,071	-	15,763	553,834
2023	525,096	-	15,763	540,859
2024	532,795	-	15,763	548,558
2025	588,238	-	15,763	604,001
2026	527,246	-	15,763	543,009
2027	529,289	-	15,763	545,052
2028	533,520	-	15,763	549,283
2029	533,473	-	15,763	549,236
2030	506,541	-	15,763	522,304
2031	505,915	-	15,763	521,678
2032	215,979	-	51,478	267,457
2033	207,918	-	35,630	243,548
2034	207,785	-	51,187	258,972
2035	207,602	-	49,871	257,473
2036	205,232	-	46,803	252,035
2037	205,044	-	46,800	251,844
2038	205,041	-	46,803	251,844
2039	205,043	-	46,805	251,848
2040	205,040	-	-	205,040
2041	205,042	-	-	205,042
2042	205,039	-	-	205,039

(1) Includes debt service on the Series 2015A Bonds and Series 2015G Bonds.
(2) Debt service payments include principal and interest as of April 21, 2015. The Series 2013B Bonds and Series 2013C Bonds that are structured as short-term revolving lines of credit are excluded. Only actual payments to date in 2015 are included for the Series 2000B Bonds and Series 2011D Bonds, which were refunded in March 2015. Debt service payments in 2015 on outstanding variable rate bonds are estimated for payments due April through December 2015. Interest on variable rate bonds that are not the subject of an interest rate swap is calculated at 4.5% or 5%, depending on the deposit requirement in the indenture securing such bonds; actual rates may vary. Interest on bonds that are the subject of an interest rate swap is calculated at the applicable swap rate plus the applicable fixed spreads. See **"DEBT STRUCTURE – Board's Interest Rate Swap Agreements"** herein.

Debt Service Stabilization Fund

The Board maintains a debt service stabilization fund which it is available to the Board as a reserve to pay debt service on its bonds if needed. As of March 10, 2015 the fund had a balance of $174 million. The fund is not specifically pledged or restricted to the payment of debt service on the 2015 Project 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.

Debt Management Policy

The Board has adopted a Debt Management Policy ("**Debt Policy**"). The purpose of the Debt Policy is 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. In issuing the Bonds and any future debt, and when entering into derivative contracts, the Board will consider a number of factors, including the duration of the debt in relation to the economic life of the improvement or asset that the issue is financing, its mix of fixed and variable rate debt, negotiated and competitive methods of sale, conditions in both domestic and international markets, credit enhancement agreements, the risks associated with various types of debt and/or derivative instruments, the potential impact of debt service on the operating budget, statutory debt limitations, and credit implications. The Board also believes it should avoid financing general operating costs from debt having maturities greater than one year.

A copy of the Debt Policy is available at on the Board's 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 Debt Policy may be subsequently amended or modified by the Board, without notice to or consent of the registered owners of the Bonds. The locations of the Board's Debt Policy and Investment Policy (defined and described below) are included herein solely for general background purposes and for the convenience of Bondholders.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Legal Debt Margin

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

	2010	**2011**	**2012**	**2013**	**2014**
Equalized Assessed Value[1]	$84,592,286	$82,092,485	$75,127,593	$65,257,093	$62,370,205
Debt Limit[2]	$11,673,736	$11,328,763	$10,367,652	$ 9,005,479	$ 8,607,088
General Obligation Debt[2]	498,593	446,719	394,793	342,830	290,849
Less: Amount set aside for repayment of bonds	(16,042)	(36,440)	(29,917)	(34,790)	(35,201)
Total Net Applicable Debt[2]	$ 482,551	$ 410,279	$ 364,876	$ 308,040	$ 255,648
Legal Debt Margin	$11,191,184	$10,918,484	$10,002,776	$8,697,439	$8,351,440
Total Net Applicable Debt as a percentage of Debt Limit	4.13%	3.62%	3.52%	3.42%	2.97%

(1) Includes taxable property in the School District located in Cook County and DuPage County.
(2) The statutory Debt Limit for general obligation debt for the School District by Illinois statutes is 13.80% of equalized assessed value.
(2) Includes only Public Building Commission debt that is repaid by property taxes. Pursuant to the Illinois statutes, the Board's general obligation alternate bonds do not count against the Debt Limit so long as the debt service levy for such bonds is abated annually and not extended.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Overlapping Debt

The table below sets forth the long term debt of the Board and that of overlapping taxing districts.

Board's Overlapping Debt Schedule
As of April 21, 2015
(Dollars in Thousands)

Direct Debt			
The Bonds			$ 300,000
Total Prior Bonds			5,810,363
Short Term Lines of Credit[1]			211,079
Leases Securing PBC Bonds (principal component)			196,470
Total Direct Debt			$ 6,517,912
Overlapping Debt[2]	**Amount**	**Percent Applicable**	**Amount Applicable**
City	$8,122,072	100.00%	$ 8,122,072
City Colleges of Chicago[2]	250,000	100.00%	250,000
Chicago Park District[2][3]	806,690	100.00%	806,690
Cook County[4]	3,579,977	48.18%	1,724,833
Forest Preserve District	170,322	49.53%	84,360
Water Reclamation District	2,619,000	50.53%	1,323,381
Total Overlapping Debt			$ 12,311,336
Total Direct and Overlapping Debt			$18,829,248
Population (2013 estimate)			2,718,782[5]
Equalized Assessed Valuation (2013)			$ 62,363,876[6]
Estimated Fair Market Value (2012)			$206,915,723[7]

	Per Capita[8]	% EAV	% FMV
Direct Debt	$ 2,397.36	10.45%	3.15%
Total Direct and Overlapping Debt	6,925.62	30.19%	9.10%

(1) Series 2013B Bonds and Series 2013C Bonds. See "**PLAN OF FINANCE – Overview of Financing**" and "**DEBT STRUCTURE – Short-Term Borrowings for Capital Improvements.**"
(2) Excludes outstanding tax anticipation notes and warrants.
(3) Includes $332,955,000 of outstanding general obligation bonds issued as Alternate Bonds under the Debt Reform Act for which the alternate revenue source is personal property replacement tax revenues, harbor fees and other specific revenues.
(4) Includes $111,300,000 sales tax-backed general obligation bonds.
(5) Source: United States Census Bureau. The census is conducted decennially at the start of each decade.
(6) Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions and includes assessment of pollution control facilities.
(7) Source: The Civic Federation.
(8) Per Capita amounts are not expressed as dollars in thousands.

Board's Interest Rate Swap Agreements

The Board has entered into certain interest rate swap agreements in connection with certain of its outstanding bonds. Information regarding the Board's existing interest rate swap agreements (the "**Existing Swap Agreements**") is set forth in the table below. The Indenture securing the 2015 Project Bonds permits the Board to enter interest rate swap agreements, but the Board is not entering into any such new interest rate swap agreements in connection with the issuance of the 2015 Project Bonds.

The Board has experienced recent downgrades of its credit ratings which have triggered an "*Additional Termination Event*" under certain of the Existing Swap Agreements. See the discussion under the headings **"- Default and Termination Event Exposure," "RATINGS,"** and **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions."**

Information regarding the Board's Existing Swap Agreements is set forth in the table below.

Board's Interest Rate Swap Agreements

Series	Counterparty	Rating of Counterparty (Moody's/ Standard & Poor's/Fitch)(1)	Notional Amount (1)	End Date	Payable Swap Rate	Variable Receivable Swap Rate	Mark-to-Market Value (6)
2005A	Loop Financial Products I LLC (2) Merrill Lynch Capital Services, Inc. (3)	A3/A/A+ Baa2/A-/A	$108,651,000 $72,434,000	12/1/2031 12/1/2031	SIFMA Index SIFMA Index	70% of LIBOR + 52.4 bp 80.76% of LIBOR	$2,200,774 ($586,649)
2008A	Royal Bank of Canada Bank of America , N.A	Aa3/AA-/AA A2/A/A	$162,785,000 $100,000,000	12/1/2028 12/2/2030	5.25% 5.25%	70% of LIBOR + 28 bp 70% of LIBOR + 28 bp	($65,476,522) ($47,092,948)
2008B(7)	Goldman Sachs Bank USA(4) Goldman Sachs Capital Markets, L.P. (4)	A2/A/A A2/A/A	$95,350,000 $90,000,000	3/1/2034 3/1/2034	3.771% 3.771%	70% of LIBOR 70% of LIBOR	($23,365,503) ($22,054,492)
2013A-1	Loop Financial Products I LLC (2)	A3/A/A+	$106,930,000	3/1/2026	3.6617%	70% of LIBOR	($15,333,630)
2013A-2	Royal Bank of Canada	Aa3/AA-/AA	$124,320,000	3/1/2035	3.825%	70% of LIBOR	($37,414,236)
2013A-3	Loop Financial Products I LLC (2)	A3/A/A+	$157,055,000	3/1/2036	3.6617%	70% of LIBOR	($47,365,886)
2011D(5)	Royal Bank of Canada	Aa3/AA-/AA	$61,100,000	3/1/2032	3.823%	70% of LIBOR	($16,916,158)

(1) As of March 15, 2015.
(2) Loop Financial Products I LLC is provided credit support by Deutsche Bank AG.
(3) Rating is for Merrill Lynch & Co., Inc.
(4) The swaps are guaranteed by The Goldman Sachs Group, Inc.
(5) As part of the **"PLAN OF FINANCE"** described herein, the Series 2011D Bonds have been refinanced by the Series 2015G Bonds and the Existing Swap Agreement has been transferred to the Series 2015G Bonds.
(6) Based on mid-market valuations as of the close of business on March 19, 2015. Source: Chicago Public Schools.
(7) No Additional Termination Event with respect to the Series 2008B Existing Swap Agreement has occurred as a result of the recent ratings actions described under the caption **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions."**

The Existing Swap Agreements expose the Board to certain additional risks. Should the market value of the swaps become positive, the Board may be exposed to the credit risk of the swap providers. If a swap provider's credit rating declines below specified rating levels and the market value of the swap reaches certain threshold amounts, the Existing Swap Agreements provide that the market value of the swap will be collateralized by the swap provider with U.S. government securities. Collateral would be posted with a third-party custodian.

The Board will be exposed to "*basis risk*" should the rate paid on the bonds subject to an Existing Swap Agreement exceed the rate payable to the Board pursuant to the related Existing Swap Agreements. Should any adverse basis differential occur while an Existing Swap Agreement is in effect, the rate paid on the bonds that are subject to the Existing Swap Agreement will be higher than the expected fixed rate, and therefore the expected interest cost to the Board may be higher.

The Board is also exposed to the risk of the bankruptcy of a counterparty. In such an event, payments under an Existing Swap Agreement may cease to be made to the Board and any payment exchanges between the Board and the bankrupt counterparty may be subject to the jurisdiction of the bankruptcy court.

The Board may terminate an Existing Swap Agreement at any time at market value. In addition, the Board or the applicable swap provider may terminate an Existing Swap Agreement under certain other conditions. If an Existing Swap Agreement is terminated, bonds paying interest at a synthetic fixed rate and subject to that Existing Swap Agreement would no longer carry the expected synthetic fixed interest rate, and the Board would be subject to the interest rate risk associated with variable rate debt. Also, if, at the time of termination, an Existing Swap Agreement has a negative market value, the Board would be liable to the applicable swap provider for a termination payment equal to the swap's market value. Such termination payment may be substantial.

Default and Termination Event Exposure

Certain of the Board's Existing Swap Agreements contain an "*Additional Termination Event*" if the credit rating of the Board's unenhanced unlimited tax general obligation bonds is withdrawn or reduced by any two of Moody's Investor's Service ("**Moody's**"), Standard & Poor's Financial Services LLC ("**Standard & Poor's**), or, in some cases, Fitch Ratings ("**Fitch**"), to below BBB in the case of Fitch and Standard & Poor's and to below "Baa2" in the case of Moody's. As a result of the recent downgrades of the Board's unenhanced unlimited tax general obligation bond ratings by Moody's and Fitch to "Baa3" and "BBB-," respectively, an Additional Termination Event under several of the Board's Existing Swap Agreements has occurred. The aggregate negative mark-to-market value (based on mid-market valuations as of March 19, 2015) of the Existing Swap Agreements for which an Additional Termination Event has occurred is approximately $228 million. This occurrence affords each of the swap counterparties under the applicable Existing Swap Agreements the ability to elect to terminate their respective swap transactions. If any counterparty elects to terminate its swaps, then the Board would be obligated to pay any negative market value of the terminated swap to the counterparty two Business Days following notice of the amount payable. The actual market value payable upon termination is likely to include mid-market valuations based on market quotations received at the time of termination plus transaction costs and may be higher than the mid-market valuations as of March 19, 2015. Prior to the downgrades, the Board began discussions with the counterparties to amend the Existing Swap Agreements to modify the triggering events for an Additional Termination Event. While those discussions are expected to continue, there can be no guarantee that amendments will be successfully negotiated with any of the swap counterparties. No Event of Default will be deemed to have occurred under the Swap Agreements if they are terminated and the Board pays the counterparties the full amount that they are owed. Even if no amendments are negotiated the Board currently has sufficient liquidity given its reserves (including its debt service stabilization fund) and available lines of credit, to pay any amounts should the counterparties elect to terminate their agreements. No assurance can be given; however, regarding the Board's future liquidity position. See the discussion under the headings **"RATINGS," "CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions,"** and **"- Board's Debt Service Schedule – Board Established Debt Service Stabilization Fund."**

In addition, the Board has entered into agreements with various banks that have provided credit to the Board in the form of lines of credit, loans and letters of credit. Many of the bank agreements provide for events of default upon certain downgrades of the Board's credit ratings. In addition, such defaults and termination events can lead to various remedies for the banks, including increased interest rates which may be higher than the interest rates (currently limited to 9% for tax-exempt loans and 13.5% for taxable loans) now paid by the Board under such agreements; however, no agreement provides for acceleration upon such default. See **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions"** and **"RATINGS."**

Short-Term Borrowings for Capital Improvements

The Board has approximately $211 million in lines of credit outstanding for purposes of funding capital expenditures (the Board's outstanding Series 2013B Bonds and Series 2013C Bonds) as follows: (i) BMO Harris Bank in the amount of $150 million expiring December 20, 2016 and $61.0794 million with PNC Bank expiring March 1, 2017. These bonds bear interest at an "*Index Floating Rate*" and are general obligations of the Board issued as Alternate Revenue Bonds backed by Pledged State Aid Revenues. The recent downgrades of the Board's credit ratings have not triggered an event of default under the indentures securing these bonds. Under the indenture securing the Series 2013B Bonds, the recent downgrades of the Board's credit ratings cause the Index Floating Rate to increase by 20 basis points. Under the indenture securing the Series 2013C Bonds, the recent downgrades of the Board's credit ratings cause the Index Floating Rate to increase to the "*Maximum Rate*" under State law (currently 9%). See **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions"** and **"RATINGS."**

Under a continuing covenant agreement related to the Series 2013B Bonds and the Series 2013C Bonds, a downgrade of the Board's debt rating by Moody's, Standard and Poor's or Fitch below Baa3/BBB- would trigger an event of default under the continuing covenant agreement. Such defaults and termination events can lead to various remedies for the banks, including increased interest rates which may be higher than the interest rates (currently limited to 9% for tax-exempt loans and 13.5% for taxable loans) now paid by the Board under such agreements; however, no agreement provides for acceleration upon such default. See **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions"** and **"RATINGS."**

Revolving Lines of Credit

The Board currently utilizes revolving lines of credit to address cash flow needs, due to the misalignment of the anticipated receipt of operating revenues and expenditures. In fiscal year 2015, the Board obtained two revolving lines of credit in the form of drawdown tax anticipation notes ("**TANs**") in the maximum amount of $250 million each (the Board's outstanding "**Series 2014A TANs**" and "**Series 2014B TANs**") for purposes of funding interim cash flow needs. These TANs are secured by a lien on the Board's tax receipts to be derived by the Board from the Board's 2014 tax levy for educational purposes and are not a general obligation of the Board or secured by Pledged State Aid Revenues. These TANs are held by BMO Harris Bank and PNC. Currently, the Board has no commitment in place for a line of credit or for the purchase of tax anticipation notes with respect to the 2015 tax levy year. The Board expects to continue to rely on short term borrowing to address its cash flow needs resulting from timing mismatches between revenues and expenditures.

The bank agreements pursuant to which the Board has issued the TANs require that the Board maintain a rating from at least one rating agency and the Board cannot withdraw any rating from Moody's, Standard & Poor's, or Fitch if the effect of such withdrawal would be to cure an Event of Default. Such defaults can lead to various remedies for the banks, including increased interest rates which may be substantially higher than the interest rates (currently limited to 9% for tax-exempt loans and 13.5% for taxable loans) now paid by the Board under such agreements; however, no agreement provides for acceleration upon such default. For a discussion of the Board's credit ratings see **"CERTAIN INVESTMENT CONSIDERATIONS – Recent Rating Actions"** and **"RATINGS."**

Variable Rate Debt

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 variable rate bonds are in short term rate modes which are established by remarketing of such bonds. In the event, of a failed remarketing the interest rate on such bonds increases and such increased debt service requirements could be substantial.

Bond Issue Notification Act

The Bond Issue Notification Act (the "**Bond Issue Notification Act**") requires a public hearing to be held by any non-home rule governmental unit 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.

FINANCIAL INFORMATION

Sources of Revenues

<u>Property Tax</u>. Revenues from *ad valorem* property taxes made up approximately 43.8% of the general operating fund revenues of the Board in fiscal year 2014. For a discussion of the real property tax system see **APPENDIX D -** "**THE REAL PROPERTY TAX SYSTEM**." In 1995, the Board became subject to the provisions of the Illinois Limitation Law that limits the ability of the Board to increase property taxes. The Limitation Law specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction or with voter approval. The Limitation Law requires the Cook County Clerk, in extending taxes for the Board 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 Limitation Law does not restrict the ability of the Board to increase taxes to pay Alternate Revenue Bonds, including the Bonds.

The tables on the following pages provide statistical data regarding the property tax base of the Board and the City; the tax rates, tax levies and tax collections for the Board; and the tax levies and property tax supported debt for overlapping units of government in Cook County.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2003-2013

(Dollars in Thousands)

Tax Year Levy[9]	Assessed Values[1]					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
	Class 2[5]	Class 3[6]	Class 5[7]	Other[8]	Total				
2003	$12,677,199	$2,233,572	$10,303,731	$487,680	$25,702,182	2.4598	$53,168,632	$263,482,258	20.18
2004	12,998,216	1,883,047	10,401,428	465,464	25,748,155	2.5757	55,283,639	262,080,627	21.09
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948	2.7320	59,304,530	283,137,884	20.95
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	199,608,235	32.69
2013	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	198,452,675	31.43

(1) Source: Cook County Assessor's Office.
(2) Source: Illinois Department of Revenue.
(3) Source: Cook County Clerk's Office. Calculations are net of exemptions and include assessment of pollution control facilities. Excludes DuPage County Valuation.
(4) Source: The Civic Federation. 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 2003, 2006, 2009, and 2012.

Board's Property Tax Extensions and Collections
(Dollars in Thousands)
(as of June 30, 2014)

Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Collections within the Fiscal Year Of Extension (1) Amount	Collections within the Fiscal Year Of Extension (1) Percentage of Extension	Collections in Subsequent Years	Total Collections (2) Amount	Total Collections (2) Percentage of Extension
2004	2005	$1,716,111	$769,982	44.87%	$908,281	$1,678,263	97.79%
2005	2006	1,794,063	804,755	44.86%	939,079	1,743,834	97.20%
2006	2007	1,874,750	835,191	44.55%	967,471	1,802,662	96.15%
2007	2008	1,901,887	865,576	45.51%	978,045	1,843,621	96.94%
2008	2009	2,001,751	916,129	45.77%	1,027,520	1,943,649	97.10%
2009	2010	2,001,252	1,024,263	51.18%	913,850	1,938,113	96.85%
2010	2011	2,118,541	1,021,564	48.22%	1,047,632	2,069,196	97.67%
2011	2012	2,159,586	1,333,480	61.75%	811,983	2,145,463	99.35%
2012	2013	2,232,684	1,457,645	65.29%	703,988	2,161,633	96.82%
2013	2014	2,289,250	1,508,642	65.90%	707,086	2,215,728	96.79%

Notes:
1. The amount does not represent a full year's tax collection.
2. Total collections are net of refunds and include the estimated allowance for uncollectible taxes (the "**Allowance**").

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Real Property Tax Rates

(per $100 equalized assessed valuation)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax Rates by Board Fund:										
Educational(1)	$2.301	$2.142	$2.078	$2.377	$2.426	$2.204	$2.449	$2.671	$3.309	$3.518
Workers' and Unemployment Compensation Tort Immunity	0.131	0.228	0.021	0.190	0.031	0.148	0.067	0.133	0.031	0.067
PBC Operation and Maintenance (1)	0.576	0.565	0.521	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PBC Lease Rentals	0.096	0.091	0.077	0.016	0.155	0.014	0.065	0.071	0.081	.085
Board Subtotal	$3.104	$3.026	$2.697	$2.583	$2.472	$2.366	$2.581	$2.875	$3.421	$3.670
Other Major Government Units:										
City of Chicago	$1.302	$1.243	$1.062	$1.044	$1.147	$1.098	$1.132	$1.229	1.425	1.496
Community College District	0.242	0.234	0.205	0.159	0.156	0.150	0.151	0.165	0.190	.199
School Finance Authority(2)	0.177	0.127	0.118	0.091	0.000	0.000	0.000	0.000	0.000	0.000
Chicago Park District	0.455	0.443	0.379	0.355	0.323	0.309	0.319	0.346	0.395	.420
Water Reclamation District	0.347	0.315	0.284	0.263	0.252	0.261	0.274	0.320	0.370	.417
Cook County	0.593	0.533	0.500	0.446	0.415	0.394	0.423	0.462	0.531	.560
Cook County Forest Preserve	0.060	0.060	0.057	0.053	0.051	0.049	0.051	0.058	0.063	.069
Other Unit Subtotal	$3.176	$2.955	$2.605	$2.411	$2.344	$2.260	$2.350	$2.580	$2.974	$3.161
TOTAL	$6.280	$5.981	$5.302	$4.994	$4.816	$4.630	$4.931	$5.455	$6.395	$6.831

Source: Cook County Clerk's Office – tax rates by levy year. Tax rates for 2014 are not available.

(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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Other Primary Revenue Sources. Revenues from State Aid made up approximately 33.1% of the general operating fund revenues of the Board in fiscal year 2014. State Aid is comprised of two revenue sources, General State Aid ("**GSA**") and State School Construction funds administered through the Capital Development Board ("**CDB**"). See the heading "**SECURITY FOR THE BONDS – Pledged State Aid Revenues"** for a discussion of the calculation and payment of State Aid and historical revenues.

The Illinois' Personal Property Replacement Tax ("**PPRT**") is a revenue source for the Board and other local governments that was created by the 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 State collects and distributes PPRT to local taxing districts. Taxing districts in the County receive 51.7 percent of collections, which is divided among the County's taxing bodies based on each district's share of personal property collections in 1976. The Board receives 27.1 percent of the total County share, which is equivalent to approximately 14 percent of the Statewide total.

Federal revenues received by the Board and accounted for in the general operating fund primarily consist of federal awards that are granted for the purpose of providing specific services or aid to specific individuals. These monies are dedicated to specific purposes and cannot supplant local programs. Federal revenues are allocated based formulas and limited by federal appropriations. For fiscal year 2014, federal revenues increased primarily as a result of the timing of when the funding was received. Title I Low Income and Title II Teacher Quality funds increased by $78 million and $17 million, respectively, due to more frequent claiming of expenditures. Several smaller grants had reduced revenues of $37 million due to decreased expenditures and timing of receiving payments. Federal revenues made up approximately 17.5% of general operating fund revenues of the Board in fiscal year 2014.

Restricted Ability to Increase Revenues for Board Operations. As discussed above under **" - Sources of Revenues - Property Tax**" the ability of the Board to raise property tax revenue for its operations is limited by the Limitation Law. In addition, any increased operating revenues from property taxes or PPRT taxes have the effect of decreasing the amount of State Aid that the Board receives due to the statutory formulas for calculation of State Aid to be received by a school district which reduce the ability to claim State Aid to the extent a district has local resources from property taxes and PPRT. Federal and State aid revenues described herein are allocated based on formulas and limited by federal and State appropriations. Therefore, Board revenues are not directly affected by changes in the local economy. As a result of these and other factors, the Board's ability to increase revenue for the Board's operations is restricted.

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. 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 Investment Policy may be subsequently amended or modified by the Board, without notice to or consent of the registered owners of the Bonds subject, in all respects, to the provisions of the Public Funds Investment Act of the State of Illinois, as amended.

Budgeting and Auditing Procedures

By law, the Board must adopt a budget no later than 60 days after the beginning of its fiscal year. In addition, the Board is required to have an annual independent audit of its financial statements. The audited financial statements of the Board for the year ended June 30, 2014 are attached hereto as **APPENDIX A**.

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, Capital Projects, and Debt Service. The following table presents a summary of the General Operating Fund for the fiscal years ending June 30, 2010 to June 30, 2014, along with the budget for the Fiscal Year ending June 30, 2015. It 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 for the Board(1)
(Amounts in Thousands)

	Actual (as of June 30) (2)					Budget(3) (4)
	2010	2011	2012	2013	2014(4)	2015
Revenue:						
Property Taxes	$2,035,938	$1,904,169	$2,295,178	$2,157,777	$2,161,204	$2,178,493
Replacement Taxes	96,816	172,384	126,786	128,212	131,075	132,735
State Aid	1,367,797	1,694,566	1,757,166	1,599,424	1,631,782	1,507,740
Federal Aid	1,160,412	1,121,457	890,987	805,983	864,457	863,627
Interest and investment income	3,084	1,920	4,363	2,207	4,458	80
Other	111,985	221,391	142,160	132,717	143,859	211,246
Total Revenue	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,936,835	$4,893,921
Expenditures:						
Salaries:						
Teachers	$2,026,257	$2,023,510	$2,026,832	$1,942,007	$1,921,969	1,986,062
Career Services / Education Services Personnel	604,042	610,741	618,265	633,489	619,462	625,489
Commodities:						
Energy	78,682	83,356	73,409	76,559	87,547	78,696
Food	93,088	93,766	104,245	106,650	96,816	100,615
Other Commodities	119,590	121,852	95,251	122,302	108,742	115,973
Services:						
Professional Services	381,851	450,127	412,072	398,064	441,667	320,744
Charter schools	326,322	377,755	424,423	498,162	580,652	649,777
Transportation	109,349	107,530	109,368	106,861	104,430	99,513
Other	130,116	132,610	130,400	150,360	173,576	141,012
Building and sites	31,864	37,360	33,955	26,524	31,679	16,280
Fixed Charges:						
Teachers' pension	475,628	306,111	335,657	374,567	740,419	795,135
Career Services / Education Services Personnel pension	96,913	102,158	100,026	102,342	101,885	101,378
Hospitalization and dental insurance	311,048	353,878	324,918	319,792	343,308	341,352
Other Benefits	79,070	82,855	78,083	69,505	78,023	71,905
Other Fixed Charges	32,322	26,343	21,424	19,186	19,956	312,291
Total Expenditures	$4,896,142	$4,909,952	$4,888,328	$4,946,370	$5,450,131	$5,756,241
Revenue (less Than) Expenditure	$(120,110)	$205,935	328,374	$(120,050)	$(513,296)	$(862,320)
Transfers in	17,851	109,830	0	439	161	-
Net Change in Fund Balance	(102,259)	315,765	328,374	(119,611)	(513,135)	(862,320)
Fund Balance, beginning of period	526,874	424,615	740,380	1,068,754	949,143	1,090,008
Fund Balance, end of period	$424,615	$740,380	$1,068,754	$949,143	$436,008	$227,688
Composition of Fund Balance						
Non-Spendable	$ 5,006	$ 1,972	$ 3,329	$ 1,720	$ 429	$ 429
Restricted	201,070	217,891	162,553	128,419	80,860	80,860
Assigned for educational services	-	289,000	-		-	-
Assigned for appropriated fund balance	190,000	181,300	348,900	562,682	267,652	59,332
Assigned for encumbrances	24,655	44,924	110,397	105,664	87,067	87,067
Unassigned	3,884	5,293	443,575	150,658	-	-
Total Ending Fund Balance	$424,615	$740,380	$1,068,754	$949,143	$436,008	$227,688

(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 "FINANCIAL STATEMENTS"** and **APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014**."

(2) The fund balance classifications in the table have been revised from their respective Comprehensive Annual Financial Reports to reflect new fund balance categories to be implemented in the fiscal year 2011 audit, as required by Governmental Accounting Standards Board No. 54.

(3) See the sections entitled "**BOARD OF EDUCATION OF THE CITY OF CHICAGO – Overview of Board's Fiscal Year 2015 Budget and Recent Financial Information Concerning the Board**" and "**– General Operating Fund Balances**" and "**FINANCIAL STATEMENTS**" for a discussion of fiscal year 2015 estimates.

(4) Fiscal Year 2015 Budget includes an estimated $654 million of restated Fiscal Year 2014 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 Board for Accounting Purposes in Fiscal Year 2015."** This results in a restated Fiscal Year "**2014 Fund Balance, end of period**" of $1,090 million.

Historical Financial Performance (Fiscal Year 2013-Fiscal Year 2014)

For fiscal year 2013 the Board reported operating revenues of $4.83 billion and operating expenses of $4.95 billion, resulting in a shortfall of $120.1 million with the Board utilizing general operating fund balance and reserves to finance the difference. Operating revenues declined by $389 million from fiscal year 2012. Property tax receipts declined by $137 million as a result of the County's change in the second installment property tax due date to August 1st, which first took place in fiscal year 2012. The August 1, 2012 penalty date, together with CPS' 30-day revenue recognition policy for accounting purposes, resulted in an additional $244 million in collections being booked to the general operating fund in fiscal year 2012. See the discussion of "*revenue recognition*" under the heading **"-Change in Revenue Recognition by Board for Accounting Purposes Beginning Fiscal Year 2015."** State aid also decreased by $158 million as a result of reduced State appropriations and the timing of when funding was received (not within the then current CPS 30-day revenue recognition period). General State Aid and the State block grants were reduced by $44 and $93 million, respectively. Federal aid was reduced by $85 million in fiscal year 2013 due primarily to the loss of $80 million in ARRA stimulus funds as the program expired. Other major revenue decreases, including $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 $58 million from fiscal year 2012. This net increase was due to the combination of a $70 million decrease in salaries largely due a decrease in termination payouts, $27 million increase in benefits largely due to a settlement pension payment of the *"required employer contribution*" for fiscal year 2010, $59 million increase in services and $33 million increase in commodities, largely due to an increase in textbook spending of $21 million.

For fiscal year 2014 the Board reported operating revenues of $4.93 billion and operating expenses of $5.45 billion, drawing on $513 million of fund balance to cover the difference. Operating revenues increased by $109 million in fiscal year 2014. State aid available for operations increased by $33 million, largely due to reduced General State Aid used for debt service resulting in increased State Aid available for the operating fund. Federal aid increased by $58 million, largely due to the timing of the receipt of this funding and more frequent claiming of expenditures. Operating expenses increased by $504 million in fiscal year 2014, largely reflective of the $404 million rise in the required CPS teacher's pension contribution to $740 million from $374 million in fiscal year 2013. See **"PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS," APPENDIX D – "PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014.**" See **APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR 2014 FISCAL YEAR."**

The Board ended fiscal year 2012 with a fund balance for its General Operating Fund of $1.07 billion. The operating deficit in fiscal year 2013 resulted in a decline in the fund balance to $949.1 million, with a further decrease at the end of fiscal year 2014 to $436 million.

Overview of Board's Fiscal Year 2015 Budget

On July 23, 2014, the Board adopted the fiscal year 2015 budget, with $4.894 billion in revenues, $5.756 billion in expenditures, and $862 million in fund balance to cover the difference.

The fiscal year 2015 budget relies on part of the restated fiscal year 2014 fund balance resulting from the Board's change in the revenue recognition period to 60 days from 30 days past fiscal year end. This accounting change is effective with the 2015 fiscal year. As a result, the Board will restate the General Operating Fund balance at the end of fiscal year 2014 to a projected $1.09 billion. See **"– Change in Revenue Recognition by Board for Accounting Purposes Beginning Fiscal Year 2015."**

The majority of the 2015 budget is spent at schools. In the fiscal year 2015 budget, the Board has been able to invest more in students by increasing the Student Based Budgeting (SBB) core instruction per pupil rate by $250. These additional funds will help schools sustain and accelerate student growth.

To keep budget cuts away from the classroom, the Board has streamlined administrative costs, reduced central office, and reduced other operational spending by $740 million since 2011. Most recently, the Board has reduced food service, custodial, and engineering expenses by streamlining work processes and restructuring how services are performed. The Board also outsourced its facilities management. The outsourcing contracts, at the time of signing, were estimated to save approximately $18 million annually. Additionally, the Board's procurement process has been improved to secure more favorable rates on services and items purchased. The Board has also eliminated programs that were not effective or efficient.

The fiscal year 2015 budget reflects investments in a variety of key areas that drive student achievement. These include science, technology, engineering, and mathematics (STEM) and international baccalaureate (IB) programs, social emotional learning, dual credit and dual enrollment programs, a comprehensive Arts Education Plan, and Safe Passage, which helps students focus on studies rather than safety.

In the fiscal year 2015 budget, the Board is adding five new IB feeder schools, providing $2 million to expand IB programs and $8 million in capital build-out. This is in addition to the 6,000 students who have gained access to 12 high school and six elementary IB programs that have been established since 2011.

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

Under 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 has 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 expenditures for each fiscal year. A 60-day revenue recognition period is also consistent with that used by the City. The reason 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 the 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. CPS has historically received 55% of the annual approximately $2 billion 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 $328 million favorable variance 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 60-day recognition period.   By adopting the 60-day recognition period, the Board will be better able to measure and recognize the receipt of property taxes for the year for which they are levied.

Additionally, the Board currently receives federal and State revenue 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 is not received by the July 30 historical 30-day recognition date.

The effect of this change on CPS financial statements is that beginning in fiscal year 2015 the School District's revenue recognition period will change to the period August 30 to August 29 of the following year. Prior year financial statements will be restated consistent with this change.

The Board's budget for fiscal year 2015 included an estimated $654 million of restated fiscal year 2014 fund balance as a result of the revenue recognition change. A portion of this was budgeted for use in fiscal year 2015. The remainder will be available for future years as part of the fund balance.

Fiscal Year 2016 Budget Process and Projected Fiscal Year 2016 Budget Information

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.

The fiscal year 2016 budget is currently under development and will need to address similar financial challenges as faced in fiscal year 2015. The following discussion provides certain preliminary information regarding the Board's fiscal year 2016 projected budget. The proposed 2016 budget will be completed in the next several months.

Preliminary fiscal year 2016 budget projections include operating revenues of $4.798 billion and expenditures of $5.911 billion, leaving a gap of $1.113 billion. The projected fiscal year 2016 operating revenues and expenditures are updated to reflect the new pension costs. The projections released with the fiscal year 2015 budget were based on the pension fund's 2013 actuarial valuation. The updated numbers reflect the Fund's certified contribution for fiscal year 2016 from the 2014 actuarial valuation.

The fiscal year 2016 projected budget gap will be addressed through a variety of measures.

With the projected end of year 2015 fund balance set aside and anticipated improved performance in fiscal year 2015, the Board anticipates that approximately $300 million in fund balance and other one-time resources will provide additional financial flexibility to keep expenditure reductions out of the classroom.

As we have in prior years, the Board in fiscal year 2016 will further reduce administrative costs, reducing Central Office and other operational spending.

Despite these efforts, which have generated significant expenditure reductions, CPS continues to face a structural deficit as a result of the pension burden and flat or declining State and federal revenues.

To address the remaining structural shortfall in 2016 the Board is exploring the following options:

State School Construction Program: CPS's current fiscal year 2016 projections reflect reduced revenue from the State School Construction Program. CPS under current statute receives 20% of the total amount spent statewide. In prior years, this has meant an average of $50 million annually.

State Funding Formula Increase. CPS estimates it would face a $16 million reduction in General State Aid as a result of the Governor's February 18, 2015 proposed budget. The Illinois State Board of Education (ISBE's) fiscal year 2016 funding request would result in a projected increase of $41 million in General State Aid for CPS. Increases in General State Aid above the level proposed in the Governor's budget could provide additional resources to CPS to help close the budget gap.

State Pension Reform Legislation. There are several pension reform ideas that would have significant impact on the Chicago Teachers' Pension Fund if adopted. The Board has supported Senate Bill 1 (PA 98-0599) ("**State Pension Reform Legislation**"), which impacted pension benefits for the State Teachers Retirement System (serves all teachers outside of Chicago). If these same changes were applied to the Chicago Teachers' Pension Fund, which serves CPS teachers, CPS' actuarial estimates are that it would reduce CPS required fiscal year 2016 pension contributions by approximately $210 million. See **APPENDIX E– "PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014**." However, this statute is under State Supreme Court review. See **"INVESTMENT CONSIDERATIONS – State Pension Reform Litigation."**

In addition, the Governor's budget includes a pension reform proposal that would, among other things, move current employees to the lower "*Tier 2*" benefit structure for benefits earned after July 1, 2015. CPS's actuarial estimate of this proposal, if it were applied to the Pension Fund, is a decrease in the Fund's unfunded liability by 17% and a reduction in the Board's required contribution in fiscal year 2016 of approximately $150 million.

These represent several avenues that the Board has pursued and will continue to pursue to address the fiscal year 2016 shortfall, each of which requires legislative action by the State. To the extent that a State solution is not provided in the upcoming legislative session, the Board will have to reduce expenditures, many of which will occur in the classroom, in order to present a balanced fiscal year 2016 budget.

PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS

Teacher Pension Obligations

General. Pension benefits for eligible teachers and administrators of the Board are provided under a cost-sharing, multiple-employer, defined benefit plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago, a separate legal entity (the "**Pension Fund**"), to which the Board is the main contributor along with approved City of Chicago charter schools. See **APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014"** – Note 12.

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 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

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 defined below).

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 amount determined at the time of retirement. It is administered in accordance with Chapter 40, Act 5, Articles 1, 1A, 17, 20 and 22 of the Illinois Compiled Statutes and has a fiscal year ending June 30 (the "**Illinois Pension Code**"). The Fund is governed by a 12-member Board of Trustees (six elected by the teacher contributors, three elected by the annuitants, one elected by the principal and administrator contributors, and two appointed by the primary employer, the Chicago Board of Education). The Board of Trustees 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, 2014, the Fund had 70 participating employers consisting of the primary employer, Chicago Public Schools, 68 charter schools and the Fund itself.

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 section, 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 cost of living 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;
- 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 (subject to certain adjustments for 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 to 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 Board (each an "**Actuarial Valuation**") in order to determine the amount of required contributions. The Illinois Pension Code provides for an actuarially determined funding plan intended to maintain the assets of the Pension Fund at a level equal to 90% of the liabilities of the Pension Fund.

Members and Member Contributions. As of June 30, 2014, the Pension Fund included 63,194 members consisting of 27,248 retirees and beneficiaries currently receiving benefits, 4,818 terminated members entitled to benefits but not yet receiving them, 19,997 vested current members and 11,131 nonvested current members. The Pension Fund's active contributors make annual contributions to the Pension Fund from their salaries which contributions are currently set at 9% of covered payroll. As part of its collective bargaining agreement with the Chicago Teacher's Union, the Board pays a substantial portion of the employee contribution in an amount equal to 7% of covered payroll.

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 increases the Unfunded Actuarial Liability of the Pension Fund.

Beginning in fiscal year 2014, the Board's minimum contributions for fiscal years 2014 through 2059 will be required in an increased amount, as determined by the Pension Fund, to be sufficient to bring the Funded Ratio to 90% by the end of fiscal year 2059, and the Board will be required to make annual contributions to maintain the 90% Funded Ratio in each fiscal year thereafter. See Table 3 – "**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 Board has certified that the Pension Fund is at least 90% funded. The required contributions based on payroll for fiscal year 2015 are $12,100,000 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 will make Pension Fund contributions of $12,900,000 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 statutory discretionary 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* . . . ." The interpretation and application of this provision is the subject of pending litigation between the Board and the Pension Board. See the discussion under the heading "**LITIGATION – Specific Matters**."

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 statutory required funding level, as described herein under "Background Information Regarding the Pension Fund - *Pension Funding Contributions*"), primarily due to unanticipated investment losses. Illinois Public Act 96-0889 ("**Public Act 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 annual required contributions determined by the plan actuaries. See information under the heading "**-Public Act 96-0889**" herein. In fiscal year 2014, upon expiration of Illinois Public Act 96-0889, the Board experienced a nearly three times contribution increase when the State-mandated funding structure designed to bring the Pension Fund back to funding level of 90% by 2059 was reinstated. The fiscal year 2015 Unfunded Actuarial Accrued Liability is at $9.5 billion against assets of $10.5 billion resulting in a funded ratio of 52.5%, as detailed in Table 3 herein.

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 funds are governed by State law. The actions pursued primarily include exploring options to alleviate the substantial burden of the annual pension contributions.

In addition to the partial funding relief to the Board for fiscal year 2011, 2012 and 2013, granted by Illinois Public Act 96-0889, which addresses the pension benefits of members who joined the Pension Fund on or after January 1, 2011, the Board is working in conjunction with efforts by the City of Chicago and other sister agencies and it is enlisting the assistance of financial advisors. 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 Pension Fund will be enacted. Public Act 96-0889, which provided the Board with partial contribution relief for fiscal years 2011, 2012 and 2013, also included reforms such as increasing the minimum retirement age; reducing the annual cost of living adjustments (i.e. automatic pension increases); changing the benefit calculations; capping total pensionable salary; and suspending retirement benefits if the beneficiary takes another job with a pension. While these changes are meaningful, this legislation was primarily intended to reduce the Pension Funds' 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 (the "**Pension Protection Clause**"), no assurance can be given that legislation to modify benefits, if enacted, will be upheld upon a legal challenge. See **"— Background Information Regarding the Retirement Funds — General"** herein. See **"CERTAIN INVESTMENT CONSIDERATIONS – State Pension Reform Litigation."**

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, the City's economy and the Pension Fund.

The financial health of the Pension Fund and the projected impact of the Pension Funds' underfunding on future contributions to be made by the Board have impacted the rating agencies' determination of the Board's creditworthiness. On April 17, 2013, Moody's Investors Service issued a release (the "**Release**") announcing a new approach to analyzing state and local government pensions. The method of evaluating public pension plans established in the Release is intended to be a method of standardizing information among public pension plans and does not impact the Board's required contributions, the value of the Pension Funds' assets, or the liabilities owed by the Pension Funds. The Board does not endorse the method of analysis adopted by Moody's in the Release.

Moody's new pension analysis appears to include, among other things, adjusting pension plan Actuarial Accrued Liabilities by using certain common assumptions, such as the discount rate and amortization period. Certain other actuarial assumptions, such as mortality and salary growth rates, were not standardized across governmental plans. To accomplish its review, Moody's stated that it will use a discount rate based on Citibank's Pension Liability Index discount rate as of a pension plan's valuation date. Such a discount rate will be lower than the discount rate currently used by the Pension Funds and is closer to the discount rate for a typical pension plan in the private sector. See Tables 2 for information on the Pension Funds' historical Funded Ratios. The Release can be obtained from Moody's; provided, however, that the Release is not incorporated herein by such reference.

Source Information. Except as discussed under **"*– Recent Reports Regarding the Pension Fund*,"** and certain information derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools, the information contained under the heading "**Teacher Pension Obligations**" relies on the Public School Teachers' Pension and Retirement Fund of Chicago, Statutorily Required Funding Valuation as of June 30, 2014 (the "**2014 Actuarial Valuation**") prepared by The Segal Company, an independent actuaries and consultants engaged by the Pension Board (the "**Actuaries**") (see **APPENDIX E**) and the comprehensive annual financial report of the Pension Fund for the fiscal year ending June 30, 2014 (the "**Pension Fund 2014 CAFR**") prepared by the Pension Fund's independent auditors Mitchell & Titus, Chicago, Illinois (the "**Pension Fund Auditors**") (the 2014 Actuarial Valuation and the Pension Fund 2014 CAFR are referred to as the "**Source Information**"). Further information regarding the Pension Fund 2014 CAFR may be obtained on the Board's 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 Board has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information. The Board has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information. The Pension Fund 2014 CAFR and the 2014 Actuarial Valuation are the most recent audit and actuarial valuation available to the Board. The Pension Fund 2014 CAFR states that questions about any information provided in that report should be addressed to: Public School Teachers' Pension and Retirement Fund of Chicago, ATTN: Executive Director, 203 North LaSalle Street, Suite 2600, Chicago, IL 60601-1231.

Cautionary Language. The information included under the heading "**Teacher Pension Obligations**" 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 normal cost plus interest 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 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 appropriations necessary to meet any escalating costs incurred by the Pension Fund.

The projections in Table 3 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. 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 3.

Historical Contributions. The following table provides historical contribution information and the Actuarially Required Contribution (as defined herein) for fiscal years 2005-2014.

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

Sources: Chicago Public Schools Comprehensive Annual Financial Reports for fiscal years ended June 30, 2005-2014.

(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 under the heading **"LITIGATION – Specific Matters"** and **APPENDIX A – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014" -** Note 12."

(3) **"Actuarially Required Contributions"** do not include the required contributions associated with the Health Insurance Program as described 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.

Litigation Regarding Board's Funding Obligations. The Pension Board has filed several lawsuits against the Board which include allegations that the Board's contributions to the Pension Fund for fiscal years 2010 and 2011 are less than the contribution required by the Illinois Pension Code. See the discussion under the heading "**LITIGATION – Specific Matters**."

Funded Status of Pension Fund. As of the end of fiscal year 2014, the Pension Fund had liabilities of $19,503,893,632 and assets of: (i) $10,045,542,575 if valued on an actuarial basis (using the "**Asset Smoothing**" (as described below), or (ii) $10,815,694,614 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $9.5 billion on an actuarial basis (using the Asset Smoothing), and $8.7 billion on a market value basis and Funded

Ratios of 51.5% on an actuarial basis (using the Asset Smoothing) and 55.5% on a market value basis. The fiscal year 2014 Actuarial Liability of $19,503,893,632 represents an increase of $459.4 million compared to the Actuarial Liability as of June 30, 2013. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2014 Actuarial Valuation. See **APPENDIX E – "PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014."** 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 2005-2014 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 for fiscal years 2005-2014

(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%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for fiscal years ending June 30, 2005-2014, Exhibit III. See **APPENDIX E – "PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014."**

**Includes Health Insurance Fund assets

The following are projected required contributions, liabilities, assets, unfunded liability and funded ratio for the Pension Fund prepared by the Actuaries and reflecting the impact of P.A. 96-0889. See **APPENDIX E – "PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014"** – [Exhibit 7.]

Table 3

Projection of Contributions, Liabilities and Assets[(1)]

(Board of Education contributions are based on Public Act 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 BOE Contribution	Required Board of Education Contributions[(2)]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio
2015	$194.8	$708.7	$12.1	$12.9	$683.6	$19,922.3	$10,504.7	$9,487.6	52.5%
2016	200.3	700.1	12.1	12.9	675.1	20,495.9	11,150.2	9,345.7	54.4%
2017	206.2	720.7	12.5	13.3	694.9	21,017.1	11,730.8	9,286.3	55.8%
2018	212.2	741.7	12.8	13.7	715.2	21,556.8	12,101.9	9,454.9	56.1%
2019	218.4	763.5	13.2	14.1	736.2	22,115.3	12,480.6	9,634.6	56.4%
2020	224.8	785.9	13.6	14.5	757.8	22,693.0	12,869.9	9,823.1	56.7%
2021	231.4	808.8	14.0	14.9	779.9	23,291.0	13,276.9	10,014.1	57.0%
2022	238.0	832.0	14.4	15.3	802.2	23,910.9	13,708.4	10,202.4	57.3%
2023	244.7	855.3	14.8	15.8	824.7	24,555.1	14,167.7	10,387.4	57.7%
2024	251.4	878.8	15.2	16.2	847.4	25,223.9	14,655.8	10,568.2	58.1%
2025	257.9	901.6	15.6	16.6	869.4	25,915.9	15,171.5	10,744.4	58.5%
2026	264.2	923.5	16.0	17.0	890.5	26,631.3	15,715.0	10,916.4	59.0%
2027	270.3	944.8	16.3	17.4	911.0	27,369.6	16,285.7	11,083.8	59.5%
2028	276.2	965.6	16.7	17.8	931.1	28,130.7	16,884.3	11,246.4	60.0%
2029	282.2	986.3	17.1	18.2	951.1	28,912.8	17,510.0	11,402.9	60.6%
2030	287.9	1,006.5	17.4	18.6	970.5	29,714.2	18,162.1	11,552.1	61.1%
2031	293.6	1,026.3	17.7	18.9	989.6	30,533.0	18,840.0	11,693.0	61.7%
2032	299.2	1,045.8	18.1	19.3	1,008.4	31,367.3	19,543.0	11,824.3	62.3%
2033	304.7	1,065.0	18.4	19.6	1,027.0	32,214.3	20,270.0	11,944.3	62.9%
2034	310.0	1,083.6	18.7	20.0	1,044.9	33,070.7	21,018.9	12,051.1	63.6%
2035	315.1	1,101.4	19.0	20.3	1,062.0	33,931.4	21,786.3	12,145.1	64.2%
2036	319.9	1,118.3	19.3	20.6	1,078.3	34,790.2	22,567.8	12,222.4	64.9%
2037	324.4	1,134.1	19.6	20.9	1,093.6	35,641.9	23,360.0	12,281.9	65.5%
2038	328.7	1,148.9	19.9	21.2	1,107.9	36,479.7	24,158.2	12,321.5	66.2%
2039	332.6	1,162.7	20.1	21.4	1,121.1	37,295.5	24,956.2	12,339.3	66.9%
2040	336.2	1,175.2	20.3	21.7	1,133.2	38,081.8	25,747.9	12,333.9	67.6%
2041	339.5	1,186.8	20.5	21.9	1,144.4	38,830.5	26,527.8	12,302.8	68.3%
2042	342.5	1,197.3	20.7	22.1	1,154.5	39,532.3	27,288.5	12,243.8	69.0%
2043	345.2	1,206.6	20.9	22.2	1,163.5	40,182.0	28,026.4	12,155.6	69.7%
2044	347.8	1,215.7	21.0	22.4	1,172.2	40,778.1	28,741.1	12,037.0	70.5%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Statutorily Required Funding Valuation as of June 30, 2014 (Exhibit II).

(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.

The projections in Table 3 rely on information produced by the Pension Fund's independent actuary 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.

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 2014 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 2014 Actuarial Valuations assume 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, 2014 was 7.75%. This new rate of return was a decrease versus the last ten fiscal years 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, 2014, was 12.70%. Since the actual return was greater than the assumed return, the Pension Fund experienced and actuarial gain during the year ended June 30, 2014, with regard to its investments. The following table summarizes actuarial and market investment return on the assets in the Pension Fund for fiscal years 2005-2014.

Table 4

Investment Return

Fiscal Year	**Market Value**	**Actuarial Value**
2005	10.8%	6.0%
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%	12.8%
Average Returns		
Last 10 years:	7.2%	6.0%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Statutorily Required Valuation as of June 30, 2014

Asset Smoothing. As a result of the use of the asset smoothing, 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.

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 Funds 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 principles have no legal effect and do not impose any legal liability on the Board. They also have no effect on the plan's Statutorily required contribution amount. The references to GASB principles in this section do not suggest 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. 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

Entry Age Normal Cost actuarial cost method), 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. 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 Entry Age Normal actuarial cost method 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 Ratio in the Pension Fund of 90% by 2059 via contribution amounts that remain a level percentage of salary from FY 2014 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 and is designed to recognize 100% of the total plan liability, rather than just 90%.

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". Under the Asset Smoothing, 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, 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 value of pension plan assets at the time of the measurement. As a result, presenting the Actuarial Value of Assets as determined under asset smoothing 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. For additional information on these assumptions, please see **APPENDIX E** – "**PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014**."

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 the Pension Fund must pay to current and retired employees that is attributable to past service of the employees. It 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 3, **"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. 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 the difference between total pension liability (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 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 City of Chicago, the Chicago Park District ("**CPD**"), the County of Cook, and the State of Illinois (collectively, all such other units are referred to herein as the "**Governmental Units**"). Certain of the Governmental Units 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 of the Governmental Units.

Legislative Changes

P.A. 98-0599. On December 5, 2013, the Governor signed Public Act 98-0599 into law (the "**State Pension Reform Act**"). The State Pension Reform Act provides 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 include, but are not limited to, changes to the employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes were scheduled to take effect on June 1, 2014. The State Pension Reform Act has been 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**" (see Illinois Constitution, Article XIII, Section 5). The Illinois Supreme Court consolidated these lawsuits into a single lawsuit and ordered that the consolidated lawsuit proceed in Sangamon County Circuit Court. On May 14, 2014, a plaintiff's motion for a temporary restraining order was granted. Such motion stays the implementation of the State Pension Reform Act in its entirety until further order of the court or until it is found unconstitutional. The judge in Sangamon County ruled in favor of the plaintiffs on November 21, 2014 and found that the State Pension Reform Act violates the State Constitution. On December 10, 2014, an appeal of the decision was filed with the Illinois Supreme Court. Oral arguments were expedited and held on March 11, 2015 and the Court's ruling is expected soon. The Board makes no prediction as to whether the filing of these lawsuits or their outcome will impact the Board's pension reform efforts. See **"CERTAIN INVESTMENT CONSIDERATIONS – State Pension Reform Litigation."**

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 Board of the Pension Fund is a fiduciary of 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 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 Municipal Employees' Annuity and Benefit Fund of Chicago (the "**Annuity Fund**") which is considered a cost-sharing defined benefit, multiple employer plan. See **APPENDIX A** – "**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014**" – Note 12. Except as described below in 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.

Source Information. The information contained under the heading **"Pensions for Other Board Personnel**" relies on the comprehensive annual financial reports of the Annuity Fund for the fiscal year ending December 31, 2013 (the "**Annuity Fund 2013 CAFR**") prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois. On an annual basis, an actuarial valuation of the Annuity Fund is performed by an independent actuary firm retained by the Retirement Board. The actuarial valuation of the Annuity Fund as of December 31, 2013 prepared by Gabriel Roeder Smith & Company, Chicago, Illinois (the "**2013 Annuity Fund Actuarial Valuation**" and together with the Annuity Fund 2013 CAFR, the "**Annuity Fund Source Information**"). The information presented herein is presented on the basis of the Annuity Fund Source Information and the Board has not independently verified, makes no representations nor expresses any opinion as to the accuracy of the Annuity Fund Source Information. Questions about any information provided in the Annuity Fund 2013 CAFR should be addressed to: Municipal Employees' Annuity and Benefit Fund of Chicago, ATTN: Executive Director, 321 North Clark Street, Suite 700, Chicago, IL 60654.

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 Chapter 40, Act 5, Articles 1 and 8 of the Illinois Compiled Statutes and has a fiscal year ending December 31.

Legal Authority and Funding. Article 8 of the Illinois 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 members (totaling 69,943 as of December 31, 2013) contribute 8.5% of their salary. The Illinois 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 with the requirements of GASB 25.

Members and Member Contributions. As of December 31, 2013, the Annuity Fund had 69,943 total members including 25,042 retirees and beneficiaries, 14,254 inactive members entitled to benefits and 30,647 active members (of which 16,441 were vested and 14,206 were non-vested). CPS employees comprise about half of the Annuity Fund's active participants. In fiscal year 2014, the Board agreed to pay (as it has done in recent years) 7% or $38.7 million of current members salary to offset the required employees' contribution (8.5% of salary through 2014 and 9.0% as of January 1, 2015) 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.

Funded Status of Annuity Fund. As of the end of fiscal year 2013, the Annuity Fund had liabilities of $13,856,493,366 and assets of: (i) $5,114,207,803 if valued on an actuarial basis (using the Asset Smoothing Method as required by the Illinois Pension Code, or (ii) $5,421,676,295 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $8,742,285,563 on an actuarial basis (using the Asset Smoothing Method), and $8,434,817,017 on a market value basis and Funded Ratios of 33.91% on an actuarial basis (using the Asset Smoothing Method) and 39.13% on a market value basis.

Public Act 98-0641. On June 9, 2014, the Governor signed Public Act 98-0889 ("**P.A. 98-641**") into law. P.A. 98-641 makes significant changes to the Annuity Fund. P.A. 98-641 will significantly increase the City's contributions to the Annuity Fund. In addition, P.A. 98-641 impacts the Annuity Fund as follows:

- The cost of living adjustment ("**COLA**") will be skipped in 2017, 2019 and 2025 for retired members that would otherwise be entitled to receive them and who have an annuity greater than $22,000;

- Members who retire after the effective date of P.A. 98-641 are not eligible to receive a COLA adjustment until one full year after they otherwise would have;

- For Tier I Members, the COLA rate is reduced to the lesser of 3.0% or 50% of the CPI-u, except that retirees with an annual annuity of less than $22,000 will receive at least a 1% COLA in each year, including in the COLA skip years described above;

- For Tier II Members, the minimum eligibility age for unreduced retirement benefits is reduced to 65 with 10 years of service and, for reduced retirement benefits, to age 60 with 10 years of service;

- Employee contribution rates for both Tier I Members and Tier II Members are increased to 9.0% in calendar year 2015, 9.5% in calendar year 2016, 10.0% in calendar year 2017, 10.5% in calendar year 2018 and 11.0% for calendar year 2019 and after until the respective Retirement Fund reaches a 90% Funded Ratio, at which point the employee contribution rate is reduced to 9.75%; and

- Institutes the Recapture Provisions with respect to the Annuity Fund.

In late 2014, a lawsuit challenging Public Act 98-641 as a violation of the Pension Protection Clause cited above was filed in the Circuit Court of Cook County. The provisions of Public Act 98-641 were implemented effective January 1, 2015, notwithstanding the pending litigation. The lawsuit is still pending and the Board makes no prediction regarding the outcome of the litigation. See **"CERTAIN INVESTMENT CONSIDERATIONS – State Pension Reform Litigation."**

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 Annual Report and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601. 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 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 does require increased contributions by the Board to build assets to the 90% requirement. As of June 30, 2014, there were 18,171 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 pay-as-you-go basis to the extent the Funded Ratio of the Pension Fund would otherwise fall below 90%. Amounts diverted from the Pension Fund to the Health Insurance Program would reduce the Funded Ratio of the Pension Fund.

Information regarding the Health Insurance Program can be found in the Pension Fund 2014 CAFR in accordance with GASB Statement No. 43, as well as the Public School Teachers' Pension and Retirement Fund of Chicago (the "**2014 Health Insurance Plan Actuarial Valuation**") prepared by the Actuaries. Pursuant to the 2014 Health Insurance Plan Actuarial Valuation, as of June 30, 2014 (a) the total actuarial liability for the Health Insurance Program has been estimated to be $1,938,855,895, (b) the actuarial value of assets is $35,977,444, (c) the unfunded actuarial liability is $1,902,878,451, (d) the funded ratio is 1.86% 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 A** – "**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014**" – Note 11.

CERTAIN INVESTMENT CONSIDERATIONS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the 2015 Project Bonds. There follows in this section a discussion, in no particular order of importance or priority, of some, but not necessarily all, of the possible investment considerations that should be carefully evaluated by prospective purchasers of the 2015 Project Bonds prior to purchasing any Bonds. There can be no assurance that other risk factors are not material or will not become material in the future. The Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the investment considerations and merits of an investment in the Bonds, and confer with their own legal and financial advisors before considering a purchase of the Bonds.

Pledged Taxes and Overlapping Entities

The availability of the Pledged Taxes in amounts sufficient to pay the Bonds 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 overlapping taxing districts for operations, debt service and other payment obligations, including pensions and other post-employment retirement benefits. In addition to the Board's debt service property tax levy for Pledged Tax Revenues, the Board has an annual property tax levy for its operations. Overlapping governmental agencies have property tax levies for general operations, debt service levies for payment of their general obligation debt and may be dependent on property taxes to pay their pension obligations. See – **"BOARD OF EDUCATION OF THE CITY OF CHICAGO – Overlapping Entities," "DEBT STRUCTURE – Outstanding Debt Obligations** and **- Overlapping Debt,"** and **"FINANCIAL INFORMATION – Sources of Revenues."** Further financial information regarding the Overlapping Entities may be obtained on their websites. 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 availability of the Pledged Taxes in amounts sufficient to pay the Bonds is also dependent on the administration of the assessment, levy and tax collection procedures by the County Collectors. See **APPENDIX D - "THE REAL PROPERTY TAX SYSTEM."**

Pledged State Aid Revenues

The availability of the Pledged State Aid Revenues in amounts sufficient to pay a series of the Bonds is dependent on the receipt of such Pledged State Aid Revenues by the Board and will be impacted by a variety of factors, many of which are outside the control of the Board. A discussion of certain, but not necessarily all, of such factors related to each source of Pledged State Aid Revenues is set forth below. In addition, the availability of Pledged State Aid Revenues is dependent upon the timely collection of such revenues by other governmental bodies and distribution of such Pledged State Aid Revenues to the Board.

The calculation of the portion of General State Aid payable to the Board depends in part on school enrollment and the amount of revenue that the Board derives from local property taxes and PPRT revenues. Consequently, the level of General State Aid in future years may be impacted by a number of factors, including, but not limited to, (i) changes in school enrollment, (ii) changes in the equalized assessed valuation ("**EAV**") of property within the School District, (iii) the addition of new property to the School District's tax base, and (iv) the determination of the School District's maximum operating tax rate under the Illinois Property Tax Extension Limitation Law.

In addition, the Board's General State Aid payments are subject to appropriation by the General Assembly and are consequently subject to the availability of sufficient revenues to the State and competing obligations and spending priorities of the State. The Board cannot predict that such revenues, obligations and spending priorities will result in the Board's timely receipt of the full value of its General State Aid payments in any given year. See "**SECURITY OF THE BONDS- Pledged State Aid Revenues,**" **"CHICAGO PUBLIC SCHOOLS –School System and Enrollment,"** and **"FINANCIAL INFORMATION – Sources of Revenues."**

Decline in Enrollment

The School District has experienced a decline in enrollment over the past five years due to various factors. General State Aid and other types of State and federal aid are dependent on enrollment. To the extent that enrollment in the School District continues to decline, a decrease in these sources of funding could result in reduced fund balances of the Board and produce future deficit spending. See **"CHICAGO PUBLIC SCHOOLS – School System and Enrollment."**

Finances of the State

The State has experienced adverse economic conditions resulting in significant shortfalls between the State's general fund revenues and spending demands. In addition, the current funded status of the State's pension systems has contributed to the State's poor financial health. Budget problems of the State may result in decreased or delayed State appropriations to the Board, contributing to the Board's operating deficits. Further financial information regarding the State of Illinois may be obtained on its 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.

State Pension Reform Litigation

The Illinois State Legislature has adopted certain pension reform legislation which provides pension relief to certain public entities in the State, not including the Board. Several lawsuits have been filed challenging the constitutionality of this legislation under provisions of the Illinois constitution protecting pensions. A case is pending before the Illinois Supreme Court (<u>Pension Reform Litigation</u>

(Doris Heaton, et al.,) v. Quinn; No. 118585 in the Supreme Court of Illinois) relating to the constitutionality of such pension reform legislation. The decision in this case could impact the ongoing pension costs to the State and have an impact on the ability of the State to appropriate funds for State Aid and other revenues for the Board. In addition, such decision could impact the ability of the State to reform the pension obligations of the Board.

Board's Financial Performance – Structural Deficit

The Board has experienced operating deficits with expenditures exceeding revenues and requiring funding from the Board's operating reserves in fiscal years 2013, 2014, and 2015 and such operating deficits are projected in fiscal year 2016. See the discussion under the various headings in **"FINANCIAL INFORMATION."** The Board's authority to increase revenues is limited by State statutes and State legislation would be required to provide new sources of revenues. The Board's revenue from State and federal aid is provided at the discretion of the State legislature and the Congress of the United States. Certain of the Board's operating expenses are mandated by State and federal law, including the annual pension contribution, limiting the Board's ability to adjust such expenses in relation to operating revenues. See **"PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS.**" Furthermore, the Board's largest source of expenditures relates to salaries and wages which are governed by contractual agreements with its various collective bargaining units with any reductions or alterations subject to negotiation. See – "**BOARD OF EDUCATION – Chicago Teachers' Union and Other Employee Groups.**"

Recent Rating Actions

On March 20, 2015, Fitch rated the 2015 Project Bonds "BBB-" with a "negative outlook" which reflects a downgrade by Fitch of its prior rating of the Board's credit of "A-." On March 20, 2015, Kroll rated the 2015 Project Bonds "BBB+" with a "stable outlook" which represents the initial rating by Kroll of the Board's credit. On March 17, 2015 Standard & Poor's rated the 2015 Project Bonds "A-" with a "negative outlook" which reflects a downgrade by Standard & Poor's of its prior rating of the Board's credit of "A+." On March 6, 2015, Moody's Investors Service downgraded the Board's long-term debt rating to Baa3 with a "negative outlook," which reflects a downgrade by Moody's from its prior rating of the Board's credit of "Baa1." The Moody's rating is not a rating of the Bonds. For further discussion of the ratings on the Bonds see **"RATINGS."** The Board's ratings impact its ability to borrow funds and the cost of such borrowings for capital projects and to address its operating cash flow needs.

See the discussion under the headings **"DEBT STRUCTURE – Board's Interest Rate Swap Agreements, - Default and Termination Event Exposure"** for a discussion of impact of the recent rating downgrades on the termination events under the **Board's Existing Swap Agreements.**

In addition, the Board has various lines of credit, loans, variable rate debt and letters of credit which provide for certain defaults, termination events and increased rates in connection with the Board's credit ratings. See **"DEBT STRUCTURE - Short-Term Borrowings for Capital Improvements, - Revolving Lines of Credit,** and **–Variable Rate Debt."**

Local Economy

The financial health of the Board is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the Board. See **"GENERAL AND ECONOMIC INFORMATION."**

Changes in Law

Various State and federal laws, regulations and constitutional provisions apply to the Board, the Pledged Taxes, the Pledged State Aid Revenues and to the Bonds. The Board can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Board and its operations, the Board's operating revenues and expenses, on the Pledged Taxes, and the Pledged State Aid Revenues.

Limitations of Remedies

Under the terms of the Indenture, payments of debt service on Bonds are required to be made only as they become due and the occurrence of an Event of Default does not grant a right to accelerate payment of the Bonds. Remedies for Events of Default are such actions that may be taken at law or in equity. See **APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2015C/E INDENTURE**." The rights of the owners of the Bonds and the enforceability of the Board's obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances.

Bankruptcy

Illinois public entities, including 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. Illinois law does not currently permit the Board to do so. However, such provisions of State law could be changed in the future and, from time to time, legislation is presented which would authorize Illinois public entities to file for bankruptcy.

Continuing Disclosure

A failure by the Board to comply with the Undertaking for continuing disclosure (see "**CONTINUING DISCLOSURE**") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "**Code**"), contains a number of requirements and restrictions which apply to the 2015 Project Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of 2015 Bond proceeds and the facilities financed therewith, and certain other matters. The Board has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2015 Project Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2015 Project Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2015 Project Bonds.

Subject to the Board's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the 2015 Project Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and will not be treated as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the 2015 Project Bonds will be taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Board with respect to certain material facts within the Board's knowledge.

The Code includes provisions for an alternative minimum tax ("**AMT**") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("**AMTI**"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the 2015 Project Bonds.

Ownership of the 2015 Project Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2015 Project Bonds should consult their tax advisors as to applicability of any such collateral consequences.

Interest on the 2015 Project Bonds is not exempt from present State of Illinois income taxes. Ownership of the 2015 Project Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the 2015 Project Bonds. Prospective purchasers of the 2015 Project Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinions of Bond Counsel express the professional judgment of Bond Counsel regarding the legal issues expressly addressed therein. By rendering their legal opinions, Bond Counsel do not become insurers or guarantors of the result indicated by that expression of professional judgment, of the transaction on which the opinions are rendered or of the future performance of the parties to the transaction. Nor does the rendering of the opinions guarantee the outcome of any legal dispute that may arise out of the transaction.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2015 Project Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2015 Project Bonds should consult their own tax advisors regarding any pending or proposed legislation. Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

Original Issue Discount

To the extent that the initial public offering price of certain of the 2015 Project Bonds is less than the principal amount payable at maturity, such 2015 Project Bonds ("**Discounted Bonds**") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

Market Discount

If a 2015 Bond is purchased at any time for a price that is less than the 2015 Bond's issue price plus accrued original issue discount, if any, the purchaser may be treated as having purchased the 2015 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2015 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2015 Bond. Purchasers should consult their own tax advisors regarding the potential implications of the market discount rules with respect to the 2015 Project Bonds.

Bond Premium

To the extent that the initial price of certain of the 2015 Project Bonds is more than the principal amount payable at maturity, such 2015 Project Bonds ("**Premium Bonds**") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "*amortizable bond premium*" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

RATINGS

The Bonds have been assigned the ratings of "A-" (negative outlook) by Standard & Poor's, "BBB-" (negative outlook) by Fitch, and "BBB+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("**Kroll**"). The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the Bonds and the Board that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. The above ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the section captioned **"CONTINUING DISCLOSURE UNDERTAKING,"** neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

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

FINANCIAL STATEMENTS

The financial statements of the Board of Education of the City of Chicago as of and for the year ended June 30, 2014, included in **APPENDIX A** to this Official Statement have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing herein.

In accordance with its existing continuing disclosure agreements relating to bonds previously issued by the Board, the Board is obligated file its audited annual financial statements with EMMA when such statements become available and not more than 210 days after the last day of the Board's fiscal year.

CO-FINANCIAL ADVISORS

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

UNDERWRITING

The Bonds are being purchased by the underwriters listed on the cover page of this Official Statement (the "**Underwriters**"), led by PNC Capital Markets LLC and BMO Capital Markets. The Underwriters have agreed to purchase the 2015 Project Bonds at an aggregate purchase price of $285,660,263.55 (which amount represents the aggregate principal amount of the 2015 Project Bonds of $300,000,000.00, less original issue discount (net of premium) in the amount of $12,502,250.00, and less of Underwriters' discount in the amount of $1,837,486.45). The 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 Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

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

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries including BMO Capital Markets GKST Inc. which is a direct, wholly owned subsidiary of BMO Financial Corp., which is itself a wholly owned subsidiary of Bank of Montreal.

Loop Capital Markets LLC ("**LCM**"), one of the Underwriters of the Bonds, has entered into an agreement (the "**Distribution Agreement**") with Deutsche Bank Securities Inc. ("**DBS**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Siebert Brandford Shank & Co., L.L.C. ("**SBS**") has entered into an agreement with Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, Credit Suisse Securities (USA) will purchase Bonds at the original issue price less the selling concession with respect to any Bonds that Credit Suisse Securities (USA) sells. SBS will share a portion of its underwriting compensation with Credit Suisse Securities (USA).

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("**WFBNA**"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("**WFA**"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("**WFSLLC**"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CERTAIN RELATIONSHIPS

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Board for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and investments of the Board.

As of the date of this Official Statement, PNC Bank, an affiliate of PNC Capital Markets LLC, one of the Underwriters of the Bonds, owns the Series 2013C Bonds and Series 2014A TANS. A portion of the proceeds of the 2015 Project Bonds will be applied to repay the Board's current draw under the Series 2013C Bonds. See "**PLAN OF FINANCE – Estimated Sources and Uses of Funds**."

As of the date of this Official Statement BMO Harris Bank, an affiliate of BMO Capital Markets, one of the Underwriters of the 2015 Project Bonds, owns the Series 2013B Bonds and Series 2014B TANS. A portion of the proceeds of the 2015 Project Bonds will be applied to repay the Board's current draw under the Series 2013B Bonds. See "**PLAN OF FINANCE – Estimated Sources and Uses of Funds**."

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Quarles & Brady LLP, Chicago, Illinois and the Hardwick Law Firm, LLC, Chicago, Illinois, as Co-Bond Counsel ("**Bond Counsel**"), who has been retained by, and act as Bond Counsel to, the Board. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their capacity as Bond Counsel, Quarles & Brady LLP and the Hardwick Law Firm, LLC have, at the request of the Board, reviewed those sections of this Official Statement involving the description of the Bonds, the security for the Bonds and the description of the federal tax exemption of interest on the Bonds. This review was undertaken solely at the request and for the benefit of the Board and did not include any obligation to establish or confirm factual matters set forth herein. The proposed form of such opinions are included herein as **APPENDIX F**. Certain legal matters will be passed upon for the Board by James L. Bebley, the Board's General Counsel, and by its special counsel, Katten Muchin Rosenman LLP, Chicago, Illinois. Thompson Coburn LLP, Chicago, Illinois and Charity & Associates, P.C., Chicago, Illinois, who have been designated as co-counsel to the Underwriters by the Board, will pass upon certain matters for the Underwriters.

LITIGATION

General

The Board is involved in numerous lawsuits that arise out of the ordinary course of operating the school system, including, but not limited to, the lawsuits described in this Official Statement. Some of the cases pending against the Board involve claims for substantial monies. 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 the Property Tax Extension Limitation Law of the State, as amended. See **"APPENDIX D –"THE REAL PROPERTY TAX SYSTEM**."

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

Specific Matters

<u>Chicago Teachers' Pension Fund v. Board, 11 CH 30863</u>. The Board of Trustees of the Pension Fund filed suit against the Board and President Vitale on August 31, 2011, seeking a judgment declaring that, under sections 17–127.2 and 17–129(b) of the Illinois Pension Code, the Board was obligated to contribute the sum of $198,140,000 to the Pension Fund for fiscal year 2011, and violated those provisions by only contributing $165,617,600. The claims against President Vitale were dismissed in

June 2012. The Board contended that the Illinois Pension Code entitled it to credits for State of Illinois payments to the Pension Fund in the amount of approximately $42,900,000 and that it does not owe additional payments to the Pension Fund for fiscal year 2011. On March 9, 2015, the Illinois Appellate Court affirmed the Circuit Court's award of summary judgment in favor of the Board. The Pension Fund has 21 days from the March 9th order to petition the Appellate Court for rehearing.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the "**Undertaking**") for the Bonds for the benefit of the Beneficial Owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "**MSRB**") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "**Rule**") adopted by the Securities and Exchange Commission (the "**Commission**") under the Securities Exchange Act of 1934, as amended. The 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 Bond Resolution or the Indenture, and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking. See "**Consequences of Failure to Provide Information**."

The following is a brief summary of certain provisions of the Undertaking and does not purport to be complete. The statements made under this caption 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 captions "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "DEBT STRUCTURE – Outstanding Debt Obligations," "– Legal Debt Margin Information of the Board," "– Board's Interest Rate Swap Agreements," "FINANCIAL INFORMATION – General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances for the Board," and "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS." Except however, the information under the caption "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS" (except for the paragraph entitled "– Recent Reports Regarding the Pension Fund," and information expressly derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools) is sourced primarily from documents published by the Pension Fund and/or parties other than the Board (such information is collectively referred to as the "Third-Party Source Pension Information") and the Board takes no responsibility for the accuracy or completeness of the Third-Party Source Pension Information. If the Third-Party Source Pension Information or any information contained therein is no longer publicly available or is not publicly available in a form or manner or by the time that the Annual Financial Information is required to be disseminated by the Board, the Board shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and state that it will promptly file such information as it becomes available.

The Undertaking for the Bonds requires that Annual Financial Information, excluding the Audited Financial Statements, 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 Bonds requires that Audited Financial Statements will be provided to the MSRB within 30 days after availability to the Board.**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 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 Bond Resolution or the Indenture with respect to the respective series of the Bonds, and the sole remedy in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance. A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Amendment; Waiver

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

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

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

(iii) The amendment or waiver does not materially impair the interests of the Beneficial Owners of the 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 the Bonds pursuant to the terms of the 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 Bonds. If a termination of this Undertaking occurs prior to the final maturity of the Bonds, the Board shall give notice in a timely manner to the MSRB.

Dissemination Agent

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

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

The Board is currently in 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 as required by its undertakings and this was due to the fact that its Annual Financial Statements were not 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 JP Morgan Chase & Co.'s ("**JPM**") 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 JPM credit facility no longer provides support for the debt.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

AUTHORIZATION AND MISCELLANEOUS

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/ Ginger Ostro
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014

[THIS PAGE INTENTIONALLY LEFT BLANK]

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2014

Prepared by the
Department of Finance

Board of Education
CITY OF CHICAGO

1 NORTH DEARBORN, SUITE 950
CHICAGO, ILLINOIS 60602
TELEPHONE (773) 553-1600
FAX (773) 553-3453

OFFICE OF THE BOARD

January 20, 2015

Dear Stakeholders,

We are pleased to present to you the Chicago Public Schools (CPS) fiscal year 2014 financial results. While we have made enormous strides in student achievement, we continue to be hampered by a structural deficit that threatens to turn back the academic progress we have made.

In fiscal year 2014, CPS ended the year with a $513 million shortfall, relying on reserves to bridge that gap. The pension payment cost the District $613 million, an increase of approximately $400 million from fiscal year 2013. CPS has made a concerted effort to reduce spending away from the classroom, and we have successfully trimmed nearly $700 million through fiscal year 2014 in central office, administrative and operating costs away from the classroom.

Yet it is no secret that we will continue to face funding shortfalls in the future. Illinois remains second to last in the percentage of K-12 education funding that comes from the state, and absolute state funding has been declining for years. For CPS, this means that the district receives state funding at levels below fiscal year 2008. Pension costs continue to escalate, and CPS remains the only district in Illinois that is responsible for supporting its teacher pension system. We continue to streamline our operations to make cuts away from the classroom, but without increases in state funding and a solution to the pension challenge, pressure to impact the classroom will only grow.

This would be a devastating outcome in light of our recent progress in improving student achievement. In the past year, CPS students have shown significant progress in areas that academic research suggests are crucial to their academic success. This year, CPS students achieved a record graduation rate (69.4 percent), a record rate of students on track for graduation (84.1 percent), a record composite ACT score (18.0) and an increased attendance rate (93.2 percent). In a recently released report entitled "The State We're In: A Report Card on Public Education in Illinois," Advance Illinois, an independent, nonpartisan research and advocacy organization, found that Chicago's gains have outpaced state gains. By supporting programs and initiatives that are closely linked to student achievement and success, CPS is showing positive trends that it intends to bolster in the coming years.

Data shows that CPS students have a higher likelihood for achievement if they receive high-quality pre-K instruction. In the past two years, CPS has made unparalleled investments in early childhood education, expanding pre-K and providing all CPS students with full-day kindergarten.

The District also continues to invest in programs that will prepare its students for success in the jobs of tomorrow. By 2018, one in five jobs in Cook County, Illinois is expected to be in a Science, Technology, Engineering and Math (STEM) field, and CPS has made a firm commitment to providing access to a high-quality education that will prepare students for success in these fields. We have implemented a new computer science curriculum that is being piloted by 46 District schools and represents the most comprehensive computer science curriculum offered by any major school district in the country. We have greatly increased access to the dual-credit, dual-enrollment program, adding 15 additional high schools to the program, which allows students to receive credit toward a college degree. Finally, we continue to expand access to challenging International Baccalaureate (IB) curriculum. CPS is now home to more IB schools than any district in the country, and we have expanded our IB offerings by bringing IB programmes to five additional elementary schools this year.

But we can only do this and continue to invest in our students if the District has adequate financial resources and sits on a sound financial footing. We are making the tough decisions that allow us to invest in the high-quality education every child in Chicago deserves. But we cannot do this alone. Support from CPS families and community as well as the state is necessary to ensure we have the financial resources necessary so that all of our students are prepared to succeed in college, career and life.

Respectfully submitted,

David J. Vitale	
President	Chief Executive Officer
Chicago Board of Education	Chicago Public Schools

Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

CONTENTS

Page

Operating Information

IV. STATUTORY REPORTING SECTION

OMB Circular A-133

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PRINCIPAL OFFICIALS

Mayor of the City of Chicago
Rahm Emanuel

Chicago Board of Education
David J. Vitale, President
Jesse H. Ruiz, Vice President

Members
Dr. Carlos M. Azcoitia
Dr. Henry S. Bienen
Dr. Mahalia A. Hines
Deborah H. Quazzo
Andrea L. Zopp

Executive Officers
Barbara Byrd-Bennett, Chief Executive Officer
Timothy Cawley, Chief Administrative Officer
Tom Tyrrell, Chief Operating Officer
Patricia J. Taylor, Chief Facilities Officer
Ginger Ostro, Chief Financial Officer
Sebastien De Longeaux, Chief Procurement Officer
James Bebley, General Counsel

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, 2013

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, 2013

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

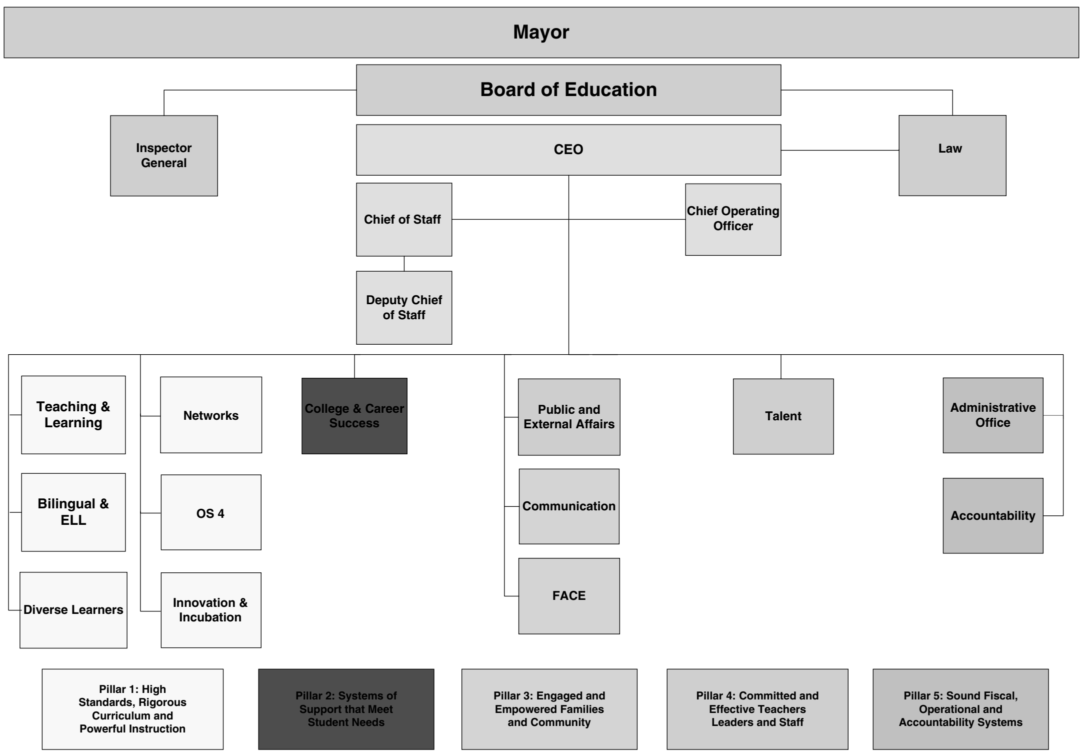
Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education
Organizational Chart

Chicago Public Schools is the third largest school district in the nation. During the 2013-2014 school year, CPS' enrollment was 400,545 students in 667 attendance centers with a staff of 39,414.



CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Board Member Profiles

David J. Vitale

David Vitale was appointed the president of the Chicago Board of Education on June 15, 2011. Previously, Mr. Vitale served as the chief administrative officer for the Chicago Public School system from 2003 through 2008. Mr. Vitale is the chairman of Urban Partnership Bank, a newly formed bank serving the financially underserved neighborhoods of Chicago, Cleveland and Detroit. From February of 2001 through November of 2002, Mr. Vitale served as president and chief executive officer of the Chicago Board of Trade (CBOT). In addition to serving as a member of the CBOT's Board of Directors and Executive Committee, Mr. Vitale also served as president and CEO of the MidAmerica Commodity Exchange, an affiliate of the CBOT. Mr. Vitale is a former vice chairman and director of Bank One Corporation, where he was responsible for Bank One's Commercial Banking, Real Estate, Private Banking, Investment Management and Corporate Investments businesses. Mr. Vitale serves on the Board of Directors of United Airlines, ISO New England (chairman), Wheels Inc., DNP Select Income Fund (chairman), Alion Science and Technology and Ariel Investments. He also serves on several civic and charitable boards including: The Visiting Committee of the Harvard Graduate School of Education; the Board of Trustees of the Museum of Science and Industry; The Art Institute of Chicago (vice chairman); the Board of Managers of the YMCA of Metropolitan Chicago (former chair); Member of the Advisory Council of the Graduate School of Business at the University of Chicago; the Advisory Committee of the Kellogg School of Management; Northwestern University; Illinois Institute of Technology (vice chairman); the Visiting Committee of The School for Social Service Administration at the University of Chicago (chairman); Leadership Greater Chicago (former president); The Partnership for New Communities (vice chairman); and The Chicago Council on Global Affairs. Mr. Vitale received his MBA from the University of Chicago and is a graduate of Harvard University.

Jesse H. Ruiz

Jesse Ruiz was appointed vice president of the Chicago Board of Education on June 15, 2011. Mr. Ruiz previously served as Chairman of the Illinois State Board of Education. He is a corporate and securities partner at the law firm of Drinker Biddle & Reath LLP and concentrates his practice on mergers and acquisitions, corporate finance and commercial transactions. Mr. Ruiz was appointed to the U.S. Department of Education Equity and Excellence Commission. In August 2010, Mr. Ruiz was appointed to the American Bar Association (ABA) Presidential Advisory Commission on Hispanic Legal Rights and Responsibilities by the President of the ABA. He also serves on the Board of Directors of Commonwealth Edison Company, an Exelon company, and on several other civic and charitable boards and committees. Previously, Mr. Ruiz was a management consultant with the international consulting firm of Booz Allen & Hamilton (n/k/a Booz & Co.). Mr. Ruiz received his JD from The University of Chicago Law School and his Bachelor's Degree in Economics and Business Administration from the University of Illinois at Urbana-Champaign.

Dr. Carlos M. Azcoitia

Dr. Carlos Azcoitia currently serves as Distinguished Professor of Practice in Educational Leadership at National Louis University. From 2011-2012, he oversaw and supported thirty-six schools in his role as interim chief of Midway Network in Chicago Public Schools. He also coached and mentored new principals and assessed candidates for the principalship. Previously, from 2003-2007, Dr. Azcoitia served as the founding principal of John Spry Elementary/ Community Links High School in the Little Village community, which is the first school in Chicago to include a pre-kindergarten through high school program in one building and sets high goals for student success; aiming for a 100% high school and college graduation. Before he founded John Spry Elementary/Community Links High School, Dr. Azcoitia served as the deputy chief of Education at Chicago Public Schools (1996-2003), where he was responsible for managing wide-ranging departments, programs and services. He began his career as a teacher at Kosciuszko School, teaching 7th and 8th grades (1974-1982). He also serves as the chair of the Board of Trustees at Northeastern Illinois University, as a Steering Committee Member of the Coalition of Community Schools, and a member of the Board of Directors of the Chicago High School for the Arts and Ignatian Spirituality Center in Miami, FL. Dr. Azcoitia received his Doctorate in Education from Northern Illinois University, his Master's of Education from National Louis University and his Bachelor's degree from the University of Puerto Rico.

Dr. Henry S. Bienen

Dr. Henry Bienen served as the 15th president of Northwestern University and currently serves as president emeritus of Northwestern University. He was the James S. McDonnell Distinguished University Professor and Dean of the Woodrow Wilson School of Public and International Affairs at Princeton University prior to his appointment at Northwestern. Dr. Bienen is one of the first three university presidents awarded the Carnegie Corporation Academic Leadership Award for innovative leadership in higher education. He is a member of the American Academy of Arts and Sciences. Dr. Bienen chairs the Northwestern Campaign for the Feinberg Medical School, the advisory committee for education of the Vistria private equity group, and the board of Ithaka Harbors and Rasmussen College. He is a member of the Board of Directors of the Chicago Council on Global Affairs and serves on its executive committee. He also serves on the board of Ryan Specialty Group and is on the executive committee of the Steppenwolf Theatre, Gleacher Investment Bank and Grosvenor Fund of Funds. He was a member of the Argonne National Laboratory's Board of Governors, and served on the board's executive, nominating and auditing committees. Dr. Bienen received his PhD and Master's degrees from the University of Chicago and a Bachelor's degree from Cornell University. Dr. Bienen was awarded an honorary Doctorate of Humane Letters from Northwestern University, received the University of Chicago Professional Achievement Alumni Award and the 2008 Niagara Peace & Dialogue Award from the Niagara Foundation in 2008.

Dr. Mahalia A. Hines

Dr. Mahalia Hines is the chief executive officer 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. For 15 of those years, Dr. Hines served as principal in the Chicagoland area for grade levels from elementary through high school. Dr. Hines also worked as a coach for first-year principals and a mentor for current principals and prospective principals in Chicago and continues to work with school leaders of public and charter schools in urban areas throughout the country. In addition to working with schools and school leaders, Dr. Hines travels the country speaking to single mothers on raising successful sons. Dr. Hines received her Doctorate from the University of Illinois, her Master's degree from Northeastern University and Bachelor's degree from Central State University.

Deborah H. Quazzo

Deborah Quazzo is the managing partner at GSV Advisors, which she founded in 2009 to support the development of innovative ideas in the education and business services sectors through advisory services, working with emerging companies, as well as sophisticated industry leaders. Prior to GSV Advisors, Ms. Quazzo co-founded ThinkEquity Partners, an investment bank with offices across the nation, and served as the company's president and head of Investment Banking. Previously, Ms. Quazzo was a managing director in Investment Banking and head of the Global Growth Group at Merrill Lynch & Co. and began her career at J.P. Morgan. Ms. Quazzo is Chairman of the Board of

Marwen, a visual arts education provider for underserved Chicago youth and is a member of the board of Steppenwolf Theater Company. She is also ex officio board member of The Chicago Public Education Fund and previously served on the boards of America's Promise Alliance in Washington, D.C. (core advocates for underserved youth in America), KIPP Chicago (Knowledge is Power Program), New Schools for Chicago, Teach for America Chicago and the Network for Teaching Entrepreneurship in Chicago (NFTE). Ms. Quazzo earned her Bachelor's degree from Princeton University in 1982 and earned an MBA from Harvard University in 1987.

Andrea L. Zopp

Andrea Zopp is president and CEO of the Chicago Urban League, an organization that supports and advocates for economic, educational and social progress for African Americans and other minorities through an agenda focused on economic empowerment. Before her appointment to the Chicago Urban League, Ms. Zopp was executive vice president and general counsel at the Exelon Corporation. Prior to joining Exelon, Ms. Zopp served in similar roles at Sears Holdings Corporation and Sara Lee Corporation, and before then as a partner in the law firm of Sonnenschein Nath & Rosenthal. Ms. Zopp was also the first woman and African American to serve as First Assistant State's Attorney in the Cook County State's Attorney's office where she was responsible for the day-to-day operations of the nation's second largest prosecutor's office. Ms. Zopp has served as a member and president for many civic organizations and in 2004, she became chair of the Blue Ribbon Commission on Magnet and Selective Enrollment School Admissions for the Chicago Public Schools. Ms. Zopp received her JD and Bachelor's Degree in history and science from Harvard University.

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

Member	Term Expires
David J. Vitale, President	June 30, 2018
Jesse H. Ruiz, Vice President	June 30, 2018
Dr. Carlos M. Azcoitia	June 30, 2015
Dr. Henry S. Bienen	June 30, 2015
Dr. Mahalia A. Hines	June 30, 2018
Deborah H. Quazzo	June 30, 2015
Andrea L. Zopp	June 30, 2015

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

Chicago Board of Education

Central Administration Profiles

Barbara Byrd-Bennett is the chief executive officer of the Chicago Public Schools (CPS). A former teacher and principal with over 30 years experience, Ms. Byrd-Bennett is a lifelong educator with experience running schools and districts in New York City, Detroit and Cleveland. Ms. Byrd-Bennett has served as the CPS Chief Education Advisor, where she oversaw the development of curriculum and instructional policy for the Board and helped guide the Board's school and neighborhood administrators, from network chiefs to principals. She also played an integral role in guiding the Board during contract negotiations with the Chicago Teachers Union. As the chief executive officer of the Cleveland public school system, she successfully balanced the school district's budget each year of her tenure after inheriting a more than $150 million deficit. In Detroit, as the District's chief academic and accountability auditor, she worked side-by-side with the district's emergency financial manager where she helped implement a plan to restore the District's financial and educational stability. Ms. Byrd-Bennett holds a Master's of Science from Pace University, a Master's of the Arts from New York University and a Bachelor's of the Arts from Long Island University. Ms. Byrd-Bennett also holds honorary doctorate degrees from Cleveland State University, Baldwin-Wallace College, John Carroll University, the University of Notre Dame, National Louis University and St. Xavier University.

Timothy Cawley is chief administrative officer of the Board. Previously, Mr. Cawley served as managing director for Finance and Administration at the Academy for Urban School Leadership (AUSL), which manages 32 schools within the School District. Mr. Cawley joined AUSL after a 30-year business career, serving in senior management positions at various Fortune 500 companies. Mr. Cawley began his career at Procter and Gamble in a series of brand management positions, and has served as senior vice president of Global Logistics for Motorola, president of SBC/Ameritech International, and chief executive officer for Revell Monogram. Mr. Cawley holds a Bachelor's in Business Administration from the University of Notre Dame.

Tom Tyrrell is the chief operating officer of the Board. He brings over 30 years experience in strategic development and operational management for large public sector organizations. His broad ranging career includes twenty six years in the US Marine Corps and ten years as an executive in the private sector. He began his military career as an infantry officer and was privileged to serve as a commanding officer at every organizational level from platoon through regiment. As a senior officer he was assigned as the director of Strategy for the United Nations Mission to Kosovo and special assistant to the chairman of the Joint Chiefs of Staff for Transformation. In the private sector, Tom was engaged as the CEO of the Intrepid Sea-Air Space Museum in New York City and as the Cantor-Fitzgerald CAO for Europe and Asia based in London. He holds a BBA from Texas A&M University (Kingsville), a MS in Contracting and Acquisition from the Naval Postgraduate School, and a MS in Strategic Resource Management from the National Defense University (Industrial College of the Armed Forces).

Patricia J. Taylor is chief facilities officer of the Board. Ms. Taylor has more than 20 years of experience in city government. Prior to joining Chicago Public Schools, Ms. Taylor was the vice president of facility maintenance, construction and engineering for the Chicago Transit Authority. In this role, she oversaw maintenance of more than 150 facilities and numerous capital improvement projects including the renovation of the Brown Line elevated train system. Prior to that, Ms. Taylor served in government in an executive management capacity for the City of Chicago. Her positions included serving as the director of administration (Law Department), director of operations (Law-Investigations) and assistant budget director (Office of Budget and Management). Prior to that, she was an executive in the private sector for a large manufacturing corporation. Ms. Taylor holds an Associate's degree in liberal arts and attended Northeastern University majoring in elementary education and business administration.

Ginger Ostro is chief financial officer of the Board. Ms. Ostro previously served as the CPS Budget Director. As budget director, she oversaw a team of professionals responsible for developing and managing the operating, capital, and debt service budgets. Prior to joining CPS in 2011, she maintained senior leadership roles at the Illinois Student Assistance Commission (ISAC) and served as director of Governor's Office of Management and Budget for the State of Illinois. With a career commitment to public service and education, Ms. Ostro has also served in policy and budget roles at Governor's State University, Chicago Metropolis 2020, and the Department of Children and Family Services, among others. Ms. Ostro has an A.B. from the University of Chicago and a Master's of Public Policy from the Kennedy School of Government at Harvard University.

Sebastien De Longeaux is chief procurement officer of the Board. A native of France, Sebastien previously worked at REXAM (an English packaging company with operations in Chicago) as the director of Group Supply Chain & Commodity Risk, where he improved procurement core processes, including category management, supplier relationship management and risk management. Prior to his role at REXAM, Sebastien worked as a consultant at McKinsey and then served as general manager for Renault-Nissan's purchasing organization, both in France and Japan. He graduated from l'Institut D'etudes Politiques de Paris in 1993 with a degree in economics and finance. He also received a Master's of Business Administration from the University of Chicago.

James Bebley is general counsel of the Board. Previously he served as first deputy general counsel and as deputy general counsel for Finance and Budget. Mr. Bebley's experience includes practice at Ice Miller LLP in Chicago where he concentrated on economic development and municipal finance and acted as bond counsel, issuer's counsel and underwriter's counsel for tax-exempt bond issues, and Carney & Brothers, where he handled transactional matters and assisted in developing the firm's municipal finance group. He also served at the City of Chicago's Law Department and the Office of the Mayor. Mr. Bebley is a graduate of Daniel Hale Williams Elementary School and Robert Lindblom Technical High School, both in the Chicago Public School system. He earned his Bachelor of Science in Finance from the University of Illinois (Urbana-Champaign) College of Commerce and Business Administration in 1982 and his Juris Doctorate from the College of Law in 1985.

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

January 20, 2015

David Vitale, 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, 2014, 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 FY2014 with a deficit of $513 million in the operating funds. This is better than our budget, which assumed a $642 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, areas away from the classroom, and have even impacted the classroom, to help address our financial challenges.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Statutory Reporting, which contains state and federal compliance reporting information. The Introductory section includes this transmittal letter, a list of principal officials, and an organization 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.

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,

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

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 2014 (FY2014), CPS has 667 schools, including district-run traditional and options schools, charter and contract schools.

Student enrollment as of September 2013 was 400,545, a decrease of 2,916 from the September 2012 level (403,461). 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, 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/content/dam/city/depts/obm/supp_info/2015Budget/OV_book_2015_ver_11-24.pdf.

Local revenues included $2.213 billion in property taxes and $188 million in personal property replacement taxes in FY2014. 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 operating revenues for FY2014 were $4.937 billion, which were $110 million higher than the prior year of $4.826 billion. Total operating expenditures for FY2014 were $5.450 billion, which were $503 million higher than the prior year of $4.946 billion. CPS ended FY2014 with a fund balance for its General Operating Fund of $436 million, a decrease of $513 million from FY2013. 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 (the "Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago (the "Annuity Fund"). As of June 30, 2013, the Pension Fund reported $9.423 billion in actuarial assets and $19.045 billion in actuarial liabilities, for a funded ratio of 49.4%. CPS recorded a net pension obligation of $3.190 billion in the accompanying financial statements, as required by Governmental Accounting Standards Board Statement No. 27.

The Pension Fund's Board of Trustees sets the actuarial assumptions based upon recommendations made by the Fund's actuary. Several assumption changes were approved by the Trustees for the June 30, 2013 valuation, one of which was the lowering of the investment return assumption to 7.75% from 8.00%. According to the actuarial report, all changes in assumptions added approximately $1.021 billion to the Fund's Unfunded Actuarial Accrued Liability for the year ending June 30, 2013 (when compared to the year ending June 30, 2012).

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

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. During FY2014, CPS maintained a rating of A+ by Standard and Poor's and received a downgrade in ratings by Moody's and Fitch to Baa1 and A- respectively.

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 in-part due to the State being second to last in the nation in education funding 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 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.

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. We are guided by a five-year action plan, "The Next Generation: Chicago's Children" which outlines five pillars to achieve our vision:

- High standards, rigorous curriculum, and powerful instruction
- Systems of support that meet student needs
- Engaged and empowered families and communities
- Committed and effective teachers, leaders, and staff
- Sound fiscal, operational, and accountability systems

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.

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

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. In May 2014, CPS was awarded a competitive grant at the White House Science Fair for our STEM plan and will use the award to continue working towards our goal of providing high-impact STEM mentoring experiences and increased STEM opportunities for CPS students.

Eleven years ago, the graduation rate for CPS high school students was 44%. That number has climbed steadily since 2003 to 69.4% in 2014. 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 FY2014 were $487 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, 2013. 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,

Ginger Ostro
Chief Financial Officer

Larry Fraze
Controller

McGladrey LLP

McGladrey

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, 2014, 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, 2014, 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.

Other Matters

Emphasis of Matter

As disclosed in Note 15 to the financial statements, CPS is projecting 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18–33 and pension and other post-employment benefit (OPEB) information on pages 78-79, 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 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, 2014 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, 2014, 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, 2014.

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, 2013 (not presented herein), and have issued our report thereon dated February 4, 2014, 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, 2013 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 2013 financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the 2013 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, 2013.

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 January 20, 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.

McGladrey LLP

Chicago, Illinois
January 20, 2015

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the transmittal letter, financial statements and notes to the basic financial statements to further enhance their understanding of CPS' financial performance.

FINANCIAL HIGHLIGHTS

- The government-wide financial statements, Statement of Net Position shows liabilities and deferred inflows totaling $13.233 billion, while assets and deferred outflows equaled $9.274 billion, with decreases of $172 million and $1.326 billion, respectively. CPS ended FY2014 with a deficit of $3.959 billion, an increase in the deficit of $1.155 billion or 41.2% from the prior year.
- CPS ended FY2014 with a combined fund balance for its governmental funds of $1.029 billion, a decrease of $830 million or 44.6%, from FY2013. The fund balance decreased by $513 million in the general operating fund, decreased by $266 million in the capital project fund, and decreased by $51 million in the debt service fund.
- The general operating fund ended FY2014 with a fund balance of $436 million, $268 million of which will be used to cover the FY2015 budget deficit.
- In December 2013, CPS entered into two lines of credit of $150 million each to fund capital projects. As of June 30, 2014, CPS had borrowed $132 million total from these lines of credit.
- In July 2013, Moody's Investors Service downgraded CPS' debt rating. In September 2013, Fitch Ratings downgraded CPS' debt rating. The rating agencies cited structural budget gaps, a sizable increase in pension contributions following a three-year relief period, and an overleveraged tax base.

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			
	2014	**2013**	**Difference**	**% Change**
Current Assets	$ 2,748	$ 3,898	$(1,150)	– 29.5%
Capital Assets, net	6,175	6,170	5	0.1%
Non-current Assets	75	247	(172)	– 69.6%
Total Assets	$ 8,998	$10,315	$(1,317)	– 12.8%
Total deferred outflows of resources	$ 275	$ 285	$ (10)	– 3.5%
Current Liabilities	$ 797	$ 1,259	$ (462)	– 36.7%
Long-term Liabilities	12,421	12,123	298	2.5%
Total Liabilities	$13,218	$13,382	$ (164)	– 1.2%
Total deferred inflows of resources	$ 14	$ 22	$ (8)	– 36.4%
Net Position:				
Net investment in capital assets	$ (37)	$ 80	$ (117)	– 146.3%
Restricted for:				
Debt service	369	345	24	7.0%
Grants and donations	61	64	(3)	– 4.7%
Workers' comp/tort immunity	20	65	(45)	– 69.2%
Unrestricted	(4,372)	(3,358)	(1,014)	30.2%
Total net position (deficit)	$ (3,959)	$ (2,804)	$(1,155)	41.2%

Current assets decreased primarily due to lower cash and investment balances as of June 30, 2014.

Capital assets, net of depreciation, increased due to the continued progress of the Capital Improvement Program. Refer to Note 6 in 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 for more information on derivatives.

Deferred outflows of resources decreased primarily due to the amortization of the deferred loss on bond refundings.

Current liabilities decreased primarily due to the deferred pay plan terminating beginning of FY2014.

Long-term liabilities increased due to the following:

- Accrued pension and Other Post Employment Benefits (OPEB) — refer to Note 12 in the basic financial statements for more detailed information
- Other benefits and claims — refer to Note 11 in the basic financial statements for more detailed information
- Long-term debt and line of credit — refer to Note 8 in 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) increased $1.155 billion to a $3.959 billion deficit. Restricted net position of $450 million is reported separately to present legal constraints from debt covenants and enabling legislation.

The following table presents the changes in net position to fiscal year 2014 from 2013:

Changes in Net Position
(In Millions)

	Governmental Activities			
	2014	**2013**	**Difference**	**% Change**
Revenues:				
Program revenues:				
Charges for services	$ 4	$ 6	$ (2)	– 33.3%
Operating grants and contributions	1,087	963	124	12.9%
Capital grants and contributions	162	186	(24)	– 12.9%
Total program revenues	$ 1,253	$ 1,155	$ 98	8.5%
General revenues:				
Property taxes	$ 2,218	$ 2,157	$ 61	2.8%
Replacement taxes (PPRT)	188	186	2	1.1%
Non-program state aid	1,573	1,689	(116)	– 6.9%
Interest and investment earnings	16	8	8	100.0%
Other	181	143	38	26.6%
Total general revenues	$ 4,176	$ 4,183	$ (7)	– 0.2%
Total revenues	$ 5,429	$ 5,338	$ 91	1.7%
Expenses:				
Instruction	$ 4,140	$ 4,040	$ 100	2.5%
Support services:				
Pupil support services	487	494	(7)	– 1.4%
Administrative support services	242	211	31	14.7%
Facilities support services	655	490	165	33.7%
Instructional support services	475	491	(16)	– 3.3%
Food services	206	235	(29)	– 12.3%
Community services	38	40	(2)	– 5.0%
Interest expense	335	337	(2)	– 0.6%
Other	6	7	(1)	– 14.3%
Total expenses	$ 6,584	$ 6,345	$ 239	3.8%
Change in net position	$(1,155)	$(1,007)	$ (148)	14.7%
Beginning net position (deficit)	(2,804)	(1,797)	(1,007)	56.0%
Ending net position (deficit)	$(3,959)	$(2,804)	$(1,155)	41.2%

Pension Funding

Employees of CPS participate in either the Chicago Teachers' Pension Fund ("the Teachers' Pension Fund") or the Municipal Employees Annuity and Benefit Fund of Chicago ("the 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 statutes determine CPS' employer-required contribution to the Teachers' Pension Fund. As of June 30, 2013, the funded ratio of the Teachers' Pension Fund was 49.4%. CPS has recorded a net pension obligation of $3.190 billion in the accompanying financial statements, as required by the Governmental Accounting Standards Board (GASB) Statement No. 27. CPS is required to make pension contributions to increase the funded ratio to 90% by FY2059. The CPS' required pension contribution for fiscal year 2014 was $613 million, $12 million of which was a State-funded pension contribution.

State statute requires the City of Chicago to contribute all employer pension costs on behalf of CPS educational support personnel. The statutorily established rate for employer contribution to the Municipal Fund is 10.625% of actual salaries paid two years ago. Covered employees are required by State statute to contribute 8.5% of their salary. In FY2014, as in previous fiscal years, CPS paid 7.0%, or $38.7 million of the required employees' contribution for most employees. GASB 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.

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, 2014, as compared with June 30, 2013. 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)

	2014	2013	2014 Percent of Total	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Revenues:					
Property taxes	$2,213	$2,212	39.6%	$ 1	0.0%
Replacement taxes	188	186	3.4%	2	1.1%
State aid	1,843	1,816	33.1%	27	1.5%
Federal aid	904	846	16.2%	58	6.9%
Interest and investment earnings	15	7	0.3%	8	114.3%
Other	273	322	4.9%	(49)	− 15.2%
Subtotal	$5,436	$5,389	97.5%	$ 47	0.9%
Other financing sources	139	550	2.5%	(411)	− 74.7%
Total	$5,575	$5,939	100.0%	$(364)	− 6.1%
Expenditures:					
Current:					
Instruction	$3,127	$3,035	48.8%	$ 92	3.0%
Pupil support services	458	454	7.2%	4	0.9%
General support services	987	941	15.4%	46	4.9%
Food services	194	216	3.0%	(22)	− 10.2%
Community services	37	40	0.6%	(3)	− 7.5%
Teachers' pension and retirement benefits	593	228	9.3%	365	160.1%
Other	6	7	0.0%	(1)	− 14.3%
Capital outlay	535	520	8.4%	15	2.9%
Debt service	468	390	7.3%	78	20.0%
Total	$6,405	$5,831	100.0%	$ 574	9.8%
Net change in fund balance	**$ (830)**	**$ 108**			

FINANCIAL SECTION

General Operating Fund

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

Revenues:

Revenues and Other Financing Sources
(In Millions)

	2014	2013	2014 Percent of Total	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Property taxes	$2,161	$2,158	43.8%	$ 3	0.1%
Replacement taxes (PPRT)	131	128	2.7%	3	2.3%
State aid	1,632	1,599	33.1%	33	2.1%
Federal aid	864	806	17.5%	58	7.2%
Interest and investment earnings	4	2	0.0%	2	100.0%
Other	144	133	2.9%	11	8.3%
Subtotal	$4,936	$4,826	100.0%	$110	2.3%
Other financing sources	—	1	0.0%	(1)	100.0%
Total	**$4,936**	**$4,827**	**100.0%**	**$109**	**2.3%**

Property tax revenues increased due to the net impact of a $4 million increase in total first year tax collections, a $3 million decrease in total prior year tax collections, and a $2 million increase due to a small increase in operating fund extensions between 2013 and 2014 with no change in the extensions for debt service.

Personal property replacement taxes (PPRT) derives its revenues primarily from an additional State income tax on corporations and partnerships. CPS used $1 million of its debt service stabilization funds to support the debt service on Series 2008A, therefore releasing $1 million of PPRT to be redistributed to the General Operating Fund.

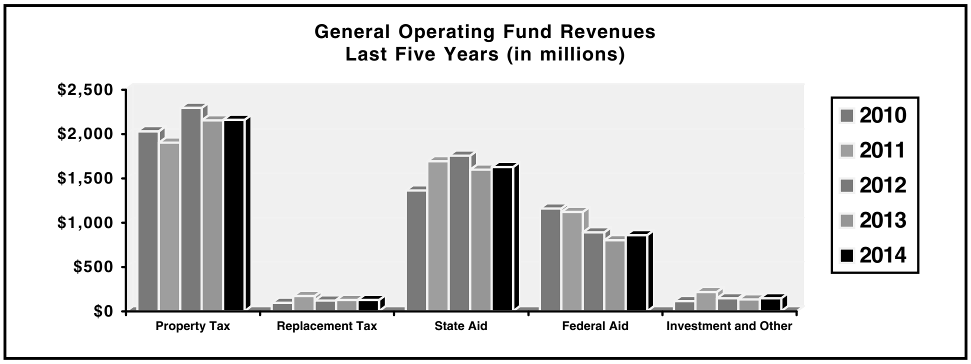
State aid increased primarily as a result of General State Aid (GSA) allocated to support expenditures in the General Operating Fund (GOF). Overall, GSA revenue received by CPS decreased in FY2014, but an increase in the GOF is reflected because a portion of GSA is transferred to support the Debt Service Funds.

Federal aid increased primarily as a result of the timing of when the funding was received. Title I Low Income and Title II Teacher Quality funds increased by $78 million and $17 million, respectively, due to more frequent claiming of expenditures. Several smaller grants had reduced revenues of $37 million due to decreased expenditures and timing of receiving payments.

Interest and investment earnings

Securities with maturities over one year are required to be reported based on market value, per GASB 31 reporting requirements. Reduced general operating fund balances in FY2014 reduced the securities with maturities over one year in the fund. In FY2014, fewer securities in the operating fund were subject to this GASB adjustment, which increased recognized income.

Other local revenues increased primarily due to the recording of charter schools employer pension reimbursement costs as both revenues and expenditures consistent with GAAP requirements. In prior years, CPS paid the charter school's employer pension costs directly and offset those costs with a lower tuition rate to charter schools.



Expenditures:
(In Millions)

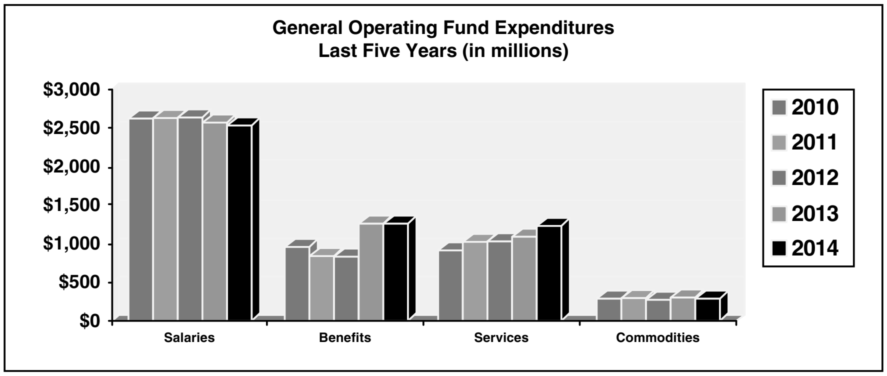
	2014	2013	2014 Percent of Total	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Salaries	$2,541	$2,575	46.6%	$ (34)	− 1.3%
Benefits	1,264	866	23.2%	398	46.0%
Services	1,238	1,094	22.7%	144	13.2%
Commodities	293	306	5.4%	(13)	− 4.2%
Other	114	105	2.1%	9	8.6%
Total	**$5,450**	**$4,946**	**100.0%**	**$504**	**10.2%**

Salaries decreased due to the reduction of employees.

Benefits increased as a result of State Bill SB1946, passed by the General Assembly for pension relief, lapsing at the end of FY2013, which resulted in CPS' Teacher's Fund total pension contributions increasing by $404 million. Employee benefits increased due to higher prescription costs in FY2014 and the closing of 47 schools in the prior fiscal year. These increases in expenditures are offset by a decrease in legal settlements due to a payment of the "required employer contribution" paid in FY2013, as there was no such payment paid in FY2014.

Services increased in FY2014 as a result of professional and technical services, such as, the transitioning of assets from schools closed in FY2013 to welcoming schools and the expansion of the Safe Passage program. Student tuition increased as a result of opening seven new charter schools and increased student enrollment. Telephone and telecommunications services increased due to the denial of E-Rate funding for ineligible services. The E-Rate program, administered by the Universal Service Administrative Company under the direction of the FCC, helps schools and libraries to obtain affordable broadband by reimbursing service providers for eligible telecommunication services.

Commodities decreased in FY2014 as a result of the timing of textbook purchases between fiscal years and lower food costs due to a change in vendor and reduction in meal consumption. These decreases in expenditures were offset by increases in utility expenditures as a result of record cold temperatures and an increase in delivery rates by service providers.



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)

	2014	2013	2014 Percent of Total	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
State aid	$ 38	$ 7	17.1%	$ 31	442.9%
Federal aid	15	13	6.7%	2	15.4%
Interest and investment earnings	1	2	0.5%	(1)	− 50.0%
Other	29	88	13.1%	(59)	− 67.0%
Subtotal	$ 83	$110	37.4%	$ (27)	− 24.5%
Other financing sources	139	468	62.6%	(329)	− 70.3%
Total	$222	$578	100.0%	$(356)	− 61.6%

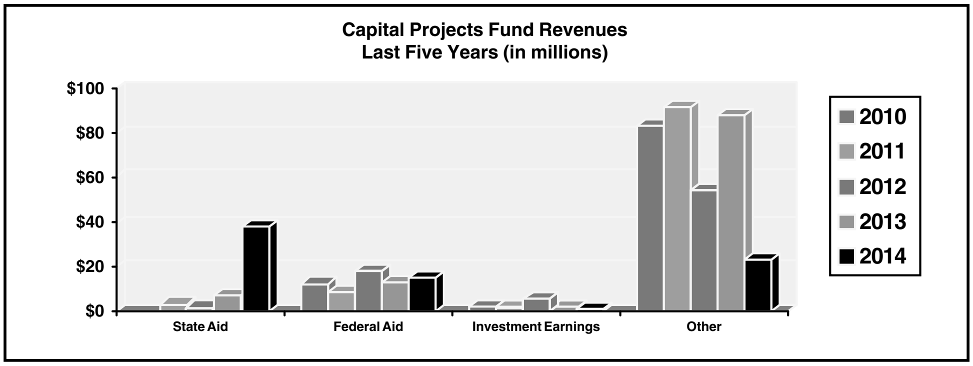
State aid increased due to the recording of State School Construction funds administered through the Capital Development Board (CDB) to the Capital Projects Fund, which was not received in FY2013.

Federal aid increased in funding for noise mitigation projects, which was offset by a decrease in approved funding for E-Rate projects.

Interest and investment earnings decreased as a result of lower rates prevailing the market in FY2014 compared to FY2013.

Other revenues decreased primarily due to the timing of billed reimbursable expenditures and revenue recognized by CPS on the Modern Schools Across Chicago Project which is supported by an Inter-governmental Agreement (IGA) with the City of Chicago.

Other financing sources reflect a decrease due to only $132 million drawn on a $300 million Unlimited Tax General Obligation Bonds as variable-rate, revolving lines of credit, Series 2013B and 2013C, as of June 30, 2014. This is significantly less than bonds issued in FY2013.

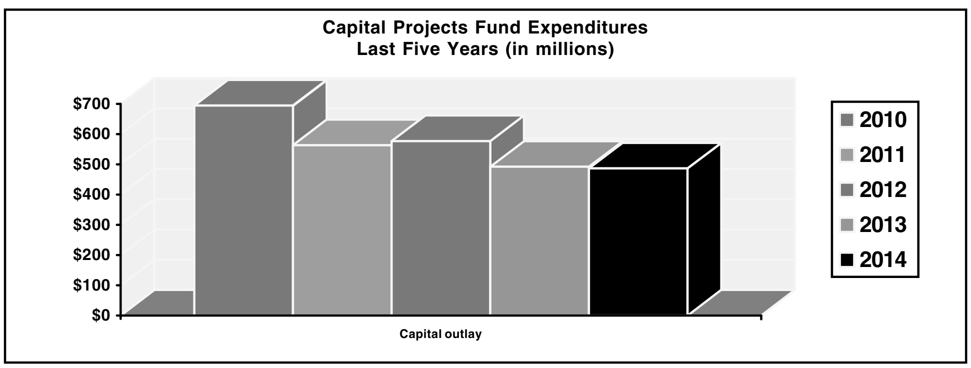


Expenditures:
(in Millions)

	2014	2013	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Capital outlay	$487	$493	$(6)	– 1.2%

Capital outlay

The actual spending on capital outlay decreased due to fewer construction projects initiated in FY2014 than FY2013.



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)

	2014	2013	2014 Percent of Total	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Property taxes	$ 52	$ 54	12.5%	$ (2)	− 3.7%
Replacement taxes (PPRT)	57	58	13.6%	(1)	− 1.7%
State aid	173	209	41.5%	(36)	− 17.2%
Federal aid	25	26	6.0%	(1)	− 3.8%
Interest and investment earnings	10	3	2.4%	7	233.3%
Other	100	101	24.0%	(1)	− 1.0%
Subtotal	$417	$451	100.0%	$ (34)	− 7.5%
Other financing sources	—	81	0.0%	(81)	100.0%
Total	$417	$532	100.0%	$(115)	− 21.6%

Property tax revenue decreased by $2 million due to an increase in the general operating fund extension between 2013 and 2014 with no change in the extension for debt service.

Personal property replacement taxes (PPRT) decreased due to the use of debt service stabilization funds to support the debt service on Series 2008A, resulting in less PPRT to support debt service.

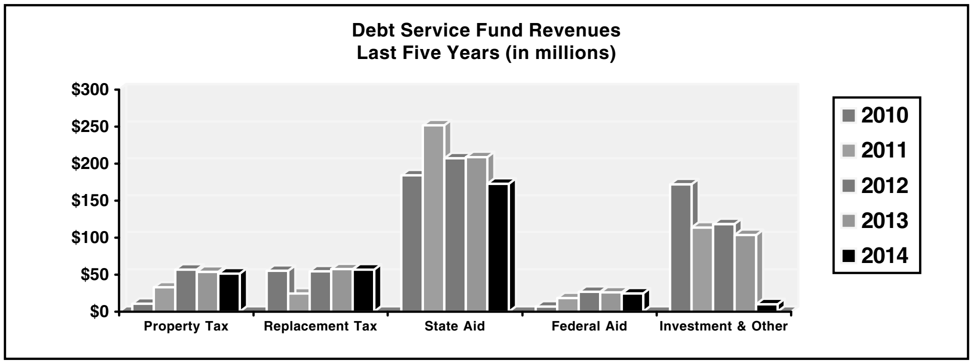
State aid is comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). Several bond series supported by GSA revenue required an increase of $25 million for higher debt obligations. An additional $1.5 million was needed to cover reductions in federal subsidies due to sequestration. Also, $47 million of the Debt Service Stabilization funds was used to offset the increase in the debt service obligations and reduce the need for GSA. Also, a reduction of $8.5 million in debt service was due to the net effect of refundings, optional redemptions, and changes in variable interest rates.

Federal aid decreased as a result of the 2013 Federal Budget Sequestration which became effective March 1, 2013. CPS receives interest subsidies from the federal government for Qualified School Construction Bonds (QSCBs) and Build America Bonds (BABs) that CPS issued in FY2009, FY2010 and FY2011. The FY2014 sequester percentage for QSCBs and BABs was 7.2, which resulted in lower interest subsidy payments to CPS as compared to FY2013.

Interest and investment earnings increased by $3 million due to the increased allocation of long-dated higher yielding securities in the debt service stabilization fund, as well as the accreted interest on zero coupon bonds in one of the bond funds. The market value of the securities with maturities over one year increased by $4 million, which increased income as adjusted GASB 31.

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 decrease is a result of lower IGA property tax revenues as compared to FY2013.

Other financing sources reflect a net decrease of $81 million in FY2014 due to the transfer of cash and capitalized interest to the Debt Service Fund from the Capital Projects Fund. In FY2014, there was no debt restructuring.

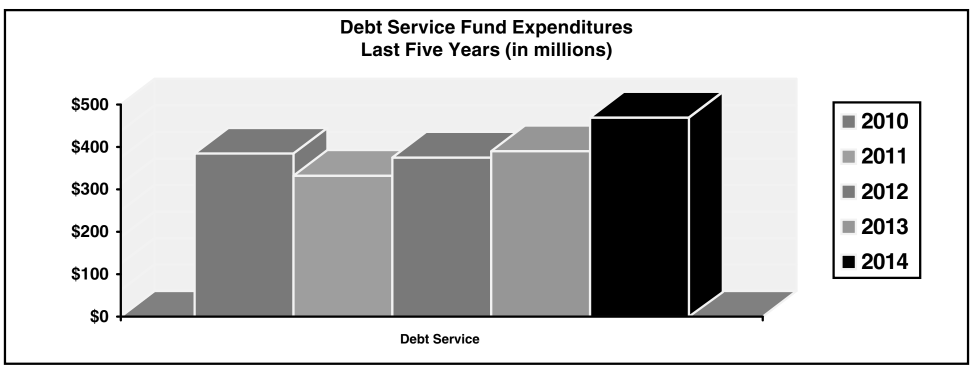


Expenditures:
(In Millions)

	2014	2013	Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Debt service	$468	$390	$78	20.0%

Debt service costs

The overall debt service cost for FY2014 increased by $78 million due to an increase in principal redemption of $75 million, as well as an increase in the interest expense of $11 million. These costs were offset by a reduction in other fees of $8 million as compared to FY2013.



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 2012, the Board adopted a balanced budget for FY2013 that reflected total resources, including $432 million of available fund balances, and appropriations of $5.162 billion for the General Operating Fund.

In August 2013, the Board adopted a balanced budget for FY2014 that reflected total resources, including $643 million of available fund balances, and appropriations of $5.592 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, 2014.

The General Operating Fund ended FY2014 with a deficit of $513 million, which compared favorably with the budgeted deficit of $643 million. This financial performance reflects a combination of CPS' conscientious efforts to improve its financial position and revenues anticipated for the FY2015 budget that were received during the FY2014 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)

	FY2014 Original Budget	Supplemental Appropriations & Transfers In/(Out)	Final Appropriations	FY2014 Actual	Variance
Revenues:					
Property taxes	$2,141	$ —	$2,141	$2,161	$ 20
Replacement taxes	106	—	106	131	25
State aid	1,621	—	1,621	1,632	11
Federal aid	908	—	908	864	(44)
Interest and investment earnings	3	—	3	4	1
Other	170	—	170	144	(26)
Subtotal	$4,949	$ —	$4,949	$4,936	$ (13)
Other financing sources	—	—	—	1	1
Total	$4,949	$ —	$4,949	$4,937	$ (12)
Expenditures:					
Current:					
Salaries	$2,561	$ —	$2,561	$2,541	$ (20)
Benefits	1,251	4	1,255	1,264	9
Services	1,171	123	1,294	1,238	(56)
Commodities	257	63	320	293	(27)
Other	352	(190)	162	114	(48)
Total	$5,592	$ —	$5,592	$5,450	$(142)
Change in fund balances	**$ (643)**			**$ (513)**	

Property tax revenues

The positive variance of $20 million in property tax revenue was the result of three factors. An underestimate of 2013 property tax extensions caused $3 million of the variance. This underestimate was caused by an underestimate of the amount of new property EAV that would be available under

PTELL for the 2013 extensions. Collections from first year taxes were $5 million higher than expected due to small variances in first year collection assumptions. Collections from prior tax years were $12 million more than expected.

Replacement tax
CPS budgeted conservatively for Replacement Taxes in FY2014 because the additional funding received in FY2013 was considered the result of a one-time change in federal tax policy. However, with improved state performance, CPS received an additional $25 million beyond what was budgeted.

State revenues
State aid was $11 million above budget. This was the result of $21 million of prior year state block grant payments for early childhood education and reimbursement for English Language Learner services that was received in FY2014 because the claims were not reimbursed during the revenue recognition period. This increase is offset by General State Aid revenues $10 million below budget. FY2014 was the first year of operation for two charter schools authorized by the State Charter Commission (all other charters operating in Chicago are authorized by CPS). For these state-approved charters, funding is diverted by the Illinois State Board of Education from CPS' General State Aid payment. At the time the budget was approved we did not anticipate this diversion of funds.

Federal revenues
Federal revenues were $44 million below budget because of timing issues of receipt and slower expenditures. Lunchroom revenue was $15 million below budget because fewer meals were served, reducing reimbursement (but with an associated cost reduction) and because nearly $8 million of revenue was not received during the revenue recognition period. Medicaid revenue was below budget by $7.5 million because of slower claiming. Other grant revenue—received based on reimbursement for expenditures—was below budget because spending was also below budget. On the other hand, reimbursement for Title I was $13 million above budget, as prior year claim reimbursement was received in FY2014. These factors net to a $44 million difference to budget.

Interest and investment earnings
Interest income was slightly better than budget by $1 million.

Other revenues
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 $26 million below budget. This is the result of two major factors. CPS substantially increased the budgeted revenue for local school-generated funds because we saw a substantial increase in FY2013. However, CPS significantly over-budgeted this revenue by $27 million. Lunchroom revenue for individual cash sales was nearly $5 million below budget. Under new federal guidelines, more schools are eligible to have 100% free breakfast/lunch, reducing the cash collections more than we had anticipated. These are offset by other revenue which came in $4.5 million better than budget.

Actual General Operating Fund expenditures were $142 million under budget. This is a much smaller variance than in prior years and is a result of more conscientious 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:

Salary
Salaries in total were $20 million less than budget on a $2.5 billion base; this represents a less than 1% variance. Savings of $9 million in teacher salaries out of a total of $1.9 billion budget (0.5%) was

the result of turnover slightly higher than budgeted and funding set aside for professional development and additional payments was more than was needed. Career services salaries were $11 million below the $630 million budget (1.8%) due to higher than anticipated turnover and lags in hiring.

Benefits

Benefit costs include health care, unemployment compensation, workers compensation, and pension costs. Benefit costs appear to be over budget by $9 million. However, this is the result of 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. Therefore, there is a variance to budget, but no cost above what was anticipated.

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. FY2014 expenditures were $56 million below budget in these categories. Professional services were $42 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, among others. Contractual programs, such as community based early childhood, lunchroom repairs, and other services were $4 million below budget. Efficiencies in transportation routing enabled the district to end the year $7 million below budget, and enrollment below projections resulted in savings of $21 million in charter, private special education, and option school tuition. This was offset by $18 million in expenditures above budget for E-Rate services, which in the past were paid directly by the federal government.

Commodities

Major commodities categories include utilities, food for breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by $27 million. Utilities costs were higher than budgeted by $6.4 million due to the extreme winter conditions. This was more than offset by savings in food costs, textbooks, and supplies. Savings of $5.9 million in food costs was the result of fewer meals served than budgeted. Savings in textbooks and supplies totaled $27.5 million. Much of this savings was at the school level, where it appears schools allocated funding to these accounts, but it went unspent. About $11 million of this savings was in funding specifically designated to schools to serve low income students and will be returned to them in FY2015.

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 $48 million. Equipment spending was below budget by $21 million, primarily because of spending for new and expanding schools that did not take place and because schools budgeted their discretionary funds in equipment, but did not spend it. The other major 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, nearly $24 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, 2014
(Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES
Assets:	
Current Assets:	
Cash and investments	$ 254,551
Cash and investments in escrow	520,214
Cash and investments held in school internal accounts	38,413
Property taxes receivable, net of allowance	1,064,710
Other receivables:	
Replacement taxes	31,920
State aid, net of allowance	516,147
Federal aid	211,090
Other, net of allowance	106,791
Other assets	3,699
Total current assets:	$ 2,747,535
Non-current Assets:	
Cash and investments in escrow	$ 60,244
Land and construction in progress	716,516
Buildings, improvements, equipment, and software, net of accumulated depreciation	5,458,665
Derivative instrument	15,300
Total non-current assets:	$ 6,250,725
Total assets	$ 8,998,260
Deferred Outflows of Resources:	
Deferred charge on refunding	$ 178,200
Accumulated decrease in fair value of hedging activities	97,134
Total deferred outflows of resources:	$ 275,334
Liabilities:	
Current Liabilities:	
Accounts payable	$ 317,488
Accrued payroll and benefits	203,791
Amount held for student activities	38,413
Other accrued liabilities	8,171
Unearned revenue	6,339
Interest payable	24,245
Current portion of long-term debt and capitalized lease obligations	198,600
Total current liabilities:	$ 797,047
Long-term liabilities, net of current portion:	
Debt, net of premiums and discounts	$ 6,499,947
Line of credit	131,600
Capitalized lease obligations	197,870
Derivative instrument liability	98,072
Swaption borrowing payable	30,205
Swap implicit borrowing	102,062
Other accrued liabilities	18,650
Net pension obligation	3,190,380
Net other post-employment benefits obligation	1,680,247
Other benefits and claims	472,611
Arbitrage liability	73
Total long-term liabilities:	$12,421,717
Total liabilities	$13,218,764
Deferred Inflows of Resources:	
Accumulated increase in fair value of hedging activities	$ 14,276
Total deferred inflows of resources:	$ 14,276
Net Position:	
Net investment in capital assets	$ (37,194)
Restricted for:	
Debt service	368,794
Grants and donations	61,451
Workers' comp/tort immunity	19,838
Unrestricted (deficit)	(4,372,335)
Total net position (deficit)	$ (3,959,446)

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 Fiscal Year Ended June 30, 2014
(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	$4,139,906	$ 657	$ 552,199	$110,132	$(3,476,918)
Support services:					
Pupil support services	487,139	—	61,485	16,130	(409,524)
Administrative support services	241,913	—	69,796	8,010	(164,107)
Facilities support services	654,971	—	72,411	14,123	(568,437)
Instructional support services	474,926	—	104,399	12,634	(357,893)
Food services	205,989	3,485	197,702	1,151	(3,651)
Community services	37,507	—	28,893	223	(8,391)
Interest expense	335,237	—	—	—	(335,237)
Other	6,134	—	—	—	(6,134)
Total governmental activities	$6,583,722	$4,142	$1,086,885	$162,403	$(5,330,292)
General revenues:					
Taxes:					
Property taxes					$ 2,218,033
Replacement taxes					188,040
Non-program state aid					1,572,564
Interest and investment earnings					15,563
Other					181,125
Total general revenues					$ 4,175,325
Change in net position					$(1,154,967)
Net position — beginning (deficit)					(2,804,479)
Net position — ending (deficit)					$(3,959,446)

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, 2014
(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 70,792	$ —	$183,759	$ 254,551
Cash and investments in escrow	4,921	86,355	489,181	580,457
Cash and investments held in school internal accounts	38,413	—	—	38,413
Receivables:				
Property taxes, net of allowance	1,039,965	—	24,745	1,064,710
Replacement taxes	31,920	—	—	31,920
State aid, net of allowance	512,395	3,752	—	516,147
Federal aid	207,974	30	3,086	211,090
Other, net of allowance	2,895	89,135	14,761	106,791
Due from other funds	189,748	3,309	—	193,057
Other assets	1	—	—	1
Total assets	$2,099,024	$182,581	$715,532	$2,997,137
Liabilities:				
Accounts payable	$ 281,424	$ 26,111	$ 9,953	$ 317,488
Accrued payroll and benefits	111,812	—	—	111,812
Amount held for student activities	38,413	—	—	38,413
Due to other funds	3,309	188,989	759	193,057
Unearned revenue	6,003	335	—	6,338
Total liabilities	$ 440,961	$215,435	$ 10,712	$ 667,108
Deferred inflows of resources:				
Unavailable property tax revenue	$ 685,893	$ —	$ 16,305	$ 702,198
Other unavailable revenue	536,162	59,099	3,086	598,347
Total deferred inflows of resources	$1,222,055	$ 59,099	$ 19,391	$1,300,545
Fund balances (deficit):				
Nonspendable	$ 429	$ —	$ —	$ 429
Restricted for grants and donations	61,022	—	—	61,022
Restricted for workers' comp/tort immunity	19,838	—	—	19,838
Restricted for debt service	—	—	491,552	491,552
Assigned for 2015 budget	267,652	—	—	267,652
Assigned for debt service	—	—	193,877	193,877
Assigned for commitments and contracts	87,067	—	—	87,067
Unassigned (deficit)	—	(91,953)	—	(91,953)
Total fund balances (deficit)	$ 436,008	$ (91,953)	$685,429	$1,029,484
Total liabilities, deferred inflows of resources and fund balances (deficit)	$2,099,024	$182,581	$715,532	$2,997,137

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, 2014

(Thousands of Dollars)

Total fund balances — governmental funds		$ 1,029,484
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		3,698
Derivative instrument		15,300
Deferred outflows of resources applicable to CPS' governmental activities do not represent available financial resources and accordingly are not reported on the fund financial statements		275,334
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		9,583,243
Accumulated depreciation		(3,408,062)
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	$ (26,821)	
Debt, net of premiums and discounts	(6,661,902)	
Line of credit	(131,600)	
Capitalized lease obligations	(234,515)	
Net pension obligation	(3,190,380)	
Net other post-employment benefits obligation	(1,680,247)	
Other benefits and claims	(564,590)	
		(12,490,055)
Interest payable		(24,245)
Swaption borrowing payable		(30,205)
Swap implicit borrowing		(102,062)
Arbitrage liability — long term		(73)
Derivative instrument liability		(98,072)
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.		
Unavailable property tax revenue		702,198
Other		598,347
Deferred inflows of resources applicable to CPS' governmental activities do not represent available financial resources and accordingly are not reported on the fund financial statements		(14,276)
Net position (deficit)		$ (3,959,446)

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, 2014

With Comparative Amounts for the Fiscal Year Ended June 30, 2013

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2014	Total Fiscal Year Ended June 30, 2013
Revenues:					
Property taxes	$2,161,204	$ —	$ 52,102	$2,213,306	$2,211,568
Replacement taxes	131,075	—	56,966	188,041	185,884
State aid	1,631,782	37,822	173,092	1,842,696	1,815,798
Federal aid	864,457	14,920	24,809	904,186	845,796
Interest and investment earnings	4,458	820	10,318	15,596	7,303
Other	143,859	29,109	99,779	272,747	322,128
Total revenues	$4,936,835	$ 82,671	$417,066	$5,436,572	$5,388,477
Expenditures:					
Current:					
Instruction	$3,126,689	$ —	$ —	$3,126,689	$3,034,509
Pupil support services	457,939	—	—	457,939	454,240
Administrative support services	227,412	—	—	227,412	194,259
Facilities support services	400,945	—	—	400,945	378,142
Instructional support services	358,691	—	—	358,691	368,869
Food services	193,642	—	—	193,642	215,739
Community services	37,460	—	—	37,460	39,656
Teachers' pension and retirement benefits	593,225	—	—	593,225	227,766
Other	6,134	—	—	6,134	7,043
Capital outlay	47,994	486,986	—	534,980	519,604
Debt service	—	—	467,904	467,904	390,409
Total expenditures	$5,450,131	$ 486,986	$467,904	$6,405,021	$5,830,236
Revenues (less than) expenditures	$ (513,296)	$(404,315)	$ (50,838)	$ (968,449)	$ (441,759)
Other financing sources (uses):					
Gross amounts from debt issuances	$ —	$ 131,305	$ 295	$ 131,600	$ 982,720
Premiums	—	—	—	—	47,271
Sales of general capital assets	—	7,301	—	7,301	723
Payment to refunded bond escrow agent	—	—	—	—	(480,597)
Transfers in / (out)	161	—	(161)	—	—
Total other financing sources (uses)	$ 161	$ 138,606	$ 134	$ 138,901	$ 550,117
Net change in fund balances	$ (513,135)	$(265,709)	$ (50,704)	$ (829,548)	$ 108,358
Fund balances, beginning of period	949,143	173,756	736,133	1,859,032	1,750,674
Fund balances, end of period	$ 436,008	$ (91,953)	$685,429	$1,029,484	$1,859,032

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, 2014

(Thousands of Dollars)

Total net change in fund balances — governmental funds		$(829,548)
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	$ 325,443	
Depreciation expense	(297,819)	
		27,624
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		(22,877)
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		(131,600)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		148,447
Changes in fair value of investment derivatives is reported as investment earnings on the Statement of Activities, but is not reported in the fund financial statements		(34)
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		(15,240)
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		(265)
Since some property taxes and grants will not be collected for several months after CPS' fiscal year ends, 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		4,728
Grants		(20,087)
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 obligation, and other post-employment benefits are reported when a liability is incurred. In the governmental funds, expenditures for these items are reported only when amounts are paid (become due). The following represents the change during the year for these obligations.		
Pollution remediation obligation		3,953
Legal settlements		(7,500)
Sick pay		7,978
Vacation pay		8,861
Workers' compensation and unemployment insurance		(15,011)
General and automobile liability		(410)
Net pension obligation		(170,332)
Other post-employment benefits — teacher		(143,654)
Change in net position		$(1,154,967)

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, 2014
(Thousands of Dollars)

	Original Budget	Supplemental Appropriations & Transfers In/ (Out)	Final Budget	Fiscal Year Actual	Over (Under) Budget
Revenues:					
Property taxes	$2,141,418	$ —	$2,141,418	$2,161,204	$ 19,786
Replacement taxes	105,520	—	105,520	131,075	25,555
State aid	1,621,466	—	1,621,466	1,631,782	10,316
Federal aid	908,352	—	908,352	864,457	(43,895)
Interest and investment earnings	3,050	—	3,050	4,458	1,408
Other	169,659	—	169,659	143,859	(25,800)
Total revenues	$4,949,465	$ —	$4,949,465	$4,936,835	$ (12,630)
Expenditures:					
Salaries —					
Teachers' salaries	$1,940,215	$ (9,374)	$1,930,841	$1,921,969	$ (8,872)
Career service salaries	621,111	9,209	630,320	619,462	(10,858)
Commodities —					
Energy	74,360	6,777	81,137	87,547	6,410
Food	100,073	2,653	102,726	96,816	(5,910)
Textbooks	31,304	33,246	64,550	52,871	(11,679)
Supplies	50,678	20,373	71,051	55,223	(15,828)
Other	620	202	822	648	(174)
Services —					
Professional and special services	391,381	92,423	483,804	441,667	(42,137)
Charter schools	568,243	27,825	596,068	580,652	(15,416)
Transportation	111,776	(849)	110,927	104,430	(6,497)
Tuition	68,444	3,814	72,258	66,396	(5,862)
Telephone and telecommunications	19,959	(7,492)	12,467	30,297	17,830
Other	11,533	6,578	18,111	14,126	(3,985)
Equipment — educational	37,565	46,441	84,006	62,757	(21,249)
Building and sites —					
Repairs and replacements	20,116	10,633	30,749	31,679	930
Fixed charges —					
Teachers' pension	746,077	(20,868)	725,209	740,419	15,210
Career service pension	100,407	3,281	103,688	101,885	(1,803)
Hospitalization and dental insurance	330,346	16,216	346,562	343,308	(3,254)
Medicare	37,862	(1,036)	36,826	35,951	(875)
Unemployment compensation	12,424	4,098	16,522	16,426	(96)
Workers' compensation	23,893	2,190	26,083	25,646	(437)
Rent	12,697	(336)	12,361	12,164	(197)
Other	281,189	(246,004)	35,185	7,792	(27,393)
Total expenditures	$5,592,273	$ —	$5,592,273	$5,450,131	$(142,142)
Revenues in excess of (less than) expenditures	$ (642,808)	$ —	$ (642,808)	$ (513,296)	$ 129,512
Other financing sources:					
Transfers in	$ —	$ —	$ —	$ 161	$ 161
Total other financing sources	$ —	$ —	$ —	$ 161	$ 161
Net change in fund balances	$ (642,808)	$ —	$ (642,808)	$ (513,135)	$ 129,673
Fund balances, beginning of period	949,143	—	949,143	949,143	—
Fund balances, end of period	$ 306,335	$ —	$ 306,335	$ 436,008	$ 129,673

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, 2014

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 2014, CPS adopted the following GASB Statements:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62,* which had no impact on current year financial statements. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. See Note 14 for additional information on financial guarantees.

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

- GASB 68, *Accounting and Financial Reporting for Pensions,* will be 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 69, *Government Combinations and Disposals of Government Operations*, will be effective for CPS beginning with its year ending June 30, 2015. 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*, will be effective for CPS beginning with its year ending June 30, 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.

Description of Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the GASB requirements of accounting and financial reporting for non-exchange transactions. Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods and 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 are considered to be available if collected within 30 days of fiscal year end. For this purpose, CPS also considers State aid, Federal aid, replacement taxes, IGA, and other revenue that are susceptible to accrual to be available if they are collected within 30 days of fiscal year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to derivatives, compensated absences, claims and judgments, other postemployment benefits, net pension obligations and pollution remediation obligations, are recorded only when payment is due.

Funds

CPS reports its financial activities through the use of “fund accounting”. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

a. General Operating Fund

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

Educational Program
Supplementary General State Aid Program
School Food Service Program
Elementary and Secondary Education Act (ESEA) Program
Individuals with Disabilities Education Act (IDEA) Program
Workers' and Unemployment Compensation/Tort Immunity Program
Public Building Commission Operations and Maintenance Program
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 from Replacement Tax revenue, from an Intergovernmental Agreement with the City of Chicago, State of Illinois Construction Grants, General State Aid, other revenues as designated by the Board and from a separate tax levy associated with the bonds, if necessary.

c. Debt Service Fund

The Debt Service Fund includes the following programs:

Bond Redemption and Interest Program — This program is for the receipt and expenditure of Replacement Taxes, City of Chicago Intergovernmental Agreement revenue, State of Illinois Construction Grants, General State Aid and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the Public Building Commission of school buildings are recorded in this program. The title to these properties passes to the City of Chicago, in trust for the use of CPS, at the end of the lease terms.

Assets, Deferred Inflows of Resources, Liabilities, Deferred Outflows 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Certain proceeds of CPS' bond issuances, as well as certain assets set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. These amounts are consequently held in escrow.

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 2013 property taxes were levied for fiscal year 2014 in December 2013 and were billed in fiscal year 2014. In 2014, the installment due dates were March 4 and August 1. Property taxes unpaid after these dates accrue interest at the rate of 1.5% per month. The treasurers of Cook and DuPage counties, who distribute such receipts to CPS, receive collections of property tax installments. CPS' property tax becomes a lien on real property on January 1 of the year for which it is levied. CPS does not record a receivable nor related deferred revenue 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014.

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 FY2014, 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.

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' comp/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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013, 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 of America for the General Operating, Capital Projects and Debt Service funds. All annual unencumbered appropriations lapse at fiscal year-end.

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

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 2014. 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

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

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.

At the fund financial statement level, amounts collected in excess of the estimated net receivable for each levy year are reported as revenue in the fiscal year that the tax collections are distributed to CPS. Tax amounts collected in excess of the specified prior years' levies are recorded in the year of receipt without impacting receivable and unavailable revenue balances. CPS maintains the accounts receivable, allowance for uncollectible and unavailable revenue balance on the general ledger for three tax levy years. All refunds, regardless of the applicable tax year, are recorded against the property tax revenue and cash accounts in the period of occurrence or notification from the respective county treasurer.

The most recent levy, calendar year 2013, was intended to finance the fiscal year ended June 30, 2014.

Legal limitations on tax rates and the rates extended in calendar years 2014 and 2013 are shown below.

	Maximum 2014 Legal Limit	Tax Rates Extended Per $100 of EAV 2014	Tax Rates Extended Per $100 of EAV 2013
General Operating Fund:			
Educational	(A)	$3.519	$3.309
Workers' and Unemployment Compensation/Tort Immunity	(B)	0.067	0.031
Debt Service Fund:			
Public Building Commission Leases Program	(C)	0.085	0.082
		$3.671	$3.422

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.

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

C. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS to make its lease payments.

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	$ 830,564	$ 830,564
Supplementary general state aid	261,000	261,000
General education block grant	156,055	—
Educational services block grant	472,478	481,000
Other restricted state revenue	122,599	265,281
Total state aid	$1,842,696	$1,837,845
Program Revenues:		
Operating grants and contributions		(265,281)
Non-program general state aid		$1,572,564

NOTE 4. CASH DEPOSITS AND INVESTMENTS

Cash and investments held in the name of the CPS are controlled and managed by the 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.

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 size unless either: 1) the bank has assets exceeding $500,000,000; 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 the 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.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2014, the book amount of the CPS' deposit accounts was $100.4 million. The bank balances totaled $138.1 million as of June 30, 2014. The difference between the book and bank balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2014. 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

The CPS' investments are authorized under the Illinois Compiled Statutes Finance Investment Act. The CPS' Investment Policy is derived from this Act. The CPS Investment Policy authorizes the CPS to invest in obligations guaranteed by the full faith and credit of the U.S. Government, certificates of deposit constituting direct obligations of banks, commercial paper, money market mutual funds, repurchase agreements that mature within 330 days, certain U.S. Government agency securities, and certain State and municipal securities that are rated at the time of purchase at A1/A+ or better by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision. All mutual funds purchased invest in eligible securities outlined in the parameters of the CPS Investment Policy and meet certain other regulatory requirements.

The CPS' Investment Policy contains the following stated objectives:

- Safety of Principal. Investments shall be undertaken in a manner that provides for the preservation of principal in the overall portfolio.
- Liquidity. The investment portfolio shall be sufficiently liquid to meet all reasonably anticipated operating and cash flow requirements.
- Rate of Return. The investment portfolio shall be constructed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.
- Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

At June 30, 2014, the 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	$ 89,453	$ 89,453	$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	345,260	74,292	270,968
U.S. Treasury Notes	Aaa/AA+/AAA	58,065	9,317	48,748
Commercial Paper	A1/A1+/P1	158,778	158,778	—
Money Market Mutual Funds	AAA	121,431	121,431	—
Total Investments		$772,987	$453,271	$319,716
Cash and CDs		100,434		
Total Cash and Investments		$873,421		

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the CPS' Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services. As of June 30, 2014, Moody's

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

Investment Service rated the CPS' investments in banker's acceptances and commercial paper A1+ or A1 by Standard and Poor's, and P-1 by Moody's. As of June 30, 2014, Standard and Poor's rated the CPS' investments in money market mutual funds AAA and municipal securities as Aa3/AA- or better as required by the CPS' Investment Policy.

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, 2014, there were two issuers that each represented more than 5% of the total investments. Investments in Societe Generale North America commercial paper totaled $84.6 million and represented 11% of the total portfolio. Investments in JP Morgan collateralized commercial paper totaled $50.1 million and represented 6% of the total portfolio. These were extremely short dated securities in the debt service funds and were invested in accordance with the Investment Policy as well as the allowable investments in the bond documents. Investments issued by the U.S. government 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. During the fiscal year ended June 30, 2014; of the CPS' Investments required to be supported by collateral, the aggregate market value was equal to at least 102% of amounts invested. The collateral consisted of securities that were permissible under the CPS Investment Policy. Third-party custodians held all collateral in the City of Chicago's name on behalf of CPS.

Interest Rate Risk — Interest rate risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The CPS Investment Policy requires maintenance of a two-tiered portfolio which limits the average maturity of the Liquidity Cash Management tier of the portfolio to six months, limits the average maturity of the Enhanced Cash Management tier of the portfolio to five years and limits the maturity of any single issue in the Enhanced Cash Management tier of the portfolio to 10 years.

The following table provides a summary of CPS' total cash and investments as of June 30, 2014 ($000's):

Fund Financial Statements:	**Amount**
General Operating Fund	$114,126
Capital Projects Fund	86,355
Debt Service Fund	672,940
Total Cash and Investments	$873,421

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2014 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	$1,118,226	$ —	$26,607	$1,144,833	$1,144,833
Replacement taxes	31,920	—	—	31,920	31,920
State aid	516,237	3,752	—	519,989	519,989
Federal aid	207,974	30	3,086	211,090	211,090
Other	6,249	89,135	14,761	110,145	110,145
Total receivables	$1,880,606	$92,917	$44,454	$2,017,977	$2,017,977
Less: Allowance for uncollectibles — property tax	(78,261)	—	(1,862)	(80,123)	(80,123)
Less: Allowance for uncollectibles — state aid	(3,842)	—	—	(3,842)	(3,842)
Less: Allowance for uncollectibles — other	(3,354)	—	—	(3,354)	(3,354)
Total receivables, net	$1,795,149	$92,917	$42,592	$1,930,658	$1,930,658

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, 2014, the components of unavailable revenue reported in the fund financial statements are as follows ($000's):

Unavailable property tax revenue	$ 702,198
Other unavailable revenue	598,347
Total deferred inflows of resources	$1,300,545

FINANCIAL SECTION

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 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	$ 314,617	$ 276	$ (371)	$ 314,522
Construction in progress	536,280	265,009	(399,295)	401,994
Total capital assets not being depreciated	$ 850,897	$ 265,285	$(399,666)	$ 716,516
Capital assets being depreciated:				
Buildings and improvements	$ 8,281,129	$ 442,744	$ (70,629)	$ 8,653,244
Equipment and administrative software	190,251	15,853	(321)	205,783
Internally developed software	6,878	822	—	7,700
Total capital assets being depreciated	$ 8,478,258	$ 459,419	$ (70,950)	$ 8,866,727
Total capital assets	$ 9,329,155	$ 724,704	$(470,616)	$ 9,583,243
Less accumulated depreciation for:				
Buildings and improvements	$(3,087,307)	$(283,782)	$ 48,157	$(3,322,932)
Equipment and administrative software	(66,622)	(12,879)	321	(79,180)
Internally developed software	(4,792)	(1,158)	—	(5,950)
Total accumulated depreciation	$(3,158,721)	$(297,819)	$ 48,478	$(3,408,062)
Capital assets, net of depreciation	$ 6,170,434	$ 426,885	$(422,138)	$ 6,175,181

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

Governmental activities:	
Instruction	$195,409
Pupil support services	28,620
Administrative support services	14,213
Facilities support services	25,058
Instructional support services	22,417
Food services	12,102
Total depreciation expense	$297,819

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.

Construction Commitments

CPS had active construction projects as of June 30, 2014. These projects include new construction and renovations of schools. At year-end, CPS had approximately $90.8 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. All other interfund transfers are reported as transfers in/out.

General Operating Fund:	
Due from Capital Improvement Program	$ 188,989
Due to Capital Asset Program	(3,309)
Due from Bond Redemption and Interest Program	759
Total — Due from other funds	$ 186,439
Capital Projects Fund:	
Capital Assets Program — Due from General Operating Fund	$ 3,309
Capital Improvement Program — Due to General Operating Fund	(188,989)
Total — Due from other funds	$(185,680)
Debt Service Fund:	
Bond Redemption and Interest Program — Due to General Operating Fund	$ (759)

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 resolved through a future bond issue.

Transfers

In fiscal year 2014, CPS transferred to the General Operating Fund $0.2 million of interest earnings and unused cost of issuance funds from the Debt Service Fund.

NOTE 8. LONG-TERM DEBT

General Obligation Bonds

CPS issued the following bonds in fiscal year 2014:

Unlimited Tax General Obligation Line of Credit Bonds (Series 2013BC)

In December 2013, the Board issued $150.0 million (Series 2013B), and $150.0 million (Series 2013C) in Unlimited Tax General Obligation Bonds as variable rate lines of credit in direct placements with BMO and PNC, respectively. The lines are structured as revolving floating rate notes that can be drawn and repaid until fiscal year 2017. 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. Once the lines are fully drawn, CPS will issue long term debt to pay them down, and then repeat the process. As of June 30, 2014, $65.8 million had been drawn on each line for a total of $131.6 million. In neither series may the total interest rate exceed the maximum rate allowed under Illinois law or 15%. The total amount drawn on both series through June 30, 2014 is reported as a separate line item on the statement of net position and therefore, neither series is included in the following table summarizing the changes in long term debt.

FINANCIAL SECTION

NOTE 8. LONG-TERM DEBT (continued)

The following is a summary of the changes in Long-term Debt outstanding ($000's):

Series	Original Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding June 30, 2013	Accreted Interest
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	122,605	—
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	95,000	—
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—
2011C-1	57,000	Refunding	Variable	3/1/2032	51,000	—
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	72,915	—
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	205,175	—
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	5,275	—
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	52,595	—
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	193,585	—
2004G	56,000	Capital Improvement	4.00% to 6.00%	12/1/2022	11,970	—
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	202,420	—
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	37,820	—
2001B	9,440	Capital Improvement	0.00%	10/23/2015	9,440	—
2000E	13,390	Capital Improvement	0.00%	12/18/2013	13,390	—
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	454,417	241,397
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	276,012	309,081
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	23,746	31,309
Total Bonds					$6,058,398	$581,787
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, 2013	Issuances	Retirements	Principal Outstanding June 30, 2014	Accreted Interest	Principal and Accreted Interest June 30, 2014
$ 157,055	$ —	$ —	$ 157,055	$ —	$ 157,055
124,320	—	—	124,320	—	124,320
122,605	—	(7,685)	114,920	—	114,920
109,825	—	—	109,825	—	109,825
468,915	—	—	468,915	—	468,915
95,000	—	(3,800)	91,200	—	91,200
44,100	—	—	44,100	—	44,100
51,000	—	(1,800)	49,200	—	49,200
402,410	—	—	402,410	—	402,410
72,915	—	(8,340)	64,575	—	64,575
183,750	—	—	183,750	—	183,750
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
205,175	—	(4,400)	200,775	—	200,775
262,785	—	—	262,785	—	262,785
187,375	—	—	187,375	—	187,375
5,275	—	(360)	4,915	—	4,915
197,765	—	—	197,765	—	197,765
305,875	—	—	305,875	—	305,875
6,853	—	—	6,853	—	6,853
52,595	—	(14,565)	38,030	—	38,030
193,585	—	(6,095)	187,490	—	187,490
11,970	—	(775)	11,195	—	11,195
202,420	—	(15,840)	186,580	—	186,580
4,585	—	—	4,585	—	4,585
37,820	—	(3,000)	34,820	—	34,820
9,440	—	—	9,440	—	9,440
13,390	—	(13,390)	—	—	—
91,400	—	—	91,400	—	91,400
695,814	—	(17,578)	436,839	247,987	684,826
585,093	—	(9,753)	266,259	328,579	594,838
55,055	—	(6,501)	17,245	25,136	42,381
$6,640,185	$ —	$(113,882)	$5,944,516	$601,702	$6,546,218
(150,140)					(161,955)
125,768					115,684
$6,615,813					$6,499,947

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	$(123,772)
Accreted Interest	(38,183)
Subtotal	$(161,955)
Lease Obligations	(36,645)
Total Current Portion	$(198,600)

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, 2014 are as follows ($000's):

Description	Amount Defeased	Amount Outstanding
Unlimited Tax General Obligation Bonds Series 2004F	$ 25,000	$ 22,030
Unlimited Tax General Obligation Bonds Series 2004H	18,500	16,215
Unlimited Tax General Obligation Bonds Series 2005C	53,750	36,550
Unlimited Tax General Obligation Refunding Bonds Series 2006B	28,670	7,595
Unlimited Tax General Obligation Bonds Series 2007D	31,665	8,445
Unlimited Tax General Obligation Refunding Bonds Series 2009D	18,915	5,465
Unlimited Tax General Obligation Refunding Bonds Series 2009F	16,800	5,785
	$193,300	$102,085

NOTE 8. LONG-TERM DEBT (continued)

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 30, 2014, and remain the same for the life of the bonds. 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***
2015	$ 109,282	$ 254,595	$ 14,490	$ 11,039	$ 34,459	$ 423,865
2016	137,551	252,415	18,105	10,658	34,459	453,188
2017	133,258	249,276	24,260	10,204	34,458	451,456
2018	147,792	235,026	24,975	9,709	34,461	451,963
2019	150,320	229,813	28,555	9,191	34,174	452,053
2020	160,751	238,370	30,870	8,636	33,877	472,504
2021	184,445	247,693	32,505	8,052	33,566	506,261
2022	169,293	242,073	34,105	7,442	33,243	486,156
2023	176,508	236,269	35,590	6,806	32,904	488,077
2024	171,687	226,421	45,310	6,145	32,547	482,110
2025	177,918	219,923	47,565	5,454	31,625	482,485
2026	414,523	211,256	88,250	4,568	29,715	748,312
2027	166,215	202,539	92,700	3,676	26,561	491,691
2028	170,865	195,780	97,380	3,058	22,916	489,999
2029	125,397	242,952	102,270	2,408	19,093	492,120
2030	383,822	231,553	107,410	1,722	15,083	739,590
2031	157,304	219,161	112,820	1,002	10,877	501,164
2032	171,850	256,601	64,065	483	7,737	500,736
2033	64,020	78,636	42,185	229	5,737	190,807
2034	83,650	74,595	43,955	100	3,960	206,260
2035	88,300	70,005	30,375	—	2,105	190,785
2036	108,055	64,963	18,015	—	766	191,799
2037	124,600	58,913	—	—	—	183,513
2038	149,460	51,368	—	—	—	200,828
2039	157,890	42,697	—	—	—	200,587
2040	166,800	33,606	—	—	—	200,406
2041	176,070	24,076	—	—	—	200,146
2042	185,860	14,473	—	—	—	200,333
2043	195,275	4,882	—	—	—	200,157
2044	—	—	—	—	—	—
Total	$4,808,761	$4,709,930	$1,135,755	$110,582	$514,323	$11,279,351

NOTE 8. LONG-TERM DEBT (continued)

* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2014, calculated at:

Series 2000B — 0.06000% x outstanding principal
Series 2008A — 0.90100% x outstanding principal
Series 2008B — 0.90100% x outstanding principal
Series 2011C-1 — 1.01000% x outstanding principal
Series 2011C-2 — 1.16000% x outstanding principal
Series 2011D — 1.05570% x outstanding principal
Series 2013A-1 — 0.68570% x outstanding principal
Series 2013A-2 — 0.81000% x outstanding principal
Series 2013A-3 — 0.89000% x outstanding principal

** Swap interest assumes current LIBOR and SIFMA rates remain the same as of June 30, 2014, calculated at:

Series 2008A — (5.250%-0.38614%) x first swap principal + (5.250%-0.38651%) x second swap principal
Series 2008B — (3.771%-0.10570%) x swap principal
Series 2011D — (3.823%-0.10614%) x swap principal
Series 2013A-1 — (3.6617%-0.10614%) x swap principal
Series 2013A-2 — (3.825%-0.10614%) x swap principal
Series 2013A-3 — (3.6617%-0.10614%) x swap principal

*** Does not include debt backed by leases with the Public Building Commission, discussed in Note 9.

Liquidity Facility

Variable rate demand obligations are bonds that allow bondholders to demand repayment on a daily or weekly basis. The $95.1 million Series 2000B bonds are supported by a Letter of Credit Agreement with Wells Fargo Bank, NA which expires on December 29, 2014 (see Note 15 for further information). Under the Letter of Credit Agreement, any liquidity advance would incur an interest rate equal to the greatest of the Prime Rate plus 1%, the Federal Funds Rate plus 2%, and 7% per annum for the first 180 days. Thereafter the advance would incur interest rate equal to the greater of 9% per annum or 125% of the rate for the most recent date shown in the 20 G.O. Bond Index as published in the most recent edition of the Bond Buyer. The commitment fee is 1.00% per annum for the Series 2000B bonds and at June 30, 2014 there were no bonds drawn under the Letter of Credit Agreement. Even if the letter of credit is drawn upon, the scheduled maturity of the bonds will not change in any event.

Floating Rate Note Securities

In December, 2011 the Board issued $51.0 million (Series 2011C-1) and $44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D. The interest rate for each series is reset monthly. For Series 2011C-1, the rate is equal to the SIFMA Index plus 95 basis points. For Series 2011C-2, the rate is equal to the SIFMA Index plus 110 basis points.

In May, 2013, the Board issued $122.6 million (Series 2013A-1), $124.3 million (Series 2013A-2), and $157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B. For Series 2013A-1, the rate is reset monthly and equal to 70% of One

NOTE 8. LONG-TERM DEBT (continued)

Month Libor plus 58 basis points. For Series 2013A-2, the rate is reset weekly and equal to the SIFMA Index plus 75 basis points. For Series 2013A-3, the rate is reset weekly and equal to the SIFMA Index plus 83 basis points.

Direct Placements

In May, 2008 the Board issued $262.8 million (Series 2008A) and $241.0 million (Series 2008B) variable rate bonds in direct placements with Dexia Credit Local. The interest rate for each series is reset monthly, and is equal to the one month LIBOR rate plus 75 basis points. The bonds are subject to optional redemption prior to their Maturity Date at the option of the Board, in whole or in part (and, if in part, in an Authorized Denomination ($100,000 and any integral multiple thereof of $5,000 in excess thereof)) on any LIBOR Interest Payment Date (monthly), at a redemption price equal to 100% of the principal amount thereof and accrued interest, if any, to the redemption date.

In December, 2011, the Board issued $95.0 million variable rate bonds (Series 2011D) in a direct placement with PNC Bank. The bonds refunded the former Series 2000C. The interest rate for each series is reset monthly, and is equal to 70% of the one month LIBOR rate plus 75 basis points for the first Index Rate Period, which terminates on December 1, 2014 (see Note 15 for further information). Each Bond is subject to mandatory purchase on the Index Rate Purchase Date for the current Index Rate Period at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon to the Purchase Date. Unremarketed Bonds shall bear interest at the Base Rate equal to the greater of the Prime Rate plus 1.5%, the Federal Funds rate plus 2%, the daily LIBOR rate plus 1%, and 7.5% for the first 30 days. For the 31st through 180th days, the interest rate is equal to the Base Rate plus 2%, thereafter at the maximum rate allowed under Illinois law not to exceed 15% per annum. The scheduled maturity of the bonds has been set by the private placement agreement and the maturity schedule will not change regardless of the renewal or replacement.

Accreted Interest

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows ($000's):

Series	Accreted Interest June 30, 2013	Increase	Payment	Accreted Interest June 30, 2014
1997A	$ 31,309	$ 2,571	$ (8,744)	$ 25,136
1998B-1	309,081	30,145	(10,647)	328,579
1999A	241,397	23,457	(16,867)	247,987
	$581,787	$56,173	$(36,258)	$601,702

NOTE 9. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the Public Building Commission (the "PBC"). The PBC constructs, rehabilitates and equips school buildings and facilities for use by the CPS. The annual lease rentals are funded by a tax levy established when the CPS approved such construction.

NOTE 9. LEASE OBLIGATIONS (continued)

The leases are structured so that annual rentals will exceed the PBC's requirements for debt service and other estimated expenses. This ensures that the PBC will receive adequate revenue to cover these obligations. The PBC can authorize rent surpluses to be used either to reduce future rental payments or to finance construction of other CPS projects.

In 2006, CPS entered into a $3.7 million lease with an option to purchase with the Teachers Academy of Math and Science. The assets acquired under this lease are land and building at a cost of $0.7 million and $3.0 million, respectively. The accumulated amortization as of June 30, 2014 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 Finance Authority Bonds. Debt service includes principal and interest and all other costs associated with these bonds. Additionally, CPS will assume all operating costs and personnel costs of the premises.

The future PBC lease rentals and other capitalized leases due at June 30, 2014, are as follows ($000's):

Fiscal Year(s)	PBC Lease Rentals	Teachers Academy	Total
2015	$ 52,029	$ 424	$ 52,453
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	—	646	646
Total rentals	$290,849	$ 3,190	$294,039
Less — interest and other costs	(57,909)	(1,615)	(59,524)
Principal amount of rental due	$232,940	$ 1,575	$234,515

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
PBC leases	$267,330	$—	$(34,390)	$232,940
Other capitalized leases	1,750	—	(175)	1,575
Total lease obligations	$269,080	$—	$(34,565)	$234,515
Less: Current portion PBC leases				(36,470)
Current portion other capitalized leases				(175)
Total long term leases outstanding				$197,870

Operating Leases

CPS is a lessee in numerous operating leases associated with the rental of trucks, automobiles, office equipment and real property. The lease arrangements are both cancelable and non-cancelable with some having structured rent increases. None of the operating leases are considered to be contingent leases.

NOTE 9. LEASE OBLIGATIONS (continued)

Total expenditures for operating leases for the fiscal year ending June 30, 2014 were $15.4 million. The following is a summary of operating lease commitments as of June 30, 2014 ($000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2015	$ 4,102	$ 13,890	$ 17,992
2016	2,734	10,507	13,241
2017	1,372	9,408	10,780
2018	416	9,068	9,484
2019	20	9,221	9,241
2020-2024	1	40,088	40,089
2025-2029	—	32,180	32,180
2030	—	2,733	2,733
Total operating lease commitments	$ 8,645	$127,095	$135,740

NOTE 10. DERIVATIVE INSTRUMENTS

Interest Rate Derivatives

Interest rate derivatives are financing structures which exchange (or "swap") interest payments and are used as risk management or investment tools. Derivative instruments can expose governments to risks and liabilities, one of which is changes in fair market value of the derivative instruments. 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 also requires governments to measure derivative instruments at fair market value in their financial statements.

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

Breakdown of Outstanding Derivatives

CPS has ten interest rate swaps as of June 30, 2014. In order to protect against the potential of rising interest rates and/or changes in cash flows, the Board has entered into various pay-fixed, receive-variable interest rate swaps, known as "synthetic fixed". Furthermore, the Board has entered into swaps that exchange two variable interest rate indices, known as "basis swaps". The following table summarizes the interest rate swaps outstanding as of the end of the period:

Type	Current Notional Amount ($000's)	Bond Series	Trade Date	Effective Date	End Date	Terms	Fair Values ($000's)	Counterparty (Rating M/SP/F)
Effective Hedges:								
Synthetic Fixed	$100,000	2008A	08/18/05	12/01/07	12/01/30	Pay 5.25% Receive 70% of 1ML* + 0.28%	$(37,513)	Bank of America, N.A. (A2/A/A)
Synthetic Fixed	162,785	2008A	11/16/06	12/01/07	12/01/28	Pay 5.25% Receive 70% of 1ML* + 0.28%	(54,443)	Royal Bank of Canada (Aa3/AA-/AA)
Synthetic Fixed	90,000	2008B	12/08/03	12/12/03	03/01/34	Pay 3.771% Receive 70% of 1ML*	(17,181)	Goldman Sachs Capital Markets, L.P. (A2/A/A)
Synthetic Fixed	95,350	2008B	12/08/03	12/12/03	03/01/34	Pay 3.771% Receive 70% of 1ML*	(18,202)	Goldman Sachs Bank USA (A2/A/A)
Synthetic Fixed	61,100	2011D	02/13/07	03/01/07	03/01/32	Pay 3.823% Receive 70% of 1ML*	(12,859)	Royal Bank of Canada (Aa3/AA-/AA)
Synthetic Fixed	114,920	2013A-1	11/30/05	12/08/05	03/01/26	Pay 3.6617% Receive 70% of 1ML*	(14,640)	Loop Financial Products I LLC, Backed by Deutsche Bank AG (A2/A/A+)
Synthetic Fixed	124,320	2013A-2	02/13/07	03/01/07	03/01/35	Pay 3.825% Receive 70% of 1ML*	(27,477)	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*	(32,811)	Loop Financial Products I LLC, Backed by Deutsche Bank AG (A2/A/A+)

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

Type	Current Notional Amount ($000's)	Bond Series	Trade Date	Effective Date	End Date	Terms	Fair Value ($000's)	Counterparty (Rating M/SP/F)
Investment Derivatives:								
Basis Swap . . .	74,996	2005A	10/05/05	11/01/05	12/01/31	Pay SIFMA Receive 80.76% of 1ML*	(938)	Merrill Lynch Capital Services, Inc. (Baa2/A-/A)
Basis Swap . . .	112,494	2005A	10/05/05	11/01/05	12/01/31	Pay SIFMA Receive 70% of 1ML* +0.524%	1,025	Loop Financial Products I LLC, Backed by Deutsche Bank AG (A2/A/A+)
TOTAL							**$(215,039)**	

* 1ML — One month London Interbank Offered Rate (LIBOR)

Fair Value

The following table summarizes changes in fair value for Fiscal Year 2014 ($000's):

Type	Current Notional Amount	Fair Value at June 30, 2013	Changes in Fair Values	Fair Value at June 30, 2014
Effective Hedges:				
Synthetic Fixed Swaps	$ 905,530	$(212,388)	$(2,738)	$(215,126)
Investment Derivatives:				
Basis Swaps	187,490	121	(34)	87
TOTAL	**$1,093,020**	**$(212,267)**	**$(2,772)**	**$(215,039)**

Credit Risk

As of June 30, 2014, CPS' hedging derivatives are all net liabilities. 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, A- or higher by S&P, and Baa2 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 not required to post collateral. CPS enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, CPS has interest rate swaps with five different counterparties and no counterparty accounts for more than 36% of outstanding notional. CPS monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk

All hedging derivatives are pay-fixed, receive-variable, cash flow hedges hedging a portion of CPS' variable rate debt. CPS believes it has significantly reduced interest rate risk attributable to the principal amount being hedged by entering into interest rate swaps.

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. Of CPS' variable rate bonds, the Series 2008A, 2008B, 2011D and 2013A-1, A-2 and A-3 are index variable rate bonds. The Series 2000B is a

NOTE 10. DERIVATIVE INSTRUMENTS (continued)

variable rate demand obligation (VRDO) bond series that is remarketed daily or weekly. In this series, 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 VRDO bonds. There is little basis risk on the hedged portion of the 2008AB, 2011D 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.

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 by any two of Fitch, Moody's, and S&P below BBB in the case of Fitch or S&P, or Baa2 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 the date of this report, CPS' unenhanced, unlimited tax general obligation bonds are rated A- by Fitch, A+ by S&P, and Baa1 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, 2014, 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 40 days for those employees with up to 10 years of service; 53 days for those with 11 to 20 years of service; and 66 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 million and Boiler and Machinery Insurance with limits of $100 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 million in excess of a $5 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 2014, 2013, and 2012 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 reserves established by the respective claim administrators. Tort liabilities are based on reserves 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 where 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 $33.4 million.

The following is a summary of changes to other long-term liabilities ($000's)

	Balance June 30, 2013	Increase/ (Decrease)	Payments	Balance June 30, 2014
Accrued sick pay benefits	$365,299	$14,601	$(22,579)	$357,321
Accrued vacation pay benefits	69,853	1,650	(10,511)	60,992
Accrued workers' compensation claims	114,268	39,606	(24,594)	129,280
Accrued general and automobile claims	5,808	1,456	(1,046)	6,218
Tort liabilities and other claims	3,278	7,500	—	10,778
Total	$558,506	$64,813	$(58,730)	$564,589
Less: Current portion of accrued sick pay benefits				(52,457)
Less: Current portion of accrued vacation pay benefits				(12,296)
Less: Current portion of accrued workers' compensation claims				(25,218)
Less: Current portion of accrued general and automobile claims				(2,007)
Total long-term other benefits and claims				$472,611

NOTE 11. OTHER BENEFITS AND CLAIMS (continued)

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

Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
$120,694	$22,657	$(23,275)	$120,076	$41,062	$(25,640)	$135,498

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of $50 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes $30 million for estimated medical claims incurred but not reported as of June 30, 2014. The following is the activity related to medical claims for which CPS is self-insured ($000's):

Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
$55,845	$361,929	$(367,818)	$49,956	$383,721	$(385,516)	$48,161

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

Pension — Certified Teachers and Administrators

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 "Pension Fund") 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.

Article 17 of the Illinois Pension Code governs the retirement, survivor and disability benefits provided by the Pension Fund. Participation in the Pension Fund 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, 2013 Pension Fund Annual report, there were 30,969 active participants in the Pension Fund, substantially all of whom were employees of CPS.

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.

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 $106,800 for 2011 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.

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2014, as in previous fiscal years, CPS paid a portion (7% — $127.4 million) of the required employees' contribution, which has been recorded as an expenditure 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.

State law requires statutorily determined CPS employer contributions. Under the Illinois Pension Code, CPS' 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. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows ($000's):

Retirement benefit contribution:	
A contribution to increase funded ratio to 90%	$581,322
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded programs	19,475
Subtotal	$600,797
A contribution from the State of Illinois	11,903
A 20% deficiency payment	271
Total contributions	$612,971

For the fiscal year ended June 30, 2014, employee contributions are $163.8 million which is 9% of pensionable salary (of which the employer paid 7%—$127.4 million). Employer contributions for the year are $613.0 million which is approximately 27.4% of covered payroll.

CPS recognizes its pension expenditures as the amount accrued during the year that normally would be liquidated with expendable available financial resources (i.e., total CPS contributions).

The governmental fund financial statements reflect expenditures on both a functional and budgetary account basis. Teachers' pension expenditures reflected on the budgetary account basis include both CPS' employer share of pension expenditures of $613.0 million and amounts incurred by CPS for a portion of the required employees' pension contribution of $127.4 million, which total $740.4 million. For functional reporting purposes, all teachers' pension expenditures, except the portion funded by the Federal grants, are reflected in the same functional classifications as the teachers' salaries.

The government-wide financial statements also reflect pension expense as a representation of the change in net pension obligation.

CPS' annual pension costs for fiscal year 2014 is as follows ($000's):

Annual required contribution (ARC)	$ 719,782
Interest on net pension obligation (NPO)	241,604
Adjustment to annual required contribution	(178,083)
Annual pension cost (APC)	$ 783,303
Less: Contributions made	(612,971)
Increase in NPO	$ 170,332
Add NPO, beginning of year	3,020,048
NPO, end of year	$3,190,380

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The three-year trend information for the fund is as follows ($000's):

	2014	2013	2012
Annual pension cost	$ 783,303	$ 646,723	$ 563,030
Percentage of annual pension cost contributed	78.3%	38.0%	36.6%
Net pension obligation	$3,190,380	$3,020,048	$2,618,836

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	4 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	Average of 4.25% per year
Inflation	2.75%

As of the June 30, 2013 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $19.045 billion, and the actuarial value of assets was $9.423 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $9.622 billion, and a funded ratio of 49.4%. The covered payroll (annual payroll of active employees covered by the plan) was $2.239 billion, and the ratio of the UAAL to the covered payroll was 429.7%.

In the opinion of CPS' legal counsel, the unfunded actuarial liability of the Pension Fund is not a liability to be funded by CPS; however, CPS is required to provide funding in addition to amounts provided from Federal and State sources if the funded ratio drops below 90%. In fiscal year 2014, CPS was required to make pension contributions to increase the funded ratio to 90% by FY2059. CPS' required pension contribution for fiscal year 2014 was $600.8 million. During fiscal year 2014, CPS did not offer an early retirement incentive program.

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.

Pension — Other Personnel

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 "Annuity Fund"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan.

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 an annuity. Employees age 60 or more with at least 10 years of service or age 55 with at least 25 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 year of service times the final average salary. If the employee retires prior to age 60, the annuity shall be reduced by 0.25% 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.

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted 0.5% for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement. The highest salary for annuity purposes may not exceed the base of $106,800 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 FY2013 and FY2014 were $109,971 and $110,631, respectively.

Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (8.5%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of $106,800 adjusted by inflation. In fiscal year 2014, as in previous fiscal years, CPS agreed to pay a portion (7% — $38.7 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 $101.9 million, $38.7 million of this amount represents the required employees' contribution paid by CPS on behalf of its employees; $57.7 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $5.5 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.

Career service pension expense in the government-wide financial statements for fiscal year 2014 is $101.9 million. For fiscal years 2013 and 2012, the career service pension expense was $102.3 million and $100.0 million, respectively.

As of December 31, 2013, CPS employed approximately 17,095 of the 30,647 active participants in the Annuity Fund. The annual report can be found at www.meabf.org. CPS, in the opinion of its legal counsel, has no duty to contribute any sum to the Annuity Fund. The Annuity Fund is funded by member and employer contribution rates that are established by state law and may be amended only by the Illinois State legislature. Active members are required to contribute to the Annuity Fund 8.5% of their salary. The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Annuity Fund. It is required to levy a tax at a rate not more than an amount equal to 1.25 times (current multiple) 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.

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 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 (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 60% of the individual member's cost for calendar years 2014, 2013 and 2012. 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, 2013, there were 18,140 retirees and beneficiaries 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 2014 are as follows ($000's):

Annual required contribution	$ 165,115
Interest on net OPEB obligation	69,147
Adjustment to annual required contribution	(90,608)
Annual OPEB cost	$ 143,654
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	$ 143,654
Net OPEB obligation, beginning of year	1,536,593
Net OPEB obligation, end of year	$1,680,247

The three-year trend information for the fund is as follows (amounts are in $000's):

	2014	2013	2012
Annual OPEB cost	$ 143,654	$ 200,665	$ 205,731
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	$1,680,247	$1,536,593	$1,335,928

NOTE 12. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	4.5%
Medical trend rate	8.0%
Inflation	3.5%

As of the June 30, 2013 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $2.386 billion, and the actuarial value of assets was $35.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $2.350 billion, and a funded ratio of 1.5%. The covered payroll (annual payroll of active employees covered by the plan) was $2.239 billion, and the ratio of the UAAL to the covered payroll was 104.96%.

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, 2014.

NOTE 13. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

On the fund financial statements, the Nonspendable Fund Balance consists of donations in which the principal may not be spent in the amount of $429.0 thousand.

At the end of the fiscal year the total encumbrances for the general operating fund amounted to $98.7 million.

b. Statement of Net Position

The Statement of Net Position reports $450.1 million of restricted fund balance, of which $368.8 million is restricted for debt service, $61.5 million is restricted for programs funded by grants and donations, and $19.8 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, 2014, resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements at June 30, 2014.

NOTE 14. LITIGATION AND CONTINGENCIES (continued)

b. Pollution Remediation Obligation

In FY2014, CPS recorded a pollution remediation obligation of $8.2 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 FY2013 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, 2014 none of the closed schools have been demolished and the estimated demolition cost remains at $18.7 million.

d. Financial Guarantees

As of June 30, 2014, 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, 2014 audited financial statements of Perspectives Charter Schools, the most recent financial information available, the outstanding balance of the revenue bonds is $4,500,000. This guarantee is still in place as of June 30, 2014, 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 two lawsuits and three union grievances that represent issues in which the financial loss to CPS has been determined to be a potential liability by CPS' law department. A liability of $7.5 million has been record in FY2014.

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, 2014, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. 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, 2014.

NOTE 15. SUBSEQUENT EVENTS

2013BC Interim Financing for Capital Expenditures

On December 20, 2013, CPS closed on two draw loans with BMO Harris Bank NA and PNC Bank NA, as disclosed in Note 8. As of December 31, 2014, CPS has drawn an additional $83.4 million since June 30, 2014, increasing the total outstanding principal to $215 million. CPS plans to issue a permanent financing to redeem the draws under the interim financing, after which the draw loans will revolve and be available to fund future capital expenditures.

2004G Defeasance

On November 5, 2014, the City of Chicago issued the Series 2014AB bonds, a portion of which defeased $10,380,000 of the CPS Series 2004G bonds. These bonds have been redeemed and are no longer outstanding.

2000B and 2011D Variable Rate Extension

On December 1 and December 2, 2014, CPS extended the Wells Fargo Bank, National Association letter of credit supporting the 2000B bonds, as well as the 2011D private placement with PNC Bank NA. These variable rate bonds were extended to March 27, 2015.

Social Impact Bonds

On December 2, 2014, CPS closed on a $17 million social impact bond financing. This financing provides funding for expanded early childhood educational programming for approximately 2,600 children over 4-years of age. As of January 5, 2015, CPS has received $2.1 million in funding from this financing.

2014BC Working Capital Line of Credit

On December 19, 2014, CPS closed on two working capital lines of credit with PNC Bank NA (Series 2014A) and BMO Harris Bank NA (Series 2014B). The lines of credit provide liquidity support within the fiscal year due to the timing of the payment of property tax revenues. Property tax revenues are generally received twice a year and the lines of credit largely support cash flow expenditures shortly before the receipt of these revenues. The total capacity under the line as of December 19, 2014 is $370 million.

The lines of credit will be repaid from tax year 2014 property tax receipts collectible in calendar year 2015. The lines of credit will be available through the earlier of 60 days after the second installment due date of tax year 2014 property tax revenues or December 18, 2015. As of December 19, 2014, $7.4 million had been drawn on the lines of credit.

Change in Revenue Recognition in fiscal year 2015

Effective for fiscal year 2015, CPS is changing its revenue availability period from 30 days to 60 days. The change in availability period from 30 to 60 days is within the parameters established by generally accepted accounting principles. Management believes this change, which was also incorporated into the fiscal year 2015 CPS Budget Book is preferable as it more closely aligns CPS' governmental fund revenue recognition and the related assets to amounts used by CPS to pay liabilities at fiscal year-end in accordance with the modified accrual basis of accounting.

Future Sustainability

As of June 30, 2014 the General Fund fund balance was $436 million. The fiscal year 2015 budget report was approved by the Board on July 24, 2014 and is available at http://cps.edu/budget. For fiscal

NOTE 15. SUBSEQUENT EVENTS (continued)

year 2015 the unaudited budget report (table 3) estimates General Fund fund balance of $304 million which incorporates the fiscal year 2015 revenue deficit and fund balance adjustment for availability period revenue recognition change. The unaudited budget report Budget Overview (table 4) for fiscal year 2015, 2016 and 2017 generally reflects slight decreases in revenues and slight increases in expenditures. The resulting impact on annual General Fund revenue deficits is approximately $862 million, $1.1 billion and $1.4 billion for fiscal year's 2015, 2016 and 2017, respectively.

As of June 30, 2014 the Net Position of CPS, as reported in the Government-Wide Financial Statements, is a deficit of $3.959 billion. The teacher's pension liability reported under GASB standards in effect at June 30, 2014 is $3.190 billion. As discussed in Note 12 the unfunded actuarial accrued teacher pension liability is $9.622 billion. With the implementation of GASB Statement No. 68, effective July 1, 2014, approximately $6 billion of incremental teacher pension liability will be added to the unfunded pension obligation and to the deficit net position.

Despite significant cuts to expenditures over the last few years and improved efficiencies CPS has grappled with growing annual budget deficits due in large part to escalating pension costs. Future projected deficits represent approximately 15% to 22% of the total annual CPS budget for the General Fund. Management believes, absent State action and with limited ability to affect funding, CPS would be left with limited options to resolve the structural budget deficit.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF FUNDING PROGRESS
Net Pension Obligation — Certified Teachers and Administrators
(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]
6/30/2013	$ 9,422,519	$19,044,533	$9,622,014	49.48%	$2,239,347	429.68%
6/30/2012	9,364,077	17,375,660	8,011,583	53.89%	2,224,903	360.09%
6/30/2011	10,109,314	16,940,626	6,831,312	59.67%	2,090,132	326.84%
6/30/2010	10,917,417	16,319,744	5,402,327	66.90%	2,107,934	256.29%
6/30/2009	11,493,256	15,683,241	4,189,985	73.28%	1,996,194	209.90%

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]
6/30/2013	$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 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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of Dollars)

	Final Budget	Fiscal Year 2014 Actual	Over (Under) Budget	Fiscal Year 2013 Actual	2014 Over (Under) 2013
Revenues:					
Property taxes	$2,141,418	$2,161,204	$ 19,786	$2,157,777	$ 3,427
Replacement taxes	105,520	131,075	25,555	128,212	2,863
State aid	1,621,466	1,631,782	10,316	1,599,424	32,358
Federal aid	908,352	864,457	(43,895)	805,983	58,474
Interest and investment earnings	3,050	4,458	1,408	2,207	2,251
Other	169,659	143,859	(25,800)	132,717	11,142
Total revenues	$4,949,465	$4,936,835	$ (12,630)	$4,826,320	$ 110,515
Expenditures:					
Teachers' salaries	$1,930,841	$1,921,969	$ (8,872)	$1,942,007	$ (20,038)
Career service salaries	630,320	619,462	(10,858)	633,489	(14,027)
Energy	81,137	87,547	6,410	76,559	10,988
Food	102,726	96,816	(5,910)	106,650	(9,834)
Textbooks	64,550	52,871	(11,679)	68,969	(16,098)
Supplies	71,051	55,223	(15,828)	52,925	2,298
Other commodities	822	648	(174)	408	240
Professional fees	483,804	441,667	(42,137)	398,064	43,603
Charter schools	596,068	580,652	(15,416)	498,162	82,490
Transportation	110,927	104,430	(6,497)	106,861	(2,431)
Tuition	72,258	66,396	(5,862)	54,626	11,770
Telephone and telecommunications	12,467	30,297	17,830	23,642	6,655
Other services	18,111	14,126	(3,985)	12,438	1,688
Equipment — educational	84,006	62,757	(21,249)	59,654	3,103
Repair and replacements	30,749	31,679	930	26,449	5,230
Capital outlay	—	—	—	75	(75)
Teachers' pension	725,209	740,419	15,210	374,567	365,852
Career service pension	103,688	101,885	(1,803)	102,342	(457)
Hospitalization and dental insurance	346,562	343,308	(3,254)	319,792	23,516
Medicare	36,826	35,951	(875)	36,404	(453)
Unemployment compensation	16,522	16,426	(96)	9,134	7,292
Workers' compensation	26,083	25,646	(437)	23,967	1,679
Rent	12,361	12,164	(197)	10,547	1,617
Other fixed charges	35,185	7,792	(27,393)	8,639	(847)
Total expenditures	$5,592,273	$5,450,131	$(142,142)	$4,946,370	$ 503,761
Revenues in excess of (less than) expenditures	$ (642,808)	$ (513,296)	$ 129,512	$ (120,050)	$(393,246)
Other financing sources:					
Transfers in	$ —	$ 161	$ 161	$ 439	$ (278)
Total other financing sources	$ —	$ 161	$ 161	$ 439	$ (278)
Net change in fund balances	$ (642,808)	$ (513,135)	$ 129,673	$ (119,611)	$(393,524)
Fund balances, beginning of period	949,143	949,143	—	1,068,754	(119,611)
Fund balances, end of period	$ 306,335	$ 436,008	$ 129,673	$ 949,143	$(513,135)

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, 2014
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
State aid	$ —	$ 37,822	$ 37,822
Federal aid	—	14,920	14,920
Interest and investment earnings	—	820	820
Other	—	29,109	29,109
Total revenues	$ —	$ 82,671	$ 82,671
Expenditures:			
Capital outlay	$ 4,763	$ 482,223	$ 486,986
Total expenditures	$ 4,763	$ 482,223	$ 486,986
Revenues (less than) expenditures	$(4,763)	$(399,552)	$(404,315)
Other financing sources:			
Gross amounts from debt issuances	$ —	$ 131,305	$ 131,305
Sales of general capital assets	7,301	—	7,301
Total other financing sources	$ 7,301	$ 131,305	$ 138,606
Net change in fund balances	$ 2,538	$(268,247)	$(265,709)
Fund balances, beginning of period	1,370	172,386	173,756
Fund balances, end of period	$ 3,908	$ (95,861)	$ (91,953)

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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2014	Variance	Fiscal Year 2013	2014 Over (Under) 2013
Revenues:					
Other	$ —	$ —	$ —	$ 51	$ (51)
Total revenues	$ —	$ —	$ —	$ 51	$ (51)
Expenditures:					
Capital outlay	$ —	$ 4,763	$ 4,763	$ 26	$ 4,737
Total expenditures	$ —	$ 4,763	$ 4,763	$ 26	$ 4,737
Revenues in excess of (less than) expenditures	$ —	$(4,763)	$(4,763)	$ 25	$(4,788)
Other financing sources:					
Sales of general capital assets	$ —	$ 7,301	$ 7,301	$ 723	$ 6,578
Total other financing sources	$ —	$ 7,301	$ 7,301	$ 723	$ 6,578
Net change in fund balance	$ —	$ 2,538	$ 2,538	$ 748	$ 1,790
Fund balance, beginning of period	1,370	1,370	—	622	748
Fund balance, end of period	$1,370	$ 3,908	$ 2,538	$1,370	$ 2,538

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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2014	Variance	Fiscal Year 2013	2014 Over (Under) 2013
Revenues:					
State aid	$ 25,864	$ 37,822	$ 11,958	$ 6,901	$ 30,921
Federal aid	—	14,920	14,920	13,570	1,350
Interest and investment earnings	—	820	820	1,860	(1,040)
Other	182,920	29,109	(153,811)	88,025	(58,916)
Total revenues	$ 208,784	$ 82,671	$(126,113)	$ 110,356	$ (27,685)
Expenditures:					
Salaries	$ 1,526	$ 364	$ (1,162)	$ —	$ 364
Services	4,483	4,456	(27)	6,875	(2,419)
Educational equipment	—	11,147	11,147	13,586	(2,439)
Capital outlay	342,997	466,153	123,156	472,970	(6,817)
Career service pension	66	66	—	—	66
Hospitalization and dental insurance	25	25	—	—	25
Medicare	5	5	—	—	5
Unemployment compensation	3	3	—	—	3
Workers' compensation	4	4	—	—	4
Total expenditures	$ 349,109	$ 482,223	$ 133,114	$ 493,431	$ (11,208)
Revenues less than expenditures	$(140,325)	$(399,552)	$(259,227)	$(383,075)	$ (16,477)
Other financing sources (uses):					
Gross amounts from debt issuances	$ 300,000	$ 131,305	$(168,695)	$ 468,915	$(337,610)
Premiums	—	—	—	39,994	(39,994)
Transfers out	—	—	—	(41,588)	41,588
Total other financing sources (uses)	$ 300,000	$ 131,305	$(168,695)	$ 467,321	$(336,016)
Net change in fund balance	$ 159,675	$(268,247)	$(427,922)	$ 84,246	$(352,493)
Fund balance, beginning of period	172,386	172,386	—	88,140	84,246
Fund balance, end of period	$ 332,061	$ (95,861)	$(427,922)	$ 172,386	$(268,247)

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, 2014
(Thousands of dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ —	$52,102	$ 52,102
Replacement taxes	56,966	—	56,966
State aid	173,092	—	173,092
Federal aid	24,809	—	24,809
Interest and investment earnings	10,313	5	10,318
Other	99,779	—	99,779
Total revenues	$364,959	$52,107	$417,066
Expenditures:			
Debt service	$415,922	$51,982	$467,904
Total expenditures	$415,922	$51,982	$467,904
Revenues in excess of (less than) expenditures	$ (50,963)	$ 125	$ (50,838)
Other financing sources (uses):			
Gross amounts from debt issuances	$ 295	$ —	$ 295
Transfers (out)	(157)	(4)	(161)
Total other financing sources (uses)	$ 138	$ (4)	$ 134
Net change in fund balances	$ (50,825)	$ 121	$ (50,704)
Fund balances, beginning of period	692,605	43,528	736,133
Fund balances, end of period	$641,780	$43,649	$685,429

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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2014 Actual	Variance	Fiscal Year 2013 Actual	2014 Over (Under) 2013
Revenues:					
Replacement taxes	$ 56,966	$ 56,966	$ —	$ 57,672	$ (706)
State aid	195,881	173,092	(22,789)	209,473	(36,381)
Federal aid	24,505	24,809	304	26,243	(1,434)
Interest and investment earnings	—	10,313	10,313	3,230	7,083
Other	97,070	99,779	2,709	101,335	(1,556)
Total revenues	$ 374,422	$364,959	$ (9,463)	$ 397,953	$ (32,994)
Expenditures:					
Debt service	$ 561,173	$415,922	$(145,251)	$ 338,445	$ 77,477
Total expenditures	$ 561,173	$415,922	$(145,251)	$ 338,445	$ 77,477
Revenues in excess of (less than) expenditures	$(186,751)	$ (50,963)	$ 135,788	$ 59,508	$(110,471)
Other financing sources (uses):					
Gross amounts from debt issuances	$ —	$ 295	$ 295	$ 513,805	$(513,510)
Premiums	—	—	—	7,277	(7,277)
Payment to refunded bond escrow agent	—	—	—	(480,597)	480,597
Transfers in (out)	—	(157)	(157)	41,157	(41,314)
Total other financing sources (uses)	$ —	$ 138	$ 138	$ 81,642	$ (81,504)
Net change in fund balance	$(186,751)	$ (50,825)	$ 135,926	$ 141,150	$(191,975)
Fund balance, beginning of period	692,605	692,605	—	551,455	141,150
Fund balance, end of period	$ 505,854	$641,780	$ 135,926	$ 692,605	$ (50,825)

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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2014 Actual	Variance	Fiscal Year 2013 Actual	2014 Over (Under) 2013
Revenues:					
Property taxes	$51,982	$52,102	$120	$53,791	$(1,689)
Interest and investment earnings	—	5	5	6	(1)
Total revenues	$51,982	$52,107	$125	$53,797	$(1,690)
Expenditures:					
Debt service	$51,982	$51,982	$ —	$51,964	$ 18
Total expenditures	$51,982	$51,982	$ —	$51,964	$ 18
Revenues in excess of (less than) expenditures	$ —	$ 125	$125	$ 1,833	$(1,708)
Other financing uses:					
Transfers out	$ —	$ (4)	$ (4)	$ (8)	$ 4
Total other financing uses	$ —	$ (4)	$ (4)	$ (8)	$ 4
Net change in fund balance	$ —	$ 121	$121	$ 1,825	$(1,704)
Fund balance, beginning of period	43,528	43,528	—	41,703	1,825
Fund balance, end of period	$43,528	$43,649	$121	$43,528	$ 121

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.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2005	2006	2007	2008
Net investment in capital assets	$ 413,077	$ 268,190	$ 267,249	$ 133,440
Restricted for:				
Debt service	298,538	357,409	413,747	445,782
Donations	1,459	1,503	1,765	1,826
Enabling legislation	43,675	84,388	129,597	102,695
Grants and donations	—	—	—	—
Workers' comp/tort immunity	—	—	—	—
Unrestricted	(225,335)	(538,879)	(698,809)	(784,702)
Total net position	$ 531,414	$ 172,611	$ 113,549	$(100,959)

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.

2009 (1) (as restated)	2010 (2)	2011 (3)	2012 (4) (as restated)	2013	2014
$ 30,202	$ 440,099	$ 370,159	$ 310,028	$ 80,009	$ (37,194)
391,392	442,851	276,097	282,253	345,399	368,794
3,695	5,825	—	—	—	—
101,072	109,163	—	—	—	—
—	—	70,045	70,302	63,862	61,451
—	—	91,036	92,680	64,985	19,838
(1,017,248)	(1,916,207)	(2,009,152)	(2,552,441)	(3,358,734)	(4,372,335)
$ (490,887)	$ (918,269)	$(1,201,815)	$(1,797,178)	$(2,804,479)	$(3,959,446)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2005	2006	2007	2008
Governmental Activities:				
Expenses:				
Instruction	$ 2,777,202	$ 3,107,897	$ 3,096,529	$ 3,138,036
Pupil support services	337,676	346,434	360,628	384,765
Administrative support services	158,303	161,802	178,891	205,693
Facilities support services	379,599	422,731	461,265	519,982
Instructional support services	404,583	465,106	481,477	496,708
Food services	182,315	179,725	186,297	193,614
Community services	42,677	46,205	45,203	46,779
Interest expense	201,506	217,848	219,826	274,356
Other	8,724	23,404	8,126	10,652
Total governmental activities	$ 4,492,585	$ 4,971,152	$ 5,038,242	$ 5,270,585
Program revenues:				
Charges for services				
Instruction	$ 1,014	$ 3,145	$ 3,748	$ 3,940
Food services	9,553	9,317	8,784	8,537
Operating grants and contributions	876,222	896,916	862,674	945,723
Capital grants and contributions	21,722	66,732	97,477	128,570
Total program revenues	$ 908,511	$ 976,110	$ 972,683	$ 1,086,770
Revenues (less than) expenditures	$(3,584,074)	$(3,995,042)	$(4,065,559)	$(4,183,815)
General revenues and other changes in net position:				
Taxes:				
Property taxes.	$ 1,663,783	$ 1,768,457	$ 1,813,006	$ 1,861,781
Replacement taxes	145,724	184,700	201,509	215,489
Non-program state aid	1,429,611	1,532,169	1,651,730	1,756,386
Interest and investment earnings	43,215	71,972	116,907	85,896
Gain recognized from swaptions earnings	—	—	37,647	—
Gain on sale of capital assets	—	5,312	22,919	45,386
Other	42,001	73,629	162,779	4,369
Extraordinary item - gain on impairment of capital assets	—	—	—	—
Total general revenues and extraordinary item	$ 3,324,334	$ 3,636,239	$ 4,006,497	$ 3,969,307
Change in net position	$ (259,740)	$ (358,803)	$ (59,062)	$ (214,508)

STATISTICAL SECTION

	2009	2010	2011	2012	2013	2014
	$ 3,324,936	$ 3,507,221	$ 3,712,681	$ 3,742,788	$ 4,040,352	$ 4,139,906
	408,705	438,164	545,428	483,167	494,076	487,139
	233,361	201,908	187,559	192,605	211,294	241,913
	582,539	481,245	499,093	455,342	490,381	654,971
	512,427	523,851	541,714	473,202	491,137	474,926
	203,880	207,127	215,609	219,382	234,659	205,989
	56,392	50,879	47,021	38,941	39,946	37,507
	259,850	258,360	285,577	310,452	337,053	335,237
	8,504	12,919	8,845	8,115	7,043	6,134
	$ 5,590,594	$ 5,681,674	$ 6,043,527	$ 5,923,994	$ 6,345,941	$ 6,583,722
	$ 5,189	$ 4,308	$ 692	$ 727	$ 700	$ 657
	8,298	6,881	6,404	6,083	5,554	3,485
	1,250,526	1,376,744	1,368,118	1,196,073	963,325	1,086,885
	151,405	99,054	184,837	112,914	186,394	162,403
	$ 1,415,418	$ 1,486,987	$ 1,560,051	$ 1,315,797	$ 1,155,973	$ 1,253,430
	$(4,175,176)	$(4,194,687)	$(4,483,476)	$(4,608,197)	$(5,189,968)	$(5,330,292)
	$ 1,936,656	$ 1,896,265	$ 2,053,119	$ 2,089,016	$ 2,156,943	$ 2,218,033
	188,503	152,497	197,762	181,927	185,884	188,040
	1,603,926	1,532,679	1,792,747	1,611,726	1,688,611	1,572,564
	43,692	12,734	17,101	20,683	7,879	15,563
	—	—	—	—	—	—
	91	—	—	—	—	—
	56,132	173,130	139,201	147,550	143,350	181,125
	708	—	—	—	—	—
	$ 3,829,708	$ 3,767,305	$ 4,199,930	$ 4,050,902	$ 4,182,667	$ 4,175,325
	$ (345,468)	$ (427,382)	$ (283,546)	$ (557,295)	$(1,007,301)	$(1,154,967)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2005	2006	2007	2008
General operating fund				
Reserved	$142,447	$188,177	$ 229,093	$ 237,205
Unreserved	248,546	307,720	404,843	432,391
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	$390,993	$495,897	$ 633,936	$ 669,596
All other governmental funds				
Reserved	$435,625	$574,232	$ 463,935	$ 541,068
Unreserved, reported in:				
Capital projects fund	219,048	284,019	481,445	337,506
Debt service fund	—	—	158,480	178,489
Nonspendable	—	—	—	—
Restricted for capital improvement program	—	—	—	—
Restricted for debt service	—	—	—	—
Assigned for debt service	—	—	—	—
Unassigned (deficit)	—	—	—	—
Total all other governmental funds	$654,673	$858,251	$1,103,860	$1,057,063

1) Since FY2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

STATISTICAL SECTION

2009	2010	2011 (1)	2012	2013	2014
$215,452	$226,154	$ —	$ —	$ —	$ —
311,422	198,461	—	—	—	—
—	—	1,972	3,329	1,720	429
—	—	69,616	69,873	63,434	61,022
—	—	91,036	92,680	64,985	19,838
—	—	289,000	—	—	—
—	—	181,300	348,900	562,682	267,652
—	—	102,163	110,397	105,664	87,067
—	—	5,293	443,575	150,658	—
$526,874	$424,615	$740,380	$1,068,754	$949,143	$436,008
$373,010	$604,733	$ —	$ —	$ —	$ —
—	33,846	—	—	—	—
154,616	124,556	—	—	—	—
—	—	—	5,674	4,388	—
—	—	182,884	88,762	169,368	—
—	—	271,643	332,517	466,966	491,552
—	—	231,413	254,967	269,167	193,877
—	—	—	—	—	(91,953)
$527,626	$763,135	$685,940	$ 681,920	$909,889	$593,476

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Thousands of dollars)

	2005	2006	2007	2008
Revenues:				
Property taxes	$1,639,237	$1,718,249	$1,767,760	$ 1,813,917
Replacement taxes	145,724	184,700	201,509	215,489
State aid	1,507,115	1,602,635	1,701,585	1,846,034
Federal aid	762,955	775,631	746,029	876,041
Interest and investment earnings	43,215	71,947	116,907	85,895
Other	102,654	163,765	286,230	181,028
Total revenues	$4,200,900	$4,516,927	$4,820,020	$ 5,018,404
Expenditures:				
Current:				
Instruction	$2,429,014	$2,538,909	$2,491,653	$ 2,575,124
Pupil support services	323,225	333,968	349,324	362,325
General support services	821,583	893,041	914,117	986,905
Food services	173,872	172,774	179,902	181,778
Community services	42,325	46,179	45,467	45,708
Teachers' pension and retirement benefits	65,045	75,398	155,563	206,651
Other	5,912	23,404	8,126	10,652
Capital outlay	389,450	310,817	345,963	466,895
Debt service	315,809	—	—	—
Principal	—	49,049	180,767	60,568
Interest	—	158,997	154,669	206,028
Other charges	—	6,606	6,743	15,546
Total expenditures	$4,566,235	$4,609,142	$4,832,294	$ 5,118,180
Revenues (less than) expenditures	$ (365,335)	$ (92,215)	$ (12,274)	$ (99,776)
Other financing sources (uses):				
Gross amounts from debt issuances	$ 524,260	$ 385,603	$ 355,805	$ 1,674,555
Premiums on bonds issued	43,450	4,124	14,444	41,226
Insurance proceeds	—	—	—	—
Sales of general capital assets	—	7,596	25,673	6,404
Payment to refunded bond escrow agent	(282,478)	—	—	(1,474,081)
Transfers in	7,344	2,796	1,904	3,813
Transfers out	(7,344)	(2,796)	(1,904)	(3,813)
Proceeds from notes	5,500	—	—	—
Discounts on bonds issued	—	(326)	—	—
Capital leases	—	3,700	—	—
Total other financing sources (uses)	$ 290,732	$ 400,697	$ 395,922	$ 248,104
Net changes in fund balances	$ (74,603)	$ 308,482	$ 383,648	$ 148,328
Debt service as a percentage of noncapital expenditures	7.50%	4.79%	7.35%	5.61%

NOTES:

1. This schedule was prepared using the modified accrual basis of accounting.
2. The principal and interest components of debt service expenditures are unavailable for years prior to fiscal year 2006.

2009	2010	2011	2012	2013	2014
$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,213,306
188,503	152,497	197,762	181,927	185,884	188,041
1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,842,696
1,125,580	1,180,148	1,144,884	935,951	845,796	904,186
43,693	12,483	13,399	20,760	7,303	15,596
253,376	359,661	417,516	303,744	322,128	272,747
$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,436,572
$2,773,440	$2,898,855	$2,955,772	$2,992,481	$3,034,509	$3,126,689
390,399	416,502	508,803	469,366	454,240	457,939
1,057,672	1,010,637	1,023,004	967,692	941,270	987,048
194,603	196,828	201,325	213,115	215,739	193,642
56,003	50,331	45,848	39,794	39,656	37,460
237,011	294,424	149,377	183,499	227,766	593,225
8,504	11,928	8,845	8,115	7,043	6,134
672,412	705,691	580,363	591,148	519,604	534,980
—	—	—	—	—	—
81,351	141,977	70,848	88,466	73,423	148,272
212,934	236,261	249,975	275,707	304,788	315,927
7,921	8,359	11,274	10,321	12,198	3,705
$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021
$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (968,449)
$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600
—	6,459	14,700	1,229	47,271	—
1,155	—	—	—	—	—
91	—	—	—	723	7,301
(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—
20,389	—	—	—	—	—
(20,389)	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901
$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (829,548)
5.71%	7.07%	6.09%	6.89%	7.02%	7.64%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES BY SOURCE — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2005		2006		2007	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$1,639,237	39.0%	$1,718,249	38.0%	$1,767,760	36.7%
Replacement taxes	145,724	3.5%	184,700	4.1%	201,509	4.2%
State aid	1,507,115	35.9%	1,602,635	35.5%	1,701,585	35.3%
Federal aid	762,955	18.2%	775,631	17.2%	746,029	15.5%
Interest and investment earnings	43,215	1.0%	71,947	1.6%	116,907	2.4%
Other	102,654	2.4%	163,765	3.6%	286,230	5.9%
Total revenues	$4,200,900	100.0%	$4,516,927	100.0%	$4,820,020	100.0%

	2012		2013		2014	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$2,352,136	40.8%	$2,211,568	41.1%	$2,213,306	40.7%
Replacement taxes	181,927	3.2%	185,884	3.4%	188,041	3.5%
State aid	1,965,901	34.1%	1,815,798	33.7%	1,842,696	33.9%
Federal aid	935,951	16.2%	845,796	15.7%	904,186	16.6%
Interest and investment earnings	20,760	0.4%	7,303	0.1%	15,596	0.3%
Other	303,744	5.3%	322,128	6.0%	272,747	5.0%
Total revenues	$5,760,419	100.0%	$5,388,477	100.0%	$5,436,572	100.0%

Note: This schedule was prepared using the modified accrual basis of accounting.

2008		2009		2010		2011	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$1,813,917	36.1%	$1,896,540	37.8%	$2,047,163	38.6%	$1,936,655	34.2%
215,489	4.3%	188,503	3.8%	152,497	2.9%	197,762	3.5%
1,846,034	36.8%	1,511,886	30.1%	1,552,076	29.3%	1,949,781	34.5%
876,041	17.5%	1,125,580	22.4%	1,180,148	22.3%	1,144,884	20.2%
85,895	1.7%	43,693	0.9%	12,483	0.2%	13,399	0.2%
181,028	3.6%	253,376	5.0%	359,661	6.7%	417,516	7.4%
$5,018,404	100.0%	$5,019,578	100.0%	$5,304,028	100.0%	$5,659,997	100.0%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

EXPENDITURES BY FUNCTION — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2005		2006		2007	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$2,429,014	53.3%	$2,538,909	55.2%	$2,491,653	51.6%
Pupil support services	323,225	7.1%	333,968	7.2%	349,324	7.2%
General support services	821,583	18.0%	893,041	19.4%	914,117	18.9%
Food services	173,872	3.8%	172,774	3.7%	179,902	3.7%
Community services	42,325	0.9%	46,179	1.0%	45,467	0.9%
Teachers' pension and retirement benefits	65,045	1.4%	75,398	1.6%	155,563	3.2%
Other	5,912	0.1%	23,404	0.5%	8,126	0.2%
Capital outlay	389,450	8.5%	310,817	6.7%	345,963	7.2%
Debt service	315,809	6.9%	214,652	4.7%	342,179	7.1%
Total expenditures	$4,566,235	100.0%	$4,609,142	100.0%	$4,832,294	100.0%

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

Note: This schedule was prepared using the modified accrual basis of accounting.

2008		2009		2010		2011	
Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
$2,575,124	50.3%	$2,773,440	48.7%	$2,898,855	48.5%	$2,955,772	50.9%
362,325	7.1%	390,399	6.9%	416,502	7.0%	508,803	8.8%
986,905	19.3%	1,057,672	18.6%	1,010,637	17.0%	1,023,004	17.6%
181,778	3.6%	194,603	3.4%	196,828	3.3%	201,325	3.5%
45,708	0.9%	56,003	1.0%	50,331	0.8%	45,848	0.8%
206,651	4.0%	237,011	4.2%	294,424	4.9%	149,377	2.6%
10,652	0.2%	8,504	0.1%	11,928	0.2%	8,845	0.1%
466,895	9.1%	672,412	11.8%	705,691	11.8%	580,363	10.0%
282,142	5.5%	302,206	5.3%	386,597	6.5%	332,097	5.7%
$5,118,180	100.0%	$5,692,250	100.0%	$5,971,793	100.0%	$5,805,434	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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Fiscal Year 2014	Fiscal Year 2013	2014 Over (Under) 2013
Revenues:			
Local taxes:			
Property taxes	$2,161,204	$2,157,777	$ 3,427
Replacement taxes	131,075	128,212	2,863
Total revenue from local taxes	$2,292,279	$2,285,989	$ 6,290
Local nontax revenue:			
Interest and investment earnings	$ 4,458	$ 2,207	$ 2,251
Lunchroom operations	3,485	5,554	(2,069)
Other	140,374	127,163	13,211
Total revenue from nontax revenue	$ 148,317	$ 134,924	$ 13,393
Total local revenue	$2,440,596	$2,420,913	$ 19,683
State grants and subsidies:			
General state aid	$ 972,572	$ 945,652	$ 26,920
Block grants	628,207	625,102	3,105
Other	31,003	28,670	2,333
Total state grants & subsidies	$1,631,782	$1,599,424	$ 32,358
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 342,915	$ 264,600	$ 78,315
American Recovery and Reinvestment Act (ARRA) (1)	36,283	48,385	(12,102)
School lunch program	181,902	190,093	(8,191)
Individuals with Disabilities Education Act (IDEA)	100,092	106,902	(6,810)
Other	203,265	196,003	7,262
Total federal grants and subsidies	$ 864,457	$ 805,983	$ 58,474
Total revenues	$4,936,835	$4,826,320	$110,515

(1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2014

With Comparative Amounts for the Fiscal Year Ended June 30, 2013

(Thousands of dollars)

	Fiscal Year 2014	Fiscal Year 2013	2014 Over (Under) 2013
Expenditures:			
Instruction:			
Salaries	$1,805,207	$1,803,397	$ 1,810
Commodities	72,194	84,814	(12,620)
Services	765,519	689,435	76,084
Equipment — educational	43,884	42,085	1,799
Building and sites	2,750	3,340	(590)
Fixed charges	437,135	449,131	(11,996)
Total instruction	$3,126,689	$3,072,202	$ 54,487
Pupil support services:			
Salaries	$ 242,106	$ 246,017	$ (3,911)
Commodities	4,818	4,856	(38)
Services	136,881	132,441	4,440
Equipment — educational	1,122	662	460
Building and sites	66	65	1
Fixed charges	72,946	70,199	2,747
Total pupil support services	$ 457,939	$ 454,240	$ 3,699
Administrative support services:			
Salaries	$ 86,540	$ 81,185	$ 5,355
Commodities	8,757	10,000	(1,243)
Services	96,184	71,785	24,399
Equipment — educational	2,346	4,343	(1,997)
Building and sites	561	1,012	(451)
Fixed charges	33,024	25,934	7,090
Total administrative support services	$ 227,412	$ 194,259	$ 33,153

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Fiscal Year 2014	Fiscal Year 2013	2014 Over/(Under) 2013
Facilities support services:			
Salaries	$ 82,804	$ 86,167	$ (3,363)
Commodities	97,012	86,248	10,764
Services	151,710	143,584	8,126
Equipment — educational	1,692	2,574	(882)
Building and sites	26,420	20,476	5,944
Fixed charges	41,307	39,094	2,213
Total facilities support services	$400,945	$378,143	$ 22,802
Instructional support services:			
Salaries	$242,640	$266,467	$(23,827)
Commodities	9,559	8,467	1,092
Services	42,696	28,384	14,312
Equipment — educational	3,396	2,846	550
Building and sites	1,860	1,605	255
Fixed charges	58,540	61,076	(2,536)
Total instructional support services	$358,691	$368,845	$(10,154)
Food services:			
Salaries	$ 60,707	$ 71,227	$(10,520)
Commodities	94,035	105,614	(11,579)
Services	3,182	1,857	1,325
Equipment — educational	19	78	(59)
Building and sites	—	—	—
Fixed charges	35,699	36,963	(1,264)
Total food services	$193,642	$215,739	$(22,097)

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)

For the Fiscal Year Ended June 30, 2014

With Comparative Amounts for the Fiscal Year Ended June 30, 2013

(Thousands of dollars)

	Fiscal Year 2014	Fiscal Year 2013	2014 Over/(Under) 2013
Community services:			
Salaries	$ 12,952	$ 16,975	$ (4,023)
Commodities	1,417	1,715	(298)
Services	18,465	15,465	3,000
Equipment — educational	159	169	(10)
Building and sites	—	5	(5)
Fixed charges	4,467	5,327	(860)
Total community services	$ 37,460	$ 39,656	$ (2,196)
Teacher's Pension:			
Fixed charges	$ 593,225	$ 190,050	$403,175
Total teachers' pension	$ 593,225	$ 190,050	$403,175
Capital outlay:			
Salaries	$ 8,235	$ 3,670	$ 4,565
Commodities	5,303	3,767	1,536
Services	22,910	10,747	12,163
Equipment — educational	10,136	6,892	3,244
Building and sites	22	20	2
Fixed charges	1,388	1,045	343
Total capital outlay	$ 47,994	$ 26,141	$ 21,853
Other:			
Salaries	$ 239	$ 389	$ (150)
Commodities	10	30	(20)
Services	23	98	(75)
Equipment — educational	2	4	(2)
Building and sites	—	—	—
Fixed charges	5,860	6,574	(714)
Total other	$ 6,134	$ 7,095	$ (961)
Total expenditures	$5,450,131	$4,946,370	$503,761

Note: This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

	2005	2006	2007	2008
General operating fund:				
Capital leases	$ —	$ 3,700	$ —	$ —
Transfers in/(out)	328	445	1,904	3,813
Total general operating fund	$ 328	$ 4,145	$ 1,904	$ 3,813
All other governmental funds:				
Gross amounts from debt issuances	$ 524,260	$385,603	$355,805	$ 1,674,555
Premiums on bonds issued	43,450	4,124	14,444	41,226
Insurance proceeds	—	—	—	—
Sales of general capital assets	—	—	25,673	6,404
Payment to refunded bond escrow agent	(282,478)	—	—	(1,474,081)
Transfers in/(out)	(328)	(445)	(1,904)	(3,813)
Amount from notes	5,500	—	—	—
Discounts on bonds issued	—	(326)	—	—
Proceeds from swaps	—	19,345	—	—
Total all other governmental funds	$ 290,404	$408,301	$394,018	$ 244,291

STATISTICAL SECTION

2009	2010	2011	2012	2013	2014
$ —	$ —	$ —	$ —	$ —	$ —
20,389	17,851	109,830	62	439	161
$ 20,389	$ 17,851	$ 109,830	$ 62	$ 439	$ 161
$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$131,600
—	6,459	14,700	1,229	47,271	—
1,155	—	—	—	—	—
91	—	—	—	723	7,301
(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—
(20,389)	(17,851)	(109,830)	(62)	(439)	(161)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
$ (19,876)	$ 783,164	$ 274,177	$ 403,577	$ 549,678	$138,740

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
2005	$315,809	$4,176,785	0.08 : 1
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

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

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

School Direct Rates	2005	2006	2007
Education	$2.301	$2.143	$2.078
Worker's and Unemployment Compensation/Tort Immunity	0.131	0.228	0.021
PBC Operation & Maintenance	0.576	0.565	0.521
Public Building Commission	0.096	0.090	0.077
Total direct rate:	$3.104	$3.026	$2.697
Chicago Finance Authority	0.177	0.127	0.118
City of Chicago	1.302	1.243	1.062
Chicago City Colleges	0.242	0.234	0.205
Chicago Park District	0.455	0.443	0.379
Metropolitan Water Reclamation District	0.347	0.315	0.284
Cook County	0.593	0.533	0.500
Cook County Forest Preserve	0.060	0.060	0.057
Total for all governments:	$6.280	$5.981	$5.302

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.

2008 (A)	2009 (B)	2010	2011	2012	2013	2014
$2.376	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519
0.191	0.031	0.148	0.067	0.133	0.031	0.067
—	—	—	—	—	—	—
0.016	0.015	0.014	0.065	0.071	0.082	0.085
$2.583	$2.472	$2.366	$2.581	$2.875	$3.422	$3.671
0.091	—	—	—	—	—	—
1.044	1.147	1.098	1.132	1.229	1.425	1.496
0.159	0.156	0.150	0.151	0.165	0.190	0.199
0.355	0.323	0.309	0.319	0.346	0.395	0.420
0.263	0.252	0.261	0.274	0.320	0.370	0.417
0.446	0.415	0.394	0.423	0.462	0.531	0.560
0.053	0.051	0.049	0.051	0.058	0.063	0.069
$4.994	$4.816	$4.627	$4.931	$5.455	$6.396	$6.832

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Thousands of dollars)

			Collected within the Fiscal Year of Extension (A)			Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	Collections in Subsequent Years	Amount	Percentage of Extension
2004	2005	$1,716,111	$ 769,982	44.87%	$ 908,281	$1,678,263	97.79%
2005	2006	1,794,063	804,755	44.86%	939,079	1,743,834	97.20%
2006	2007	1,874,750	835,191	44.55%	967,471	1,802,662	96.15%
2007	2008	1,901,887	865,576	45.51%	978,045	1,843,621	96.94%
2008	2009	2,001,751	916,129	45.77%	1,027,520	1,943,649	97.10%
2009	2010	2,001,252	1,024,263	51.18%	913,850	1,938,113	96.85%
2010	2011	2,118,541	1,021,564	48.22%	1,047,632	2,069,196	97.67%
2011	2012	2,159,586	1,333,480	61.75%	811,983	2,145,463	99.35%
2012	2013	2,232,684	1,457,645	65.29%	703,988	2,161,633	96.82%
2013	2014	2,289,250	1,508,642	65.90%	—	—	—

Notes:

A. The amount does not represent a full year's tax collection.

B. The total amount collected to date is net of refunds.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A) Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	Total
2004	2005	$12,988,216	$1,883,048	$10,401,429	$465,462	$25,738,155
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

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

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 (%)
2.5757	$55,277,096	3.104	$262,080,627	21.09%
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

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION

Last Ten Fiscal Years

(Thousands of dollars)

	2013			2012		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 370,197	1	0.59%	$ 386,266	1	0.59%
AON Building	248,906	2	0.40%	255,347	2	0.39%
HCSC Blue Cross	201,987	3	0.32%	205,275	4	0.31%
Prudential Plaza	193,495	4	0.31%	234,964	3	0.36%
Water Tower Place	190,953	5	0.31%	201,246	5	0.31%
Chase Tower	190,442	6	0.31%	200,708	6	0.31%
Franklin Center	183,114	7	0.29%	192,985	7	0.30%
Three First National Plaza	177,862	8	0.29%	187,449	8	0.29%
Mark Davids	177,008	9	0.28%	184,596	9	0.28%
300 Lasalle LLC	159,537	10	0.26%	179,804	10	0.28%
Northwestern Memorial Hospital	—	—	—	—	—	—
131 S. Dearborn	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—
Equity Office Properties	—	—	—	—	—	—
	$2,093,501		3.36%	$2,228,640		3.42%

	2008			2007		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 540,074	1	0.67%	$ 514,662	1	0.70%
AON Building	392,192	2	0.48%	374,456	2	0.51%
HCSC Blue Cross	—	—	—	—	—	—
Prudential Plaza	307,510	3	0.38%	293,604	4	0.40%
Water Tower Place	242,014	6	0.30%	231,069	6	0.31%
Chase Tower	262,114	5	0.32%	250,261	5	0.34%
Franklin Center	294,569	4	0.36%	297,653	3	0.40%
Three First National Plaza	215,666	10	0.27%	205,913	10	0.28%
Mark Davids	—	—	—	—	—	—
300 Lasalle LLC	—	—	—	—	—	—
Northwestern Memorial Hospital	—	—	—	—	—	—
131 S. Dearborn	218,722	9	0.27%	208,906	9	0.28%
One North Wacker	—	—	—	—	—	—
Citigroup Center	226,458	7	0.28%	216,217	7	0.29%
Leo Burnett Building	221,846	8	0.27%	211,813	8	0.29%
Equity Office Properties	—	—	—	—	—	—
	$2,921,165		3.60%	$2,804,554		3.80%

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

2011			2010			2009		
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
$ 445,590	1	0.59%	$ 495,000	1	0.60%	$ 505,515	1	0.60%
302,124	2	0.40%	335,454	2	0.41%	375,441	2	0.44%
206,343	6	0.27%	—	—	—	—	—	—
272,345	3	0.36%	305,026	3	0.37%	318,635	3	0.38%
207,942	5	0.28%	231,000	4	0.28%	235,907	5	0.28%
204,229	7	0.27%	226,875	5	0.28%	231,694	6	0.27%
197,944	8	0.26%	209,723	8	0.26%	256,590	4	0.30%
197,183	9	0.26%	226,222	6	0.28%	231,028	7	0.27%
—	—	—	—	—	—	—	—	—
190,005	10	0.25%	—	—	—	—	—	—
243,609	4	0.32%	—	—	—	—	—	—
—	—	—	210,502	7	0.26%	212,725	8	0.25%
—	—	—	207,127	9	0.25%	211,526	9	0.25%
—	—	—	191,070	10	0.23%	—	—	—
—	—	—	—	—	—	208,973	10	0.25%
—	—	—	—	—	—	—	—	—
$ 2,467,314		3.26%	$2,637,999		3.22%	$2,788,034		3.29%

2006			2005			2004		
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
$ 493,803	1	0.71%	$ 519,080	1	0.88%	$ 489,383	1	0.89%
356,510	2	0.51%	341,767	2	0.58%	322,214	2	0.58%
—	—	—	—	—	—	—	—	—
279,532	4	0.40%	295,933	3	0.50%	279,002	3	0.50%
219,995	6	0.32%	183,187	9	0.31%	172,706	9	0.31%
238,266	5	0.34%	259,021	5	0.44%	244,202	5	0.44%
283,387	3	0.41%	268,519	4	0.45%	253,156	4	0.46%
196,044	9	0.28%	190,340	7	0.32%	179,451	7	0.32%
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
189,061	10	0.27%	—	—	—	—	—	—
205,854	7	0.30%	205,727	6	0.35%	193,957	6	0.35%
201,662	8	0.29%	188,219	8	0.32%	177,450	8	0.32%
—	—	—	179,134	10	0.30%	168,886	10	0.31%
$ 2,664,114		3.83%	$2,630,927		4.45%	$2,480,407		4.48%

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)
2005	$ 213,905,309	$ 870,816,418	$ 111,548,531	$ 1,196,270,258	14.00%
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%

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.

Board Replacement Tax Data (B)

Allocations to Board	Pro-Forma Pledged Revenues (D)	Fiscal Year Recorded Revenues
$167,525,745	$167,525,745	$145,724,052
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

Monthly Summary of the Total Allocations to the Board of Education

Calendar Year	January	March	April	May	July	August	October	December	Total
2005	$21,166,525	$11,653,412	$33,977,017	$18,816,369	$26,026,179	$20,284,121	$27,393,274	$ 8,208,848	$167,525,745
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

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS

For the Fiscal Year Ended June 30, 2014

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2013 EAV $	% Change in EAV (for 2013)
Addison Corridor North	6/4/1997	2020	$ 14,400,224	$ 33,929,937	135.6%
Addison South	5/9/2007	2031	70,940,232	96,714,600	36.3%
Archer Courts	5/12/1999	2023	85,326	5,201,422	5995.9%
Archer/Central	5/17/2000	2024	37,646,911	41,937,004	11.4%
Archer/Western	2/11/2009	2033	117,506,250	94,593,970	-19.5%
Armitage/Pulaski	6/13/2007	2031	17,643,508	17,442,642	-1.1%
Austin/Commercial	9/27/2007	2031	72,287,864	77,453,102	7.1%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	27,205,917	22.7%
Avondale	7/29/2009	2033	40,426,760	32,081,307	-20.6%
Belmont/Central	1/12/2000	2024	74,974,945	105,471,299	40.7%
Belmont/Cicero	1/12/2000	2024	33,673,880	46,536,010	38.2%
Bronzeville	11/4/1998	2022	46,166,304	91,460,526	98.1%
Bryn Mawr/Broadway	12/11/1996	2019	17,682,409	40,370,200	128.3%
Calumet/Cermak	7/29/1998	2021	3,219,685	134,006,607	4062.1%
Calumet River	3/10/2010	2034	14,220,381	7,268,089	-48.9%
Canal/Congress	11/12/1998	2022	36,872,487	328,832,337	791.8%
Central West	2/16/2000	2024	85,481,254	296,449,709	246.8%
Chicago/Central Park	2/27/2002	2026	84,789,947	157,165,323	85.4%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	316,936,222	722.8%
Cicero/Archer	5/17/2000	2024	19,629,324	26,082,069	32.9%
Clark/Montrose	7/7/1999	2022	23,433,096	52,891,848	125.7%
Clark/Ridge	9/29/1999	2022	39,619,368	62,660,562	58.2%
Commercial Ave.	11/13/2002	2026	40,748,652	53,283,749	30.8%
Devon/Sheridan	3/31/2004	2028	46,265,220	37,213,312	-19.6%
Devon/Western	11/3/1999	2023	71,430,503	96,771,509	35.5%
Diversey/Narragansett	2/5/2003	2027	34,746,231	62,029,977	78.5%
Division/Homan	6/27/2001	2025	24,683,716	39,145,709	58.6%
Drexel Blvd.	7/10/2002	2026	127,408	4,998,540	3823.3%
Edgewater/Ashland	10/1/2003	2027	1,875,282	10,018,314	434.2%
Elston/Armstrong	7/19/2007	2031	45,742,226	47,689,806	4.3%
Englewood Mall	11/29/1989	2025	3,868,736	6,470,284	67.2%
Englewood Neighborhood	6/27/2001	2025	56,079,946	127,606,630	127.5%
Ewing Avenue	3/10/2010	2034	52,994,264	42,068,540	-20.6%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	168,393,192	97.7%
Galewood/Armitage Industrial	7/7/1999	2022	48,056,697	96,227,053	100.2%
Goose Island	7/10/1996	2019	13,676,187	69,730,000	409.9%
Greater Southwest (West)	4/12/2000	2024	115,603,413	85,625,917	-25.9%

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

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2013 EAV $	% Change in EAV (for 2013)
Harlem Industrial Park	3/14/2007	2031	$ 45,981,764	$ 36,645,872	-20.3%
Harrison/Central	7/26/2006	2030	43,430,700	40,552,984	-6.6%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	116,594,897	-26.5%
Homan/Arthington	2/5/1998	2021	2,658,362	9,639,530	262.6%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	68,182,169	112.0%
Irving Park/Cicero	6/10/1996	2020	8,150,631	17,005,268	108.6%
Irving Park/Elston	5/13/2009	2033	44,853,282	36,270,288	-19.1%
Jefferson Park	9/9/1998	2021	23,970,085	32,055,014	33.7%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	118,458,845	126.5%
Kennedy/Kimball	3/12/2008	2032	72,841,679	59,257,080	-18.6%
Kinzie Conservation	6/10/1998	2021	144,961,719	417,914,031	188.3%
Kostner Ave.	11/5/2008	2032	2,794,764	2,394,790	-14.3%
Lake Calumet	12/13/2000	2024	176,186,639	174,568,813	-0.9%
Lakefront	3/27/2002	2026	—	3,840,088	—
Lakeside Dev Phase 1	5/12/2010	2034	3,489,242	294,844	-91.5%
LaSalle/Central	11/15/2006	2030	4,192,597,468	3,634,359,732	-13.3%
Lawrence/Broadway	6/27/2001	2025	38,603,611	76,857,547	99.1%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	189,267,840	71.4%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	57,906,293	32.5%
Lincoln Avenue	11/3/1999	2023	63,741,191	91,793,021	44.0%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	16,516,333	572.1%
Little Village East	4/22/2009	2033	44,751,945	34,367,532	-23.2%
Little Village Ind	6/13/2007	2031	88,054,895	63,274,061	-28.1%
Madden/Wells	11/6/2002	2026	1,333,582	15,095,511	1032.0%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	70,635,007	44.9%
Michigan/Cermak	9/13/1989	2025	5,858,634	26,289,494	348.7%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	58,273,682	19.8%
Midwest	5/17/2000	2024	98,090,835	294,158,386	199.9%
Montclare	8/30/2000	2024	792,770	4,451,042	461.5%
Montrose/Clarendon	6/30/2010	2034	—	—	—
Near North	7/30/1997	2020	41,671,541	300,566,664	621.3%
Near South	11/28/1990	2014	128,549,547	1,073,331,360	735.0%
North Ave./Cicero	7/30/1997	2020	5,658,542	21,964,095	288.2%
North Branch/North	7/2/1997	2021	29,574,537	86,991,543	194.1%
North Branch/South	2/5/1998	2021	44,361,677	133,861,892	201.8%
North Pullman	6/30/2009	2033	44,582,869	39,019,561	-12.5%
NW Industrial Corridor	12/2/1998	2021	146,115,991	219,279,005	50.1%
Ogden/Pulaski	4/9/2008	2032	221,709,034	187,627,376	-15.4%
Ohio/Wabash	6/7/2000	2024	1,278,143	23,385,630	1729.7%
Pershing/King	9/5/2007	2031	12,948,117	10,217,226	-21.1%
Peterson/Cicero	2/16/2000	2024	1,116,653	7,770,966	595.9%

STATISTICAL SECTION

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

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2013 EAV $	% Change in EAV (for 2013)
Peterson/Pulaski	2/16/2000	2024	$ 40,112,395	$ 43,827,432	9.3%
Pilsen Area	6/10/1998	2022	111,394,217	251,336,413	125.6%
Portage Park	9/9/1998	2021	65,084,552	89,054,280	36.8%
Pratt/Ridge	6/23/2004	2028	16,414,897	14,807,648	-9.8%
Pulaski Corridor	6/9/1999	2022	82,778,075	113,624,842	37.3%
Randolph/Wells	6/9/2010	2034	72,140,805	58,826,442	-18.5%
Ravenswood Corridor	3/9/2005	2029	44,169,275	45,420,425	2.8%
Read/Dunning	1/11/1991	2015	6,382,072	42,199,820	561.2%
River South	7/30/1997	2020	65,930,580	283,679,055	330.3%
River West	1/10/2001	2025	50,463,240	258,797,124	412.8%
Roosevelt/Canal	3/19/1997	2021	1,276,969	17,563,692	1275.4%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	78,183,193	73.1%
Roosevelt/Homan	12/5/1990	2014	3,539,018	17,602,768	397.4%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	32,501,599	364.8%
Roosevelt/Union	5/12/1999	2022	4,369,258	66,766,203	1428.1%
Roseland/Michigan	1/16/2002	2026	29,627,768	32,634,673	10.1%
Sanitary Draig & Ship	7/24/1991	2015	10,722,329	16,662,567	55.4%
South Chicago	4/12/2000	2024	14,775,992	31,283,302	111.7%
South Works	11/3/1999	2023	3,823,633	4,490,131	17.4%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	178,623,420	-17.4%
Stockyards Annex	12/11/1996	2020	38,650,631	49,828,738	28.9%
Stockyards-Southeast Quad	2/26/1992	2015	21,527,824	39,886,518	85.3%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	79,503,636	72.6%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	24,751,462	40.1%
Touhy/Western	9/13/2006	2030	55,187,828	48,325,189	-12.4%
Weed/Fremont	1/8/2008	2032	6,430,360	12,575,851	95.6%
West Irving Park	1/12/2000	2024	36,446,831	45,267,404	24.2%
West Pullman Ind. Park	3/11/1998	2021	7,050,845	5,118,187	-27.4%
West Woodlawn	5/12/2010	2034	127,750,505	88,609,990	-30.6%
Western Ave. South	1/12/2000	2024	69,504,372	148,717,998	114.0%
Western Ave. North	1/12/2000	2024	71,260,546	128,775,243	80.7%
Western/Ogden	2/5/1998	2021	41,536,306	144,661,012	248.3%
Western/Rock Island	2/8/2006	2030	102,358,411	105,751,986	3.3%
Wilson Yard	6/27/2001	2025	56,194,225	143,457,604	155.3%
Woodlawn	1/20/1999	2022	28,865,833	66,642,384	130.9%
105th/Vincennes	10/3/2001	2025	108,828,811	109,567,415	0.7%
111th/Kedzie	9/29/1999	2022	14,456,141	21,885,855	51.4%
119th/Halsted	2/6/2002	2026	18,853,913	25,997,263	37.9%
119th/I-57	11/6/2002	2026	16,097,672	52,231,993	224.5%

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

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2013 EAV $	% Change in EAV (for 2013)
126th/Torrence	12/21/1994	2017	$ 1,224,731	$ 16,348,061	1234.8%
134th/Avenue K	3/12/2008	2032	6,732,703	3,062,681	-54.5%
24th/Michigan	7/21/1999	2022	15,874,286	30,394,459	91.5%
26th/King Drive	1/11/2006	2030	—	9,261,627	—
35th/Halsted	1/14/1997	2021	81,212,182	144,652,654	78.1%
35th/State	1/14/2004	2028	3,978,955	28,197,835	608.7%
35th/Wallace	12/15/1999	2023	9,047,402	18,394,898	103.3%
41st/King Drive	7/13/1994	2018	129,892	2,586,758	1891.5%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	45,352,904	230.3%
45th/Western Industrial	3/27/2002	2026	1,984,412	2,802,243	41.2%
47th/Ashland	3/27/2002	2026	53,606,185	78,318,795	46.1%
47th/Halsted	5/29/2002	2026	39,164,012	78,229,446	99.7%
47th/King Drive	3/27/2002	2026	61,269,066	146,948,977	139.8%
47th/State	7/21/2004	2028	19,279,360	37,154,813	92.7%
49th/St. Lawrence	1/10/1996	2020	683,377	6,400,663	836.6%
51st/Archer	5/17/2000	2024	29,522,751	31,672,489	7.3%
51st/Lake Park	11/15/2012	2036	NA	NA	NA
53rd St.	1/10/2001	2025	23,168,822	36,490,632	57.5%
60th/Western	5/9/1996	2019	2,464,026	5,281,120	114.3%
63rd/Ashland	3/29/2006	2030	47,496,362	59,378,027	25.0%
63rd/Pulaski	5/17/2000	2024	56,171,856	74,667,056	32.9%
67th/Cicero	10/2/2002	2026	—	2,889,759	—
67th/Wentworth	5/4/2011	2035	210,005,927	139,384,755	-33.6%
69th/Ashland	11/3/2004	2028	813,600	8,632,198	961.0%
71st/Stony Island	10/7/1998	2021	53,506,755	89,487,489	67.2%
73rd/University	9/13/2006	2030	16,998,947	18,558,463	9.2%
79th Street Corridor	7/8/1998	2021	21,576,305	29,871,568	38.4%
79th/Cicero	6/8/2005	2029	8,018,405	15,701,420	95.8%
79th/SW Highway	10/3/2001	2025	36,347,823	52,862,007	45.4%
79th/Vincennes	9/27/2007	2031	32,132,472	29,039,258	-9.6%
83rd/Stewart	3/21/2004	2028	10,618,689	22,173,623	108.8%
87th/Cottage Grove	11/13/2002	2026	53,959,824	71,131,512	31.8%
95th/Stony Island	5/16/1990	2014	2,622,436	17,359,399	562.0%
95th/Western	7/13/1995	2018	16,035,773	24,360,076	51.9%
			$10,535,884,505	$15,307,386,968	

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

NOTE

State law empowers cities to create Tax Increment Financing Districts (TIFs) to finance redevelopment of blighted areas or areas at risk of blight. Taxes subsequently generated by new development and 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 2013 EAV for the City of Chicago is $62,370,205,088 — Source of The Cook County Report

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV

Last Ten Fiscal Years

(Thousands of dollars)

			Components of New Property by Tax Levy Year (B)						
Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives	Total New Property (A)	New property percentage of overall EAV
2004	2005	$55,283,639	$ 518,653	$ —	$ —	$ —	$ —	$ 518,653	0.94%
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%

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

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2014

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	$ 3,394,942	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	36,418,205	—	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	16,361,697	16,361,697	—	Lawrence/ Kedzie
Modern Schools Across Chicago Program Phase II				
Avondale Irving Park Elementary	25,452,297	25,452,297	—	Fullerton/ Milwaukee
Belmont Cragin Elementary	31,300,000	28,712,447	2,587,553	Galewood/ Armitage
Hernandez Middle School	9,540,000	6,382,816	3,157,184	51st/ Archer
Boone Clinton Elementary	18,655,000	18,767,428	(112,428)	Touhy/ Western
Chicago Ag West High School (Al Raby Horticultural)	22,000,000	—	22,000,000	Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	1,359,671	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 Madison/Austin Corridor	5,570,000	—	5,570,000	Madison/ Austin
Skinner Replacement Elementary	6,120,000	—	6,120,000	Central/ West
Peterson Addition	2,900,000	—	2,900,000	Lawrence/ Kedzie
Brighton Park II Elementary	25,420,000	—	25,420,000	Stevenson/ Brighton
MSAC Subtotal	**$497,103,773**	**$424,706,851**	**$72,396,922**	

STATISTICAL SECTION

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2014

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	$ —	$ 750,000	Kinzie Industrial
Brown Elementary	750,000	—	750,000	Central West
Creiger Campus	1,500,250	1,207,911	292,339	Central West
Dodge Elementary	750,000	—	750,000	Midwest
Fiske Elementary	1,500,000	—	1,500,000	Woodlawn
Holmes Elementary	750,000	—	750,000	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—	750,000	Englewood Neighborhood
McAuliffe Elementary	750,000	—	750,000	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	—	750,000	Kinzie Industrial
Nicholson Elementary	750,000	—	750,000	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/Central Park
Schiller Elementary	1,500,000	—	1,500,000	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
ADA Accessibility -Years 2-5				
Attucks-Farren Building	1,000,000	—	1,000,000	47th / King
Burke Elementary	1,000,000	—	1,000,000	47th / State
Banneker Elementary	2,000,000	—	2,000,000	Englewood Neighborhood
Armour Elementary	2,673,750	—	2,673,750	35th / Halsted
Hearst Elementary	2,219,500	—	2,219,500	Cicero/Archer
Lawndale Elementary	2,500,000	—	2,500,000	Midwest
Plamondon Elementary	1,748,000	—	1,748,000	Western /Ogden Industrial Corridor
Schurz High School	2,100,000	—	2,100,000	Portage Park
Hayt Elementary	670,000	—	670,000	Clark/Ridge
Peterson Elementary	500,000	—	500,000	Lawrence/Kedzie
Chappell Elementary	1,500,000	—	1,500,000	Western Ave. North
ADA Subtotal	**$32,161,500**	**$4,957,911**	**$27,203,589**	

STATISTICAL SECTION

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2014 (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	—	20,000,000	Near North
Jones Academic High School Renovation/Addition (old)	42,315,243	32,119,344	10,195,899	Near South
Jones Academic High School Renovation/Addition (new)	114,641,656	77,977,470	36,664,186	Near South
Jones Academic High School #3	8,000,000	—	8,000,000	Near South
National Teachers Academy	61,948,864	43,400,000	18,548,864	24th/ Michigan
Simeon High School	22,184,925	18,381,140	3,803,785	Chatham Ridge
Albany Park Middle School	25,000,000	28,662,826	—	*Lawrence/Kedzie
Juarez High School Addition	15,500,000	9,795,000	5,705,000	Pilsen
DePriest Elementary	18,500,000	21,457,220	—	*Madison/Austin
Additional Westinghouse HS- Refunding Debt Service	58,618,967	58,618,967	—	*Chicago/CentralPark
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	—	16,500,000	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	1,300,000	—	1,300,000	Midwest
Chase	3,600,000	—	3,600,000	Fullerton/Milwaukee
Holmes Elementary	3,270,000	—	3,270,000	Englewood Neighborhood
Morgan Park	44,000	—	44,000	Western Avenue/Rock Island
Senn High School	1,000,000	—	1,000,000	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	1,447,244	—	1,447,244	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	—	2,000,000	Increment offset proceeds
Ericson Play Lot	350,000	—	350,000	Midwest MSAC Bonds
Faraday STEM	600,000	—	600,000	Midwest MSAC Bonds
Jensen Play Lot	650,000	—	650,000	Midwest MSAC Bonds
Juarez High School Athletic Field	701,380	—	701,380	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	—	2,000,000	Western Avenue South
Melody STEM	1,500,000	—	1,500,000	*Madison/Austin
Spencer Play Lot	700,000	—	700,000	*Madison/Austin
Tilton Play Lot	500,000	—	500,000	*Madison/Austin
Stockton	300,000	—	300,000	Clark Montrose
Whittier Renovation	2,887,000	—	2,887,000	Pilsen Industrial Corridor
McPherson Elementary School	400,000	—	400,000	Western Ave North
Amundsen High School	500,000	—	500,000	Western Ave North
Penn Elementary School	1,150,000	—	1,150,000	Midwest
Crane High School	2,250,000	—	2,250,000	Central West
Other Capital IGA Subtotal	**$454,935,123**	**$307,030,567**	**$154,524,602**	
Grand Total	**$984,200,396**	**$736,695,329**	**$254,125,113**	

Based on intergovernmental agreements approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2014.

* 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, 2014

(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992
1993A	PBC Building Revenue Bonds	Property Taxes	4/1/1993
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/11/1999
1997A	Unlimited Tax G.O. Bonds	PPRT/IGA	12/3/1997
1998 B-1	Unlimited Tax G.O. Bonds	IGA	10/28/1998
1999A	Unlimited Tax G.O. Bonds	PPRT/IGA	2/25/1999
2000B	Unlimited Tax G.O. Bonds	State Aid	9/7/2000
2000E	Qualified Zone Academy G.O. Bonds	State Aid	12/19/2000
2001B	Qualified Zone Academy G.O. Bonds	State Aid	10/24/2001
2002A	Unlimited Tax G.O. Bonds	City Note/IGA	9/24/2002
2003C	Qualified Zone Academy G.O. Bonds	State Aid	10/28/2003
2004A	Unlimited Tax G.O. Bonds	PPRT/State Aid	4/6/2004
2004G	Unlimited Tax G.O. Bonds	City Note/IGA	12/9/2004
2005A	Unlimited Tax G.O. Bonds	State Aid	6/27/2005
2005B	Unlimited Tax G.O. Bonds	PPRT	6/27/2005
2006A	Qualified Zone Academy G.O. Bonds	State Aid	6/7/2006
2006B	Unlimited Tax G.O. Bonds	State Aid	9/27/2006
2007B	Unlimited Tax G.O. Bonds	State Aid	9/5/2007
2007C	Unlimited Tax G.O. Bonds	State Aid	9/5/2007
2007D	Unlimited Tax G.O. Bonds	State Aid	12/13/2007
2008A	Unlimited Tax G.O. Bonds	PPRT/IGA	5/13/2008
2008B	Unlimited Tax G.O. Bonds	State Aid	5/13/2008
2008C	Unlimited Tax G.O. Bonds	State Aid	5/1/2008
2009D	Unlimited Tax G.O. Bonds	State Aid	7/30/2009
2009E	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	9/24/2009
2009F	Unlimited Tax G.O. Bonds	State Aid	9/24/2009
2009G	Qualified School Construction G.O. Bonds	State Aid	12/17/2009
2010C	Qualified School Construction G.O. Bonds	State Aid and Federal Subsidy	11/2/2010
2010D	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	11/2/2010
2010F	Unlimited Tax G.O. Bonds	State Aid	11/2/2010
2010G	Unlimited Tax G.O. Bonds	State Aid	11/2/2010
2011A	Unlimited Tax G.O. Bonds	State Aid	11/1/2011
2011C-1	Unlimited Tax G.O. Bonds	State Aid	12/20/2011
2011C-2	Unlimited Tax G.O. Bonds	State Aid	12/20/2011
2011D	Unlimited Tax G.O. Bonds	State Aid	12/16/2011
2012A	Unlimited Tax G.O. Bonds	State Aid	8/21/2012
2012B	Unlimited Tax G.O. Bonds	State Aid	12/21/2012
2013A-1	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
2013A-2	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
2013A-3	Unlimited Tax G.O. Bonds	State Aid	5/22/2013
		Grand Total Direct Debt	

NOTES: A. Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	$ 25,136
1998B-1	328,579
1999A	247,987
Total	**$601,702**

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS (continued)

For the Fiscal Year Ended June 30, 2014

(Thousands of dollars)

Final Maturity	Interest Rate	Outstanding at June 30, 2013	Issue or (Redeemed)	Outstanding at June 30, 2014 (A)
1/1/2020	6.00%-6.5%	$ 166,875	$ (20,850)	$ 146,025
12/1/2018	3.00%-5.75%	—	—	—
12/1/2018	5.00%-5.25%	100,455	(13,540)	86,915
12/1/2030	5.30%-5.55%	23,746	(6,501)	17,245
12/1/2031	4.55%-5.22%	276,012	(9,753)	266,259
12/1/2031	4.30%-5.3%	454,417	(17,578)	436,839
3/1/2032	Variable	91,400	—	91,400
12/18/2013	0.00%	13,390	(13,390)	—
10/23/2015	0.00%	9,440	—	9,440
12/1/2022	3.00%-5.25%	37,820	(3,000)	34,820
10/27/2017	0.00%	4,585	—	4,585
12/1/2020	4.00%-5.00%	202,420	(15,840)	186,580
3/1/2032	4.00%-6.00%	11,970	(775)	11,195
12/1/2031	5.00%-5.50%	193,585	(6,095)	187,490
12/1/2021	5.00%	52,595	(14,565)	38,030
6/1/2021	0.00%	6,853	—	6,853
12/1/2036	4.25%-5.00%	305,875	—	305,875
12/1/2024	5.00%	197,765	—	197,765
12/1/2021	4.00%-4.375%	5,275	(360)	4,915
12/1/2029	4.00%-5.00%	187,375	—	187,375
12/1/2030	Variable	262,785	—	262,785
12/1/2041	Variable	205,175	(4,400)	200,775
3/1/2032	4.25%-5.00%	464,655	—	464,655
12/1/2023	1.00%-5.00%	52,465	—	52,465
12/1/2039	4.682%-6.14%	518,210	—	518,210
12/1/2016	2.50%-5.00%	12,325	—	12,325
12/15/2025	1.75%	254,240	—	254,240
11/1/2029	6.32%	257,125	—	257,125
3/1/2036	6.52%	125,000	—	125,000
12/1/2031	5.00%	183,750	—	183,750
3/1/2017	2.77%-4.18%	72,915	(8,340)	64,575
12/1/2041	5.00%-5.50%	402,410	—	402,410
3/1/2032	Variable	51,000	(1,800)	49,200
3/1/2032	Variable	44,100	—	44,100
3/1/2032	Variable	95,000	(3,800)	91,200
12/1/2042	5.00%	468,915	—	468,915
12/1/2034	5.00%	109,825	—	109,825
3/1/2026	Variable	122,605	(7,685)	114,920
3/1/2035	Variable	124,320	—	124,320
3/1/2036	Variable	157,055	—	157,055
		$6,325,728	**$(148,272)**	**$6,177,456**

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES

As of June 30, 2014

(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2014 (1)	Remaining Authorization
1997 Alternate Bond Authorization	$1,500,000	$1,497,703 (A)	$—	$ 767,920	$ 729,783 (A)	$ 2,297
1998 Alternate Bond Authorization	900,000	870,195 (B)	—	774,210	95,985 (B)	29,805
2002 Alternate Bond Authorization	500,000	500,000 (C)	—	465,180	34,820 (C)	—
2004 Alternate Bond Authorization	965,000	965,000 (D)	—	687,919	277,081 (D)	—
2006 Alternate Bond Authorization	750,000	634,258 (E)	—	342,661	291,597 (E)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (F)	—	187,000	1,712,990 (F)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (G)	—	219,905	1,686,275 (G)	393,820
2012 Alternate Bond Authorization	750,000	409,825 (H)	—	168,400	241,425 (H)	340,175
TOTAL	$9,565,000	$8,683,151	$—	$3,613,195	$5,069,956	$881,849

(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 five series of refunding bonds which met these requirements: $205,410 Series 2004A, of which $186,580 is outstanding; $193,585 Series 2005A, of which 187,490 is outstanding; $52,595 Series 2005B, of which $38,030 is outstanding; $197,765 Series 2007B, of which all is outstanding; and $403,980 Series 2013A, of which $396,295 is outstanding. These series are not included in the authorization table. Total principal amount issued including these series and lines of credit is $11,131,486. Principal outstanding on CPS Debt and lines of credit is $6,076,116.

NOTES:

A. The total issued and outstanding debt for the 1997 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1997A	12/3/1997	$ 499,995	$ 17,245
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	266,259
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	436,839
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	$729,783

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2014

(Thousands of dollars)

B. 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	91,400
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	$95,985

C. 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	$34,820
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	$34,820

D. 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	11,195
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	$277,081

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2014

(Thousands of dollars)

E. 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	4,915
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	$291,597

F. 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

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2014

(Thousands of dollars)

G. 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	183,750
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	64,575
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	93,300
Unlimited Tax GO Refunding Bonds, Series 2011D	12/16/2011	95,000	91,200
Unlimited Tax GO Bonds, Series 2012A	8/21/2012	468,915	468,915
		$1,906,180	$1,686,275

H. 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	65,800
Unlimited Tax GO Short-term Line of Credit, Series 2013C	12/20/2013	150,000	65,800
		$409,825	$241,425

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OUTSTANDING DEBT PER CAPITA
Last Ten Fiscal Years
(Thousands of dollars, except per capita)

As of June 30, 2014

Fiscal Year	General Obligation Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government
2005	$3,510,968	$476,044	$7,574	$ —	$5,500	$4,000,086
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

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 (A)	Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net Outstanding Debt Per Capita (B)	Total General Obligation Debt Per Capita
$ N/A	$4,000,086	3.50%	15.25%	2,896,016	$1,381.24	$1,212.34
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
157,517	6,021,514	N/A	N/A	2,695,598	2,233.83	2,205.27

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

As of June 30, 2014

(Thousands of dollars)

	2005	2006	2007	2008
Debt limit	$7,629,142	$8,184,894	$9,593,382	$10,163,860
General obligation	764,761	711,982	658,947	606,009
Less: amount set aside for repayment of bonds	(38,913)	(39,984)	(37,322)	(36,238)
Total net debt applicable to limit (A)	725,848	671,998	621,625	569,771
Legal debt margin	$6,903,294	$7,512,896	$8,971,757	$ 9,594,089
Total net debt applicable to the limit as a percentage of debt limit	9.51%	8.21%	6.48%	5.61%

(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
$101.0 million Series 2000B
$9.44 million Series 2001B
$49.0 million Series 2002A
$4.6 million Series 2003C
$205.4 million Series 2004A
$56.0 million Series 2004FGH
$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
$95.0 million Series 2011D
$468.9 million Series 2012A
$109.8 million Series 2012B
$403.9 million Series 2013A
$300.0 million Series 2013BC

2009	2010	2011	2012	2013	2014
$11,175,687	$11,673,736	$11,328,763	$10,367,652	$9,005,479	$8,607,088
553,134	498,593	446,719	394,793	342,830	290,849
(34,719)	(16,042)	(36,440)	(29,917)	(34,790)	(35,201)
518,415	482,551	410,279	364,876	308,040	255,648
$10,657,272	$11,191,185	$10,918,484	$10,002,776	$8,697,439	$8,351,440
4.64%	4.13%	3.62%	3.52%	3.42%	2.97%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2014

(Thousands of Dollars)

Governmental Unit	Debt Outstanding (A)	Estimated Percentage Applicable (B)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
City of Chicago	$8,365,996	100.00%	$ 8,365,996
City Colleges of Chicago	250,000	100.00%	250,000
Chicago Park District	845,460	100.00%	845,460
Cook County	3,572,060	48.18%	1,721,019
Forest Preserve District	204,710	49.53%	101,393
Water Reclamation District	2,458,516	50.53%	1,242,288
Subtotal, overlapping debt			$12,526,156
Chicago Public School Direct Debt			6,177,456
Total Direct and Overlapping Debt			$18,703,612

(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 2013 City of Chicago tax extension within the City of Chicago by the total 2013 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. 2009	Jun. 2010	Oct. 2010	Oct. 2011	Jul. 2012	Aug. 2012	Sep. 2012	Oct. 2012	July 2013	Sep. 2013	Mar. 2014
S&P	AA-	AA-	AA	AA-	AA-	A+	A+	A+	A+	A+	A+
Moody's	A1	A1	Aa2	Aa3	A1	A1	A2	A2	A3	A3	Baa1
Fitch	A+	AA-	A+	A+	A+	A+	A+	A	A	A-	A-

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)
2004	2,896,016	$107,239,472	$37,030	32.60	1,051,018
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	N/A	N/A	33.30	1,028,746

Notes:

A. Source: U.S. Census Bureau. The census is conducted decennially at the start of each decade.
B. Source: Bureau of Economic Analysis. These rates are for Cook County.
C. Source: World Business Chicago Website
D. Source: Illinois Workforce Info Center Website

N/A: Not available at publishing.

STATISTICAL SECTION

Civilian Labor Force (D)		Employment (D)		
Number	Percent of Population	Number	Percent of Population	Unemployment Rate
1,309,514	45.22%	1,211,707	41.84%	7.50%
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%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)
Last Eight Years

Employer	2013			2012			2011			2010		
	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
J.P. Morgan Chase (1)	8,499	1	0.78%	8,168	1	0.76%	7,993	1	0.77%	8,094	1	0.81%
United Airlines	8,199	2	0.75%	7,521	2	0.70%	6,366	2	0.62%	5,585	2	0.58%
Accenture LLP	5,821	3	0.53%	5,590	3	0.52%	5,014	4	0.48%	4,224	7	0.32%
Northern Trust	5,353	4	0.49%	5,448	4	0.51%	5,485	3	0.53%	5,833	3	0.56%
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%	5,307	4	0.52%
ABM Janitorial Midwest, Inc.	3,399	7	0.31%	3,398	8	0.32%	3,629	9	0.35%	3,840	9	0.30%
Bank of America NT & SA	3,392	8	0.31%	3,811	7	0.36%	4,557	6	0.44%	4,668	5	0.44%
Walgreen's Co.	2,869	9	0.26%	2,789	10	0.26%	4,429	7	0.43%	4,552	6	0.33%
American Airlines	2,749	10	0.25%	3,076	9	0.29%	—	—	—	3,153	10	0.27%
SBC Ameritech (2)	—	—	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	4,159	8	0.40%	4,067	8	0.30%
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.

NOTES:

Beginning with fiscal year 2006, the Chicago Board of Education will accumulate 10 years of data.

(1) J.P. Morgan Chase formerly known as Bank One.

(2) Ameritch currently known as SBC/AT&T.

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
8,431	1	0.81%	8,865	1	0.81%	9,114	1	0.73%	8,979	1	0.82%
6,019	2	0.58%	6,403	2	0.58%	6,102	2	0.49%	5,944	2	0.55%
3,341	7	0.32%	4,532	5	0.41%	4,283	5	0.34%	4,470	5	0.41%
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%
5,833	3	0.56%	5,977	3	0.55%	5,424	3	0.43%	5,453	3	0.50%
—	—	—	—	—	—	—	—	—	—	—	—
4,631	5	0.44%	—	—	—	—	—	—	3,108	10	0.29%
—	—	—	—	—	—	—	—	—	—	—	—
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%
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 2013 NET REVENUES
(Millions of dollars)

Company Name	2013 Net Revenues	Number of Employees (1)
Archer Daniels Midland Co.	$89,804.0	31,100
Boeing Co.	86,623.0	168,400
Walgreen Co. (2)	72,217.0	248,000
Caterpillar Inc.	55,656.0	118,501
United Continental Holdings Inc.	38,279.0	87,000
Deere & Co. (4)	37,795.4	67,044
Sears Holdings Corp. (3)	36,188.0	249,000
Mondelez International Inc.	35,299.0	107,000
Allstate Corp.	34,507.0	39,400
McDonald's Corp.	28,105.7	440,000
Exelon Corp.	24,888.0	25,829
Abbott Laboratories	21,848.0	69,000
Abbvie Inc.	18,790.0	25,000
Kraft Foods Group Inc.	18,218.0	22,500
Baxter International Inc.	15,259.0	61,000
Catamaran Corp.	14,780.1	4,000
Illinois Tool Works Inc.	14,135.0	51,000
Navistar International Corp. (4)	10,775.0	14,800
CDW Corp.	10,768.6	6,967
R.R. Donnelley & Sons Co.	10,480.3	57,000

Source: **Crain's Chicago Business**, "Chicago's Largest Public Companies", from May 26, 2014 issue. Copyright 2014 Crain Communications Inc.

1. Most recent employee count available
2. Fiscal year ends in August.
3. Fiscal year ends in February.
4. Fiscal year ends in October.

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, 2014
With Comparative Amounts for the Fiscal Year Ended June 30, 2013
(Thousands of dollars)

	Approved Budget	Transfers In (Out)	Final Appropriations	Fiscal Year 2014 Actual	Variance	Fiscal Year 2013 Actual	2014 Over (Under) 2013
Revenues:							
Property taxes	$2,141,418	$ —	$2,141,418	$2,161,204	$ 19,786	$2,157,777	$ 3,427
Replacement taxes	105,520	—	105,520	131,075	25,555	128,212	2,863
State aid	1,621,466	—	1,621,466	1,631,782	10,316	1,599,424	32,358
Federal aid	908,352	—	908,352	864,457	(43,895)	805,983	58,474
Interest and investment income	3,050	—	3,050	4,458	1,408	2,207	2,251
Other	169,659	—	169,659	143,859	(25,800)	132,717	11,142
Total revenues	$4,949,465	$ —	$4,949,465	$4,936,835	($ 12,630)	$4,826,320	$110,515
Expenditures:							
Teachers' salaries	$1,940,215	$ (9,374)	$1,930,841	$1,921,969	$ (8,872)	$1,942,007	$ (20,038)
Career service salaries	621,111	9,209	630,320	619,462	(10,858)	633,489	(14,027)
Energy	74,360	6,777	81,137	87,547	6,410	76,559	10,988
Food	100,073	2,653	102,726	96,816	(5,910)	106,650	(9,834)
Textbooks	31,304	33,246	64,550	52,871	(11,679)	68,969	(16,098)
Supplies	50,678	20,373	71,051	55,223	(15,828)	52,925	2,298
Other commodities	620	202	822	648	(174)	408	240
Professional fees	391,381	92,423	483,804	441,667	(42,137)	398,064	43,603
Charter schools	568,243	27,825	596,068	580,652	(15,416)	498,162	82,490
Transportation	111,776	(849)	110,927	104,430	(6,497)	106,861	(2,431)
Tuition	68,444	3,814	72,258	66,396	(5,862)	54,626	11,770
Telephone and telecommunications	19,959	(7,492)	12,467	30,297	17,830	23,642	6,655
Other services	11,533	6,578	18,111	14,126	(3,985)	12,438	1,688
Equipment — educational	37,565	46,441	84,006	62,757	(21,249)	59,654	3,103
Repairs and replacements	20,116	10,633	30,749	31,679	930	26,449	5,230
Capital outlay	—	—	—	—	—	75	(75)
Teachers' pension	746,077	(20,868)	725,209	740,419	15,210	374,567	365,852
Career service pension	100,407	3,281	103,688	101,885	(1,803)	102,342	(457)
Hospitalization and dental insurance	330,346	16,216	346,562	343,308	(3,254)	319,792	23,516
Medicare	37,862	(1,036)	36,826	35,951	(875)	36,404	(453)
Unemployment compensation	12,424	4,098	16,522	16,426	(96)	9,134	7,292
Workers' compensation	23,893	2,190	26,083	25,646	(437)	23,967	1,679
Rent	12,697	(336)	12,361	12,164	(197)	10,547	1,617
Other fixed charges	281,189	(246,004)	35,185	7,792	(27,393)	8,639	(847)
Total expenditures	$5,592,273	$ —	$5,592,273	$5,450,131	($142,142)	$4,946,370	$503,761

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2014
(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	$2,128,200	$ —	$ —	$ —
Replacement taxes	127,241	—	—	—
State aid	859,211	—	161,836	261,157
Federal aid	67,705	100,092	135,560	—
Interest and investment income	4,370	—	—	—
Other	103,583	—	1,839	5,403
Total revenues	$3,290,310	$100,092	$299,235	$266,560

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
$ —	$ —	$33,004	$ —	$ —	$2,161,204
—	3,834	—	—	—	131,075
—	7,250	—	342,328	—	1,631,782
342,915	181,902	—	—	36,283	864,457
—	—	88	—	—	4,458
3	9,864	4,750	18,417	—	143,859
$342,918	$202,850	$37,842	$360,745	$36,283	$4,936,835

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF EXPENDITURES — BY PROGRAM
For the Fiscal Year Ended June 30, 2014
(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	$1,578,055	$ 68,129	$ 99,966	$86,797
Career service salaries	302,342	4,486	42,359	56,827
Energy	338	—	—	—
Food	1,886	32	1,463	3
Textbooks	32,853	107	6,049	6,555
Supplies	31,598	275	4,838	7,322
Other commodities	303	3	15	86
Professional fees	114,154	2,169	88,523	9,917
Charter schools	503,904	—	9,729	40,866
Transportation	97,932	230	1,853	2,333
Tuition	60,923	2,320	2,187	755
Telephone and telecommunications	29,543	—	4	7
Other services	8,196	48	2,721	1,154
Equipment — educational	39,146	846	6,861	8,254
Repairs and replacements	3,757	5	144	1,589
Capital outlay	—	—	—	—
Teachers' pension	688,071	11,498	15,474	13,372
Career service pension	49,281	804	6,781	8,706
Hospitalization and dental insurance	238,227	8,500	17,334	19,488
Medicare	26,332	976	2,077	2,260
Unemployment compensation	12,349	491	864	865
Workers' compensation	19,277	767	1,349	1,351
Rent	458	22	655	—
Other fixed charges	(10,370)	974	389	—
Total expenditures	$3,828,555	$102,682	$311,635	$268,507

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
$ 88,927	$ —	$ 95	$ —	$1,921,969
24,385	60,680	44,547	83,836	619,462
—	—	—	87,209	87,547
448	92,984	—	—	96,816
7,153	5	—	149	52,871
5,724	44	48	5,374	55,223
36	5	—	200	648
95,454	2,927	13,294	115,229	441,667
26,153	—	—	—	580,652
1,900	18	28	136	104,430
211	—	—	—	66,396
9	101	—	633	30,297
1,532	267	6	202	14,126
7,447	12	74	117	62,757
180	—	35	25,969	31,679
—	—	—	—	—
11,988	—	16	—	740,419
3,821	10,282	7,269	14,941	101,885
12,779	23,567	10,147	13,266	343,308
1,657	822	802	1,025	35,951
617	389	280	571	16,426
964	608	438	892	25,646
18	15	—	10,996	12,164
768	10,124	5,907	—	7,792
$292,171	$202,850	$82,986	$360,745	$5,450,131

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2005	2006	2007	2008	2009	2010
Local revenue:						
Property taxes	$1,639,237	$1,718,249	$1,767,760	$1,813,917	$1,896,540	$2,047,163
Replacement taxes	145,724	184,700	201,509	215,489	188,503	152,497
Investment income	43,215	71,947	116,907	85,895	43,693	12,483
Other	102,654	163,765	286,230	181,028	253,376	359,661
Total local	$1,930,830	$2,138,661	$2,372,406	$2,296,329	$2,382,112	$2,571,804
State revenue:						
General state aid	$ 908,330	$ 978,672	$1,040,241	$1,107,408	$ 879,658	$1,001,777
Teachers' pension	65,045	74,922	75,242	75,218	74,845	37,551
Capital	3,061	—	—	—	—	—
Other	530,679	549,041	586,102	663,408	557,383	512,748
Total state	$1,507,115	$1,602,635	$1,701,585	$1,846,034	$1,511,886	$1,552,076
Federal revenue:						
Elementary and Secondary Education Act (ESEA)	$ 277,610	$ 273,900	$ 269,446	$ 350,515	$ 369,352	$ 307,331
Individuals with Disabilities Education Act (IDEA)	105,835	99,908	81,721	106,051	95,230	96,240
School lunchroom	145,668	147,899	147,407	150,394	139,096	178,764
Medicaid	26,000	33,422	24,257	31,671	50,758	34,937
Other	207,842	220,502	223,198	237,410	471,144	562,876
Total federal	$ 762,955	$ 775,631	$ 746,029	$ 876,041	$1,125,580	$1,180,148
Total revenue	$4,200,900	$4,516,927	$4,820,020	$5,018,404	$5,019,578	$5,304,028
Change in revenue from previous year	$ 108,702	$ 316,027	$ 303,093	$ 198,384	$ 1,174	$ 284,450
Percent change in revenue	2.7%	7.5%	6.7%	4.1%	0.0%	5.7%

STATISTICAL SECTION

2011	2012	2013	2014	Budget 2015	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$1,936,655	$2,352,136	$2,211,568	$2,213,306	$2,233,700	3.1%	1.8%
197,762	181,927	185,884	188,041	188,900	2.6%	4.4%
13,399	20,760	7,303	15,596	80	-46.7%	-63.6%
417,516	303,744	322,128	272,747	417,010	15.0%	3.0%
$2,565,332	$2,858,567	$2,726,883	$2,689,690	$2,839,690	3.9%	2.0%
$1,163,412	$1,136,472	$1,094,732	$1,091,564	$1,038,920	1.4%	0.7%
42,971	10,449	10,931	11,903	12,145	-15.4%	-20.2%
2,793	—	—	—	—	-100.0%	N/A
740,605	818,980	710,135	739,229	783,457	4.0%	8.8%
$1,949,781	$1,965,901	$1,815,798	$1,842,696	$1,834,522	2.0%	3.4%
$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 203,665	-3.0%	-7.9%
88,058	84,385	106,902	100,092	103,800	-0.2%	1.5%
175,753	182,836	190,093	181,902	207,937	3.6%	3.1%
72,343	92,736	41,523	44,801	47,667	6.2%	6.4%
536,871	292,313	242,678	234,476	334,167	4.9%	-9.9%
$1,144,884	$ 935,951	$ 845,796	$ 904,186	$ 897,236	1.6%	-5.3%
$5,659,997	$5,760,419	$5,388,477	$5,436,572	$5,571,448	2.9%	1.0%
$ 355,969	$ 100,422	$ (371,942)	$ 48,095	$ 134,876		
6.7%	1.8%	-6.5%	0.9%	2.5%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2005	2006	2007	2008	2009	2010
Compensation:						
Teacher salaries	$1,850,403	$1,916,378	$1,924,109	$1,885,400	$1,975,940	$2,026,257
ESP salaries	515,427	537,346	535,148	559,741	597,533	604,042
Total salaries	$2,365,830	$2,453,724	$2,459,257	$2,445,141	$2,573,473	$2,630,299
Teacher pension	198,065	247,585	282,488	350,483	392,801	475,628
ESP pension	81,560	87,530	83,317	89,776	93,791	96,913
Hospitalization	230,204	243,003	250,765	260,386	299,206	311,048
Medicare	26,719	29,989	25,279	31,075	33,667	34,826
Unemployment insurance	8,558	6,382	8,236	5,764	8,599	16,000
Workers' compensation	17,953	21,004	24,619	29,757	28,148	28,244
Total benefits	$ 563,059	$ 635,493	$ 674,704	$ 767,241	$ 856,212	$ 962,659
Total compensation	$2,928,889	$3,089,217	$3,133,961	$3,212,382	$3,429,685	$3,592,958
Non-compensation:						
Energy	$ 64,647	$ 70,760	$ 77,133	$ 86,759	$ 92,354	$ 78,682
Food	89,628	85,815	83,798	83,326	89,592	93,088
Textbooks	79,677	71,942	65,772	89,514	86,356	70,596
Supplies	45,210	46,965	45,945	46,030	44,572	48,046
Commodities — other	1,314	1,135	1,072	910	998	948
Professional fees	292,517	319,904	322,252	360,277	440,921	381,851
Charter schools	82,537	118,445	141,030	189,006	256,154	326,322
Transportation	93,639	92,589	97,076	102,828	109,351	109,349
Tuition	66,854	62,890	63,103	65,105	63,858	62,568
Telephone and telecommunications	8,635	16,944	13,701	17,671	19,426	18,199
Services — other	11,516	13,104	13,271	13,253	13,935	15,688
Equipment	44,081	38,335	34,614	39,003	34,450	33,661
Repairs and replacements	35,224	35,556	32,973	36,999	34,772	31,854
Capital outlays	389,450	310,821	345,020	463,067	648,314	691,774
Rent	10,393	14,174	12,965	11,020	12,000	12,093
Debt service	315,809	214,652	342,179	282,142	302,206	386,597
Other	6,215	5,894	6,429	18,888	13,306	17,519
Total non-compensation	$1,637,346	$1,519,925	$1,698,333	$1,905,798	$2,262,565	$2,378,835
Total expenditures	$4,566,235	$4,609,142	$4,832,294	$5,118,180	$5,692,250	$5,971,793
Change in expenditures from previous year	$ 184,219	$ 42,907	$ 223,152	$ 285,886	$ 574,070	$ 279,543
Percent change in expenditures	4.2%	0.9%	4.8%	5.9%	11.2%	4.9%

2011	2012	2013	2014	Budget 2015	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,986,062	0.7%	-0.4%
610,741	618,265	633,489	619,462	625,489	2.0%	0.7%
$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,611,551	1.0%	-0.1%
306,111	335,657	374,567	740,419	795,135	14.9%	10.8%
102,158	100,026	102,342	101,885	101,378	2.2%	0.9%
353,878	324,918	319,792	343,308	341,352	4.0%	1.9%
35,004	34,900	36,404	35,951	39,539	4.0%	2.6%
21,992	17,141	9,134	16,426	9,141	0.7%	-10.6%
25,859	26,042	23,967	25,646	23,225	2.6%	-3.8%
$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,309,770	8.8%	6.4%
$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,921,321	3.0%	1.8%
$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 78,696	2.0%	0.0%
93,766	104,245	106,650	96,816	100,615	1.2%	1.6%
70,249	49,147	68,969	52,871	39,288	-6.8%	-11.1%
51,125	45,521	52,925	55,223	41,345	-0.9%	-3.0%
478	583	408	648	637	-7.0%	-7.6%
450,127	412,072	398,064	441,667	320,744	0.9%	-3.4%
377,755	424,423	498,162	580,652	649,777	22.9%	14.8%
107,530	109,368	106,861	104,430	99,513	0.6%	-1.9%
59,102	55,001	54,626	66,396	74,748	1.1%	3.6%
19,823	23,451	23,642	30,297	34,722	14.9%	13.8%
11,789	11,010	12,438	14,126	11,647	0.1%	-5.8%
41,896	40,938	59,654	62,757	41,436	-0.6%	4.2%
37,355	33,912	26,449	31,679	16,280	-7.4%	-12.6%
563,390	576,925	493,532	486,986	509,902	2.7%	-5.9%
11,941	11,745	10,547	12,164	13,181	2.4%	1.7%
332,097	374,494	390,409	467,904	603,791	6.7%	9.3%
14,402	9,679	8,639	7,792	312,291	47.9%	77.91%
$2,326,181	$2,355,923	$2,388,534	$2,599,955	$2,948,613	6.1%	4.4%
$5,805,434	$5,839,704	$5,830,236	$6,405,021	$6,869,934	4.2%	2.8%
$ (166,359)	$ 34,270	$ (9,468)	$ 574,785	$ 464,913		
-2.8%	0.6%	-0.2%	9.8%	7.3%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2005	2006	2007	2008
Revenues:				
Local	$1,930,830	$2,138,661	$2,372,406	$ 2,296,329
State	1,507,115	1,602,635	1,701,585	1,846,034
Federal	762,955	775,631	746,029	876,041
Total revenues	$4,200,900	$4,516,927	$4,820,020	$ 5,018,404
Total expenditures	4,566,235	4,609,142	4,832,294	5,118,180
Revenues less expenditures	$ (365,335)	$ (92,215)	$ (12,274)	$ (99,776)
Other Financing Sources:				
Bond proceeds	$ 529,760	$ 385,603	$ 355,805	$ 1,674,555
Net premiums/discounts	43,450	3,798	14,444	41,226
Proceeds from swaps	—	—	—	—
Capital leases	—	3,700	—	—
Insurance proceeds	—	—	—	—
Sales of general capital assets	—	7,596	25,673	6,404
Payment to bond escrow agent	(282,478)	—	—	(1,474,081)
Total other financing sources	$ 290,732	$ 400,697	$ 395,922	$ 248,104
Change in fund balance	$ (74,603)	$ 308,482	$ 383,648	$ 148,328
Fund balance — beginning of period	1,120,269	1,045,666	1,354,148	1,578,331
Fund balance — end of period	$1,045,666	$1,354,148	$1,737,796	$ 1,726,659
Revenues as a percent of expenditures	92.0%	98.0%	99.7%	98.1%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 238,238	$ 323,251	$ 296,799	$ 401,281
Reserved for restricted donations	1,459	1,503	1,765	1,826
Reserved for specific purposes	43,675	84,388	129,597	102,695
Reserved for debt services	294,700	353,267	264,867	272,471
Unreserved:				
Designated to provide operating capital	190,000	218,400	233,200	258,000
Undesignated	277,594	373,339	811,568	690,386
Nonspendable	—	—	—	—
Restricted for grants and donations	—	—	—	—
Restricted for workers' comp/tort immunity	—	—	—	—
Restricted for capital improvement program	—	—	—	—
Restricted for debt service	—	—	—	—
Assigned for educational services	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—
Assigned for debt service	—	—	—	—
Assigned for commitments and contracts	—	—	—	—
Unassigned	—	—	—	—
Total fund balance	$1,045,666	$1,354,148	$1,737,796	$ 1,726,659
Unreserved/Unassigned fund balance as a percentage of revenues	11.1%	13.1%	21.7%	18.9%
Total fund balance as a percentage of revenues	24.9%	30.0%	36.1%	34.4%

NOTE: The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

2009	2010	2011	2012	2013	2014	Budget 2015
$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,689,690	$ 2,839,690
1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,842,696	1,834,522
1,125,580	1,180,148	1,144,884	935,951	845,796	904,186	897,236
$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,436,572	$ 5,571,448
5,692,250	5,971,793	5,805,434	5,839,704	5,830,236	6,405,021	6,869,934
$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (968,449)	$(1,298,486)
$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600	$ 340,000
—	6,459	14,700	1,229	47,271	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
1,155	—	—	—	—	—	—
91	—	—	—	723	7,301	—
(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	—
$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 340,000
$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (829,548)	
1,726,659	1,054,500	1,187,750	1,426,320	1,750,674	1,859,032	
$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	
88.2%	88.8%	97.5%	98.6%	92.4%	84.9%	
$ 211,422	$ 340,688	$ —	$ —	$ —	$ —	
3,695	5,825	—	—	—	—	
101,072	109,163	—	—	—	—	
272,273	375,211	—	—	—	—	
181,200	—	—	—	—	—	
284,838	356,863	—	—	—	—	
—	—	1,972	9,003	6,108	429	
—	—	126,855	69,873	63,434	61,022	
—	—	91,036	92,680	64,985	19,838	
—	—	182,884	88,762	169,368	—	
—	—	271,643	332,517	466,966	491,552	
—	—	289,000	—	—	—	
—	—	181,300	348,900	562,682	267,652	
—	—	231,413	254,967	269,167	193,877	
—	—	44,924	110,397	105,664	87,067	
—	—	5,293	443,575	150,658	(91,953)	
$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	
9.3%	6.7%	0.1%	7.7%	2.8%	-1.7%	
21.0%	22.4%	25.2%	30.4%	34.5%	18.9%	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of Dollars)

	2005	2006	2007	2008	2009
Local revenue:					
Property taxes	$1,587,803	$1,666,118	$1,716,516	$1,763,282	$1,867,350
Replacement taxes	94,546	131,639	147,403	159,805	132,819
Investment income	14,003	36,874	61,595	40,905	21,405
Other	85,377	101,129	95,534	96,816	102,107
Total local	$1,781,729	$1,935,760	$2,021,048	$2,060,808	$2,123,681
State Revenue:					
General state aid	$ 821,699	$ 868,398	$ 888,220	$ 953,783	$ 700,954
Teacher pension	65,045	74,922	75,233	75,210	74,845
Other	530,679	549,041	586,040	663,358	557,383
Total state	$1,417,423	$1,492,361	$1,549,493	$1,692,351	$1,333,182
Federal revenue:					
Elementary and Secondary Education Act (ESEA)	$ 277,610	$ 273,900	$ 269,446	$ 350,515	$ 369,352
Individuals with Disabilities Education Act (IDEA)	105,835	99,908	81,721	106,051	95,230
School lunch program	145,668	147,899	147,407	150,394	139,096
Medicaid	26,000	33,422	24,257	31,671	50,758
Other	191,290	202,602	189,132	193,895	468,369
Total federal	$ 746,403	$ 757,731	$ 711,963	$ 832,526	$1,122,805
Total revenue	$3,945,555	$4,185,852	$4,282,504	$4,585,685	$4,579,668
Change in revenue from previous year	$ 223,566	$ 240,297	$ 96,652	$ 303,181	$ (6,017)
Percentage change in revenue	6.0%	6.1%	2.3%	7.1%	-0.1%

2010	2011	2012	2013	2014	Budget 2015	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,035,938	$1,904,169	$2,295,178	$2,157,777	$2,161,204	$2,178,493	3.2%	1.4%
96,816	172,384	126,786	128,212	131,075	132,735	3.5%	6.5%
3,084	1,920	4,363	2,207	4,458	80	-40.3%	-51.8%
111,985	221,391	142,160	132,717	143,859	211,246	9.5%	13.5%
$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,440,596	$2,522,554	3.5%	2.3%
$ 801,198	$ 940,693	$ 989,943	$ 945,651	$ 972,572	$ 847,658	0.3%	1.1%
74,922	42,971	10,449	10,931	11,903	12,145	-15.4%	-30.5%
491,677	710,902	756,774	642,842	647,307	647,937	2.0%	5.7%
$1,367,797	$1,694,566	$1,757,166	$1,599,424	$1,631,782	$1,507,740	0.6%	2.0%
$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 203,665	-3.0%	-7.9%
96,240	88,058	84,385	106,902	100,092	103,800	-0.2%	1.5%
178,764	175,753	182,836	190,093	181,902	207,937	3.6%	3.1%
34,937	72,343	92,736	41,523	44,801	47,667	6.2%	6.4%
543,140	513,444	247,349	202,865	194,747	300,558	4.6%	-11.2%
$1,160,412	$1,121,457	$ 890,987	$ 805,983	$ 864,457	$ 863,627	1.5%	-5.7%
$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,936,835	$4,893,921	2.2%	0.5%
$ 196,364	$ 339,855	$ 100,753	$ (390,320)	$ 110,515	$ (42,914)		
4.3%	7.1%	2.0%	-7.5%	2.3%	-0.9%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2005	2006	2007	2008	2009	2010
Compensation:						
Teachers' salaries	$1,850,403	$1,916,378	$1,924,109	$1,885,400	$1,975,940	$2,026,257
ESP salaries	515,427	537,346	535,148	559,741	597,533	604,042
Total salaries	$2,365,830	$2,453,724	$2,459,257	$2,445,141	$2,573,473	$2,630,299
Teachers' pension	198,065	247,585	282,488	350,483	392,801	475,628
ESP pension	81,560	87,530	83,317	89,776	93,791	96,913
Hospitalization	230,204	243,003	250,765	260,386	299,206	311,048
Medicare	26,719	29,989	25,279	31,075	33,667	34,826
Unemployment insurance	8,558	6,382	8,236	5,764	8,599	16,000
Workers' compensation	17,953	21,004	24,619	29,757	28,148	28,244
Total benefits	$ 563,059	$ 635,493	$ 674,704	$ 767,241	$ 856,212	$ 962,659
Total compensation	$2,928,889	$3,089,217	$3,133,961	$3,212,382	$3,429,685	$3,592,958
Non-compensation:						
Energy	$ 64,647	$ 70,760	$ 77,133	$ 86,759	$ 92,354	$ 78,682
Food	89,628	85,815	83,798	83,326	89,592	93,088
Textbooks	79,677	71,942	65,772	89,514	86,356	70,596
Supplies	45,210	46,965	45,945	46,030	44,572	48,046
Commodities — other	1,314	1,135	1,072	910	998	948
Professional fees	292,517	319,904	322,252	360,277	440,921	381,851
Charter schools	82,537	118,445	141,030	189,006	256,154	326,322
Transportation	93,639	92,589	97,076	102,828	109,351	109,349
Tuition	66,854	62,890	63,103	65,105	63,858	62,568
Telephone and telecommunications	8,635	16,944	13,701	17,671	19,426	18,199
Services — other	11,516	13,104	13,271	13,253	13,935	15,688
Equipment	44,081	38,335	34,614	39,003	34,450	33,661
Repairs and replacements	35,224	35,556	32,973	36,999	34,772	31,854
Capital outlays	—	4	5	10	12	10
Rent	10,393	14,174	12,965	11,020	12,000	12,093
Debt service	1,420	1,420	1,269	21,704	1,037	2,710
Other	6,215	5,894	6,429	18,888	13,306	17,519
Total non-compensation	$ 933,507	$ 995,876	$1,012,408	$1,182,303	$1,313,094	$1,303,184
Total expenditures	$3,862,396	$4,085,093	$4,146,369	$4,394,685	$4,742,779	$4,896,142
Change in expenditures from previous year	$ 103,886	$ 222,697	$ 61,276	$ 248,316	$ 348,094	$ 153,363
Percent change in expenditures	2.8%	5.8%	1.5%	6.0%	7.9%	3.2%

STATISTICAL SECTION

2011	2012	2013	2014	Budget 2015	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,986,062	0.7%	-0.4%
610,741	618,265	633,489	619,462	625,489	2.0%	0.7%
$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,611,551	1.0%	-0.1%
306,111	335,657	374,567	740,419	795,135	14.9%	10.8%
102,158	100,026	102,342	101,885	101,378	2.2%	0.9%
353,878	324,918	319,792	343,308	341,352	4.0%	1.9%
35,004	34,900	36,404	35,951	39,539	4.0%	2.6%
21,992	17,141	9,134	16,426	9,141	0.7%	-10.6%
25,859	26,042	23,967	25,646	23,225	2.6%	-3.8%
$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,309,770	8.8%	6.4%
$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,921,321	3.0%	1.8%
$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 78,696	2.0%	0.0%
93,766	104,245	106,650	96,816	100,615	1.2%	1.6%
70,249	49,147	68,969	52,871	39,288	-6.8%	-11.1%
51,125	45,521	52,925	55,223	41,345	-0.9%	-3.0%
478	583	408	648	637	-7.0%	-7.6%
450,127	412,072	398,064	441,667	320,744	0.9%	-3.4%
377,755	424,423	498,162	580,652	649,777	22.9%	14.8%
107,530	109,368	106,861	104,430	99,513	0.6%	-1.9%
59,102	55,001	54,626	66,396	74,748	1.1%	3.6%
19,823	23,451	23,642	30,297	34,722	14.9%	13.8%
11,789	11,010	12,438	14,126	11,647	0.1%	-5.8%
41,896	40,938	59,654	62,757	41,436	-0.6%	4.2%
37,355	33,912	26,449	31,679	16,280	-7.4%	-12.6%
5	43	75	—	—	-100.0%	-100.0%
11,941	11,745	10,547	12,164	13,181	2.4%	1.7%
—	—	—	—	—	-100.0%	-100.0%
14,402	9,679	8,639	7,792	312,291	47.9%	77.9%
$1,430,699	$1,404,547	$1,504,668	$1,645,065	$1,834,920	7.0%	7.1%
$4,909,952	$4,888,328	$4,946,370	$5,450,131	$5,756,241	4.1%	3.3%
$ 13,810	$ (21,624)	$ 58,042	$ 503,761	$ 306,110		
0.3%	-0.4%	1.2%	10.2%	5.6%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)
Last Ten Fiscal Years and 2015 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2005	2006	2007	2008
Revenues:				
Local	$1,781,729	$1,935,760	$2,021,048	$2,060,808
State	1,417,423	1,492,361	1,549,493	1,692,351
Federal	746,403	757,731	711,963	832,526
Total revenues	$3,945,555	$4,185,852	$4,282,504	$4,585,685
Total expenditures	3,862,396	4,085,093	4,146,369	4,394,685
Revenues less expenditures	$ 83,159	$ 100,759	$ 136,135	$ 191,000
Other financing sources less transfers	328	4,145	1,904	3,813
Change in fund balance	$ 83,487	$ 104,904	$ 138,039	$ 194,813
Fund balance — beginning of period	307,506	390,993	495,897	474,783
Fund balance — end of period	$ 390,993	$ 495,897	$ 633,936	$ 669,596
Revenues as a percent of expenditures	102.2%	102.5%	103.3%	104.3%
Composition of fund balance				
Reserved:				
Reserved for encumbrances	$ 97,313	$ 102,286	$ 97,731	$ 132,684
Reserved for restricted donations	1,459	1,503	1,765	1,826
Reserved by law for specific purposes	43,675	84,388	129,597	102,695
Unreserved:				
Designated to provide operating capital	190,000	218,400	233,200	258,000
Undesignated	58,546	89,320	171,643	174,391
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 fund balance	$ 390,993	$ 495,897	$ 633,936	$ 669,596
Unreserved/unassigned fund balance as a percent of revenues	6.3%	7.4%	9.5%	9.4%
Total fund balance as a percentage of revenues	9.9%	11.8%	14.8%	14.6%

NOTE: The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

2009	2010	2011	2012	2013	2014	Budget 2015
$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,440,596	$2,522,554
1,333,182	1,367,797	1,694,566	1,757,166	1,599,424	1,631,782	1,507,740
1,122,805	1,160,412	1,121,457	890,987	805,983	864,457	863,627
$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,936,835	$4,893,921
4,742,779	4,896,142	4,909,952	4,888,328	4,946,370	5,450,131	5,756,241
$ (163,111)	$ (120,110)	$ 205,935	$ 328,312	$ (120,050)	$ (513,296)	$ (862,320)
20,389	17,851	109,830	62	439	161	
$ (142,722)	$ (102,259)	$ 315,765	$ 328,374	$ (119,611)	$ (513,135)	
669,596	526,874	424,615	740,380	1,068,754	949,143	
$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	
96.6%	97.5%	104.2%	106.7%	97.6%	90.6%	
$ 110,685	$ 111,166	$ —	$ —	$ —	$ —	
3,695	5,825	—	—	—	—	
101,072	109,163	—	—	—	—	
181,200	—	—	—	—	—	
130,222	198,461	—	—	—	—	
—	—	1,972	3,329	1,720	429	
—	—	126,855	69,873	63,434	61,022	
—	—	91,036	92,680	64,985	19,838	
—	—	289,000	—	—	—	
—	—	181,300	348,900	562,682	267,652	
—	—	44,924	110,397	105,664	87,067	
—	—	5,293	443,575	150,658	—	
$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	
6.8%	4.2%	0.1%	8.5%	3.1%	0.0%	
11.5%	8.9%	14.5%	20.5%	19.7%	8.8%	

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, 2014

Eligible Expenditures:	
Physical Education — Athletic Claims	$ 64,383
Tort Claims — Administration Fee	677,250
Tort Claims — Casualty	821,412
General Liability Insurance	1,584,145
Property Damage Insurance	2,713,145
Property Loss Reserve Fund	60,000
Compensation and Benefits Management	86,763
School Safety Administration	855,909
School Safety Services	2,356,543
Personnel Security Services	52,994,381
Security Police Officers	13,000,000
Central Service Security	4,629,974
Security Services	2,762,289
Crisis Intervention	358,903
Risk Management Administration	23,300
Total Eligible Expenditures	$82,988,397

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2014

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools	$17,210,359	$36,817,264	$35,548,965	$18,478,658
Child Parent Centers	57,437	65,045	68,138	54,344
Alternative Schools	24,876	29,411	34,175	20,112
Middle Schools	558,635	657,565	739,940	476,260
High Schools	14,870,551	33,014,817	30,276,538	17,608,830
	$32,721,858	$70,584,102	$66,667,756	$36,638,204
Investments:				
Elementary Schools				175,176
High Schools				1,599,870
Total Cash and Investments Held for Student Activities				$38,413,250

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$1,660,809	$2,761,384	$4,422,193
Total Elementary Students	257,867	257,867	257,867
Average Fee per Student	$ 6.44	$ 10.71	$ 17.15
Total High School Fees	$ 942,084	$8,474,610	$9,416,694
Total High School Students	87,199	87,199	87,199
Average Fee per Student	$ 10.80	$ 97.19	$ 107.99

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.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Board of Education of the City of Chicago

SCHEDULE OF INSURANCE AND INSURANCE SERVICES

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
BROKER SERVICES	Mesirow Financial	07/01/13 — 06/30/14	$ 139,500	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	07/01/13 — 06/30/14	$ 2,082,000	$50M per occurrence subject to $1M deductible
Property Excess II	Torus Specialty Insurance Company	07/01/13 — 06/30/14	39,038	$12.5M part of $50M excess $50M
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/13 — 06/30/14	54,654	$17.5M part of $50M excess $50M
Property Excess II	Homeland Insurance Company	07/01/13 — 06/30/14	23,424	$7.5M part of $50M excess $50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/13 — 06/30/14	39,039	$12.5M part of $50M excess $50M
Property Excess III	Homeland Insurance Company	07/01/13 — 06/30/14	24,593	$22.5M part of $150M excess $100M
Property Excess III	Great American Insurance Company	07/01/13 — 06/30/14	63,000	$60M part of $150M excess $100M
Property Excess III	Lexington Insurance Company	07/01/13 — 06/30/14	73,781	$67.5M part of $150M excess $100M
Terrorism Property and Liability	Hiscox Insurance Company, Inc.	07/01/13 — 06/30/14	133,336	$50M excess of $500,000 deductible
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/13 — 06/30/14	85,473	$100M subject to $50,000 deductible
Primary Crime	Great American Insurance Company	07/01/13 — 06/30/14	29,744	$10M subject to deductible $1M deductible
Special Crime	Federal Insurance Company	07/01/13 — 06/30/14	9,484	$5M no deductible
			$ 2,657,566	Total Property, Boiler & Machinery and Crime for year end 06/30/14
Property Loss Reserve			59,999	Self-Insurance contents/claim payments
Total Property Program			$ 2,717,565	

STATISTICAL SECTION

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	07/01/13 — 06/30/14	$ 420,859	$5M Each Occurrence $10M Aggregate subject to $5M deductible
School Board Legal, EPL Cov C	ACE Illinois Union Insurance Company	07/01/13 — 06/30/14	Included above	$5M Each Claim $10M Aggregate subject to $5M deductible
Miscellaneous Professional Liability Cov D	ACE Illinois Union Insurance Company	07/01/13 — 06/30/14	Included above	$5M Each Claim $5M Aggregate subject to $5M deductible
Automobile Liability	ACE Illinois Union Insurance Company	07/01/13 — 06/30/14	Included above	$5M subject to $5M deductible
Excess Liability I	Allied World Assurance Company	07/01/13 — 06/30/14	403,975	$10M excess of $5M excess $5M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/13 — 06/30/14	324,427	$15M excess of $10M excess $5M excess $5M Self Insured Retention
Excess Liability III	Ironshore Specialty Insurance Company	07/01/13 — 06/30/14	272,468	$20M excess of $30M excess Self Insured Retention (total $50M + Self Insured Retention)
Special Events CGL	National Casualty Insurance Company	07/01/13 — 06/30/14	50,224	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/13 — 06/30/14	17,311	$5M excess of $5M no deductible
Pollution Legal Liability	Chartis Specialty Insurance Company	07/01/13 — 06/30/14	114,444	$5M subject to a $500,000 deductible
Fiduciary	National Union Fire Insurance Company of Pittsburg, PA	07/01/13 — 06/30/14	77,438	$10 million no deductible
Total Liability Insurance Cost			$ 1,681,146	
Total Insurance Cost			$ 4,398,711	
SELF INSURANCE PROGRAMS				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc	07/01/13 — 06/30/14	$ 897,113	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc	07/01/13 — 06/30/14	468,000	Administration fees
			$ 1,365,113	Total General Liability Claims and Expenses

STATISTICAL SECTION

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	07/01/13 — 06/30/14	$ 1,594,093	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.
			$ 24,593,557	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 26,187,650	Total Workers' Compensation Claims and Expenses.
Total Self Insured Program			$ 27,552,763	

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	07/01/13 — 06/30/14	$ 3,833,228	PPO Health care for eligible employees and dependents
	United Healthcare PPO	07/01/13 — 06/30/14	1,310,574	PPO Health care for eligible employees and dependents
	United Healthcare PPO w/HRA	07/01/13 — 06/30/14	316,055	PPO and Health Reimbursement Account for eligible employees and dependents
	Blue Cross HMO Illinois	07/01/13 — 06/30/14	4,806,414	HMO Health care for eligible employees and dependents
	United Healthcare HMO (EPO)	07/01/13 — 06/30/14	1,194,437	HMO Health care for eligible employees and dependents
Medical Total Administrative Fees			$ 11,460,708	
Medical PPO Claim	Blue Cross/Blue Shield of Illinois	07/01/13 — 06/30/14	$88,028,626	PPO Health care for eligible employees and dependents and retirees
	United Healthcare PPO	07/01/13 — 06/30/14	30,297,045	PPO Health care of eligible employees, dependents & retirees
	United Healthcare PPO w/HRA	07/01/13 — 06/30/14	6,644,694	PPO and Health Reimbursement Account for eligible employees and dependents
Medical Total PPO Claims			$ 124,970,365	
Medical HMO Claims	Blue Cross HMO Illinois	07/01/13 — 06/30/14	$ 144,966,320	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
	United Healthcare HMO	07/01/13 — 06/30/14	41,129,667	HMO Healthcare for eligible employees and dependents
Medical Total HMO Claims			$ 186,095,987	
Medical Claims Total		07/01/13 — 06/30/14	$ 311,066,352	
Medical Claims and Administration		07/01/13 — 06/30/14	$ 322,527,060	
Managed Mental Health Service	United Behavioral Health	07/01/13 — 06/30/14	$3,115,005	Mental health care for PPO eligible employees and dependents
Utilization Review and Case Management	Encompass	07/01/13 — 06/30/14	$ 1,129,197	Pre-certification, utilization review and case management for PPO eligible employees and dependents
Prescription Drugs	Caremark	07/01/13 — 06/30/14	$ 63,628,782	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/13 — 06/30/14	$ 390,400,044	

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/13 — 06/30/14	$ 3,197,908	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/13 — 06/30/14	7,793,188	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 10,991,096	
Vision Plan	Vision Service Plan (VSP)	07/01/13 — 06/30/14	$ 210,965	Vision services for eligible employees and dependents
Term Life Insurance	Standard Life Insurance	07/01/13 — 06/30/14	$ 1,773,480	Life insurance policy at $10,000 per eligible employee
Total Dental/Vision/Life			$ 12,975,541	
Total Health/Life Benefit Expenses			$ 403,375,585	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY
For the Fiscal Year Ended June 30, 2014
(Millions of dollars)

	2005	2006	2007
Unexpended	$426.5	$359.3	$496.8
Proceeds available from bond issuance	284.0	389.4	370.2
State aid	3.1	—	18.1
Federal aid	16.6	17.9	34.1
Investment income	13.2	22.4	35.6
Other income	12.2	21.4	36.6
Total	$755.6	$810.4	$991.4
Expenditures	389.0	310.8	345.0
Operating transfers in (out)	(7.3)	(2.8)	—
Unexpended	$359.3	$496.8	$646.4
Encumbrances	140.8	220.2	199.1
Available balance	$218.5	$276.6	$447.3

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.

2008	2009	2010	2011	2012	2013 (B)	2014	Total for Last Ten Fiscal Years Ending June 30, 2014
$ 646.4	$565.7	$ 73.9	$261.6	$182.2	$ 88.1	$172.4	$ —
252.5	—	803.8	382.3	402.4	508.9	131.3	3,524.8
0.1	—	—	2.8	1.3	6.9	37.8	70.1
43.5	2.8	12.3	4.4	18.1	13.6	14.9	178.2
25.9	12.5	2.0	2.1	5.5	1.9	0.8	121.9
60.4	127.5	83.1	91.5	54.2	88.0	29.1	604.0
$1,028.8	$708.5	$975.1	$744.7	$663.7	$707.4	$386.3	$4,499.0
463.1	634.6	666.7	562.3	576.8	493.4	482.2	4,923.9
—	—	(46.8)	(0.2)	1.2	(41.6)	—	(97.5)
$ 565.7	$ 73.9	$261.6	$182.2	$ 88.1	$172.4	$ (95.9)	$ (522.4)
268.6	73.9	229.5	182.2	88.1	172.4	(95.9)	(95.9)
$ 297.1	$ —	$ 32.1	$ —	$ —	$ —	$ —	$ (426.5)

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM
Last Five Fiscal Years
(Thousands of dollars)

	2010	2011	2012	2013	2014
DAYS MEALS SERVED:					
National School Lunch Program	173	173	173	181	177
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	2,285,279	1,909,112	1,715,302	1,528,287	1,324,623
Reduced lunches (regular)	2,971,564	2,332,040	2,219,797	1,919,787	1,353,204
Free lunches (regular)	41,870,094	39,495,186	39,439,339	40,730,512	40,531,544
TOTAL PUPIL LUNCHES SERVED	47,126,937	43,736,338	43,374,438	44,178,586	43,209,371
Daily Average	272,410	252,811	250,719	244,081	244,121
Change from Previous Year	(427,346)	(3,390,599)	(361,900)	804,148	(969,215)
Daily Percentage Change	-0.9%	-7.2%	-0.8%	-2.6%	0.0%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	982,044	1,187,763	1,852,888	1,694,160	1,534,733
Reduced breakfasts (regular)	972,893	957,294	1,276,808	1,023,368	724,873
Free breakfasts (regular)	18,289,117	18,908,430	23,935,561	24,138,173	23,724,239
TOTAL PUPIL BREAKFASTS SERVED	20,244,054	21,053,487	27,065,257	26,855,701	25,983,845
Daily Average	117,018	121,696	156,447	148,374	146,801
Change from Previous Year	6,055,715	809,433	6,011,770	(209,556)	(871,856)
Daily Percentage Change	42.7%	4.0%	28.6%	-5.2%	-1.1%
TOTAL MEALS SERVED	67,370,991	64,789,825	70,439,695	71,034,287	69,193,216
Daily Average	389,428	374,508	407,166	392,455	390,922
Total Change From Previous Year	5,628,369	(2,581,166)	5,649,870	594,592	(1,841,071)
Daily Percentage Change	9.1%	-3.8%	8.7%	-3.6%	-0.4%
NUMBER OF ADULT LUNCHES (REGULAR)	172,624	142,832	114,583	61,741	429,877
Daily Average	998	826	662	341	2,429
Total Change From Previous Year	(32,438)	(29,792)	(28,249)	(52,842)	368,136
Daily Percentage Change	-15.8%	-17.2%	-19.8%	-48.5%	612.2%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)

Last Five Fiscal Years

(Thousands of dollars)

	2010	2011	2012	2013	2014
REVENUE:					
Federal and State Sources	$192,323	$189,087	$196,000	$197,514	$189,152
Local Sources	17,774	17,803	27,645	32,137	13,698
Total Revenue	$210,097	$206,890	$223,645	$229,651	$202,850
EXPENDITURES:					
Career Service Salaries	$ 66,600	$ 68,328	$ 71,007	$ 71,124	$ 60,680
Career Service Pension	11,140	11,997	12,074	12,136	10,282
Hospitalization	20,597	23,347	22,557	22,907	23,567
Food	91,496	92,093	102,365	103,972	92,984
Professional and Special Services	3,240	2,717	2,167	1,544	2,927
Administrative Allocation	13,629	4,611	9,833	14,624	10,124
Other	3,395	3,797	3,642	3,344	2,286
Total Expenditures	$210,097	$206,890	$223,645	$229,651	$202,850
Revenues Less Than Expenditures	$ —	$ —	$ —	$ —	$ —
DAILY AVERAGE					
Revenues	$ 1,214	$ 1,196	$ 1,293	$ 1,269	$ 1,146
Expenditures	$ 1,214	$ 1,196	$ 1,293	$ 1,269	$ 1,146
PERCENTAGE CHANGE					
Revenues	0.4%	– 1.5%	8.1%	2.7%	– 11.7%
Expenditures	0.4%	– 1.5%	8.1%	2.7%	– 11.7%

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2014

With Comparative Amounts for the Period Ended June 2013

	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

	2013 Schools	2013 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 49,419,796	$ 768,432	$ 50,188,228
Kilowat Hours	568,601,988	9,332,045	577,934,033
Charge per Kilowatt Hour	$ 0.08691	$ 0.08234	$ 0.08684
Gas			
Total Gas Charges	$ 26,217,435	$ 152,763	$ 26,370,198
Therms	32,516,161	200,553	32,716,714
Charge per Therm	$ 0.80629	$ 0.76171	$ 0.80602

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PROPERTY SALES AND PURCHASES
For the Fiscal Year Ending June 30, 2014

Sales

Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain/(Loss) on Sale
1009 N. Cleveland	1943*	$14,476,126.64	$2,157,413.35	$(12,318,713.29)
1855 N. Sheffield	5/1/1888	650,130.43	3,903,185.00	3,253,054.57
5051 W. Polk	1915*	33,778.00	969,095.00	935,317.00
2317 W. 23rd Place	6/24/1992	1,122,635.48	314,439.00	(808,196.48)
201 N. Central	12/31/2001	—	38,800.00	38,800.00
6739 N. Northwest Highway	8/15/1915	—	171,963.01	171,963.01
4937 S. Racine	7/20/1993	—	58,082.00	58,082.00
4421 S. State Street	1961*	—	412,146.00	412,146.00
		$16,282,670.55	**$8,025,123.36**	**$ (8,257,547.19)**

Purchases

Unit Location	Date Acquired	School	Purchase Cost
5532 S. Cornell	6/2/2014	Bret Harte School	$1
8363 S. Kerfoot	4/10/2014	Morgan Elementary	1
3109-11 W. Franklin	4/10/2014	Morton Career Academy	1
1306 S. Avers	4/10/2014	Henson Elementary	1
3530 W. Douglas Blvd	4/10/2014	Lawndale Elementary	1
3122 W. 15th Street	4/10/2014	Johnson Elementary	1
2667 W. Washington	4/10/2014	Dodge Elementary	1
Wabash and 36th Place-37th Street	4/10/2014	Perspective/IIT Math & Science Academy	1
			$8

* Historical records related to the month and day of acquisition are not available.

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)
2005	$37,357	$52,898	$68,439	4.00%
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%

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)
2009	$392,801	$11,493,256	$4,189,986	73.3%	26.7%
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%

NOTES:

A. The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.

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)
2010	2009-10	366,851	$13,078	$ 9,766
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	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.

Chicago Public Schools

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL STUDENT MEMBERSHIP

Last Ten Fiscal Years

	2005	2006	2007
Elementary			
Pre-Kindergarten	21,417	21,205	21,363
Kindergarten	29,986	29,502	28,403
Grades 1-3	101,944	98,157	95,744
Grades 4-6	103,005	100,065	94,235
Grades 7-8	64,205	62,921	62,385
Total Elementary	320,557	311,850	302,130
Secondary			
9th Grade	35,529	36,735	37,514
10th Grade	29,218	29,555	30,286
11th Grade	22,711	23,764	23,871
12th Grade	18,797	19,078	19,893
Total Secondary	106,255	109,132	111,564
Grand Total	426,812	420,982	413,694

NOTES:

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

2008	2009	2010	2011	2012	2013	2014
21,388	23,325	24,370	23,705	24,232	24,507	23,671
27,901	28,975	29,632	28,812	29,594	30,936	30,166
93,853	93,416	92,581	91,899	92,302	91,880	92,251
90,701	89,234	88,695	87,834	87,630	86,966	86,244
62,217	59,839	58,231	56,791	56,520	56,773	56,184
296,060	294,789	293,509	289,041	290,278	291,062	288,516
35,151	34,233	32,877	31,081	30,336	29,812	30,069
31,994	32,177	34,659	33,303	32,230	31,343	30,963
24,608	25,292	25,436	26,277	27,039	26,610	26,500
20,788	21,464	22,798	22,979	24,268	24,634	24,497
112,541	113,166	115,770	113,640	113,873	112,399	112,029
408,601	407,955	409,279	402,681	404,151	403,461	400,545

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary	20.2	21.7	21.1	20.0	23.5	21.3	23.2	23.3	24.6	25.2
Secondary	16.9	19.3	19.6	16.3	19.5	19.7	19.8	19.2	19.8	21.5

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, 2014

Functions	2010	2011	2012	2013	2014
Instruction	27,612	26,383	25,884	26,909	26,123
Support services:					
Pupil support services	4,879	4,891	4,841	5,010	4,676
Administrative support services	1,154	1,123	1,129	1,063	1,042
Facilities support services	1,698	1,686	1,666	1,633	1,527
Instructional support services	3,642	3,380	3,134	3,311	2,920
Food services	3,630	3,661	3,688	3,562	2,860
Community services	327	320	326	339	266
Total government employees	42,942	41,444	40,668	41,827	39,414

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2004-2005	2005-2006	2006-2007
Number of Schools			
Elementary (A)	475	475	472
Special	19	18	18
High School	93	98	93
Vocational/Technical (D)	6	12	12
Charter Schools	20	22	27
Kindergarten to H.S. (K-12) (C)	—	—	—
Total Schools	613	625	622
School Enrollment (B)			
Elementary (A)	309,818	298,030	287,252
Special	3,730	3,076	3,222
High School	92,787	88,490	88,487
Vocational/Technical (D)	8,203	15,970	15,313
Charter Schools	12,274	15,416	19,420
Kindergarten to H.S. (K-12) (C)	—	—	—
Total School Enrollment	426,812	420,982	413,694
Number of High School Graduates	16,487	16,898	18,235

NOTES:

Source: http://www.cps.edu/SchoolData/Pages/SchoolData.aspx

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 Kindergarten to High School (K-12) school is a new category presented in FY14. The numbers are inclusive of both elementary and high school data which was not presented in past years.

D. The governance and school types were changed in FY14. As a result, there is no longer a category for "Vocational/Technical".

2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
474	474	474	474	473	468	422
17	17	13	12	12	12	5
98	98	109	107	103	98	109
10	10	8	8	8	8	—
28	67	71	82	87	95	126
—	—	—	—	—	—	5
627	666	675	683	683	681	667
279,823	274,875	272,308	264,569	263,540	261,638	254,864
2,846	2,762	2,073	1,940	1,839	1,961	907
88,936	90,055	91,390	87,061	85,068	81,735	86,184
14,219	11,251	9,956	8,833	8,226	7,927	—
22,777	29,012	33,552	40,278	45,478	50,200	54,572
—	—	—	—	—	—	4,018
408,601	407,955	409,279	402,681	404,151	403,461	400,545
20,285	18,972	22,245	20,131	20,914	22,447	22,817

McGladrey

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, 2014, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements, and have issued our report thereon dated January 20, 2015. Our report was modified to include 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

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.

McGladrey LLP

Chicago, Illinois
January 20, 2015

McGladrey

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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-004. Our opinion on each major federal program is not modified with respect to this matter. CPS's response to the noncompliance finding identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.

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 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 preceding 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004 that we consider to be significant deficiencies.

CPS's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CPS's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 2014, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements. We issued our report thereon dated January 20, 2015, which contained unmodified opinions on those financial statements. Our report was modified to include 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. 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, 2013 (not presented herein), and have issued our report thereon dated February 4, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Our report was modified to include an emphasis of matter paragraph regarding the adoption of reporting and disclosure requirements of Governmental Accounting Standards Board Statements No. 63 and 65. The schedule of expenditures of federal awards for the year ended June 30, 2013 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, 2013.

McGladrey LLP

Chicago, Illinois
January 20, 2015

BOARD OF EDUCATION OF THE CITY OF CHICAGO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

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
		N/A	14.866	AB-0809-001	07/01/12-06/30/13
Section 8 Housing Choice Vouchers		N/A	14.871	AB-0809-001	07/01/13-12/31/13
		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 Language Institute	N/A	12.900	H98230-13-1-0097	04/22/13-02/28/14
	Startalk Chinese Language Institute	N/A	12.900	H98230-12-1-0031	04/02/12-02/28/13
	Startalk Chinese Language Institute	N/A	12.900	H98230-13-1-0098	04/22/13-02/28/14
	Startalk Arabic and Chinese Language Institute	N/A	12.900	H98230-14-1-0013	04/07/14-02/28/15
	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	13-4210-00	10/01/12-09/30/14
School Breakfast Program	Breakfast Program	4220	10.553	13-4220-00	10/01/12-09/30/14
	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	13-4226-00	10/01/12-09/30/14
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	10/01/13-06/30/14
Food Donation Program	Food Donation Program * Noncash Awards	4228	10.558	N/A	07/01/11-06/30/12
Team Nutrition Grants	Healthier US Challenge	N/A	10.574	N/A	07/01/11-06/30/15
	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	12/01/12-11/30/13
		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	FCSRE01324	07/01/12-06/30/13
		N/A	10.561	FCSSQ01324	07/01/13-06/30/14
	Total U.S. Department of Agriculture Passed Through Illinois Department of Human Services				
	TOTAL U.S. DEPARTMENT OF AGRICULTURE				
U.S. DEPARTMENT OF EDUCATION					
Passed Through Illinois State Board of Education (ISBE)					
Education of Homeless Children and Youth Cluster					
Education for Homeless Children and Youth	McKinney Education for Homeless Children	4920	84.196A	13-4920-00	07/01/12-06/30/13
		4920	84.196A	14-4920-00	07/01/13-06/30/14
	Total Education for Homeless Children and Youth Cluster				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status Cumulative Expenditures Through June 30, 2014
$ 57,000	$ (516)	$ —	$ —	$ —	$ —	$ (516)	$ 38,211	$ 38,211
$ 57,000	**$ (516)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (516)**	**$ 38,211**	**$ 38,211**
$ 86,000	$ 25,285	$ —	$ —	$ —	$ —	$ 25,285	$ 86,000	$ 86,000
86,000	25,221	—	—	—	—	25,221	84,529	84,529
86,000	11,380	(11,380)	—	—	—	—	85,792	85,792
43,000	—	(42,942)	42,942	42,942	—	—	—	42,942
43,000	—	(28,026)	42,726	42,726	—	14,700	—	42,726
$ 344,000	**$ 61,886**	**$ (82,348)**	**$ 85,668**	**$ 85,668**	**$ —**	**$ 65,206**	**$ 256,321**	**$ 341,989**
$ 99,867	$ 17,735	$ (95,561)	$ 77,826	$ 77,826	$ —	$ —	$ 17,735	$ 95,561
99,089	1,434	(1,434)	—	—	—	—	99,089	99,089
99,850	20,702	(95,799)	75,097	75,097	—	—	20,702	95,799
89,992	—	—	4,870	4,870	—	4,870	—	4,870
$ 388,798	**$ 39,871**	**$ (192,794)**	**$ 157,793**	**$ 157,793**	**$ —**	**$ 4,870**	**$ 137,526**	**$ 295,319**
N/A	$23,782,264	$(144,508,455)	$126,610,865	$126,610,865	$ —	$5,884,674	$241,971,398	$368,582,263
N/A	9,023,851	(53,284,809)	46,589,891	46,589,891	—	2,328,933	91,698,558	138,288,449
—	**$32,806,115**	**$(197,793,264)**	**$173,200,756**	**$173,200,756**	**$ —**	**$8,213,607**	**$333,669,956**	**$506,870,712**
N/A	$ 1,095,812	$ (6,398,867)	$ 6,138,427	$ 6,138,427	$ —	$ 835,372	$ 12,774,852	$ 18,913,279
N/A	94	—	—	—	—	94	94	94
913,505	—	(617,240)	890,707	890,707	—	273,467	—	890,707
N/A	—	(10,648,005)	10,648,005	10,648,005	—	—	—	10,648,005
131,003	10,914	(62,500)	51,586	51,586	—	—	10,914	62,500
$1,044,508	**$ 1,106,820**	**$ (17,726,612)**	**$ 17,728,725**	**$ 17,728,725**	**$ —**	**$1,108,933**	**$ 12,785,860**	**$ 30,514,585**
$1,044,508	**$33,912,935**	**$(215,519,876)**	**$190,929,481**	**$190,929,481**	**$ —**	**$9,322,540**	**$346,455,816**	**$537,385,297**
$ 5,500	$ 1,200	$ —	$ —	$ —	$ —	$ 1,200	$ 5,500	$ 5,500
$ 5,500	**$ 1,200**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,200**	**$ 5,500**	**$ 5,500**
$ 50,000	$ 23,123	$ (36,854)	$ 13,731	$ 13,731	$ —	$ —	$ 29,990	$ 43,721
50,000	—	(36,420)	43,616	43,616	—	7,196	—	43,616
487,290	95,066	(95,066)	—	—	—	—	411,408	411,408
487,290	—	(329,979)	329,979	329,979	—	—	—	329,979
$1,074,580	**$ 118,189**	**$ (498,319)**	**$ 387,326**	**$ 387,326**	**$ —**	**$ 7,196**	**$ 441,398**	**$ 828,724**
$2,124,588	**$34,032,324**	**$(216,018,195)**	**$191,316,807**	**$191,316,807**	**$ —**	**$9,330,936**	**$346,902,714**	**$538,219,521**
$ 809,335	$ 6,133	$ (6,133)	$ —	$ —	$ —	$ —	$ 806,685	$ 806,685
807,100	—	(222,599)	805,334	805,334	—	582,735	—	805,334
$1,616,435	**$ 6,133**	**$ (228,732)**	**$ 805,334**	**$ 805,334**	**$ —**	**$ 582,735**	**$ 806,685**	**$ 1,612,019**

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
Passed Through Illinois State Board of Education (ISBE)					
School Improvement Grants Cluster					
School Improvement Grants	School Improvement Grants — District	4339	84.377A	13-4339-13	07/01/12-08/31/13
	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 Grants, Recovery Acts	ARRA-School Improvement Grant — District	4855	84.388A	13-4885-11	07/01/12-08/31/13
	ARRA-School Improvement Grant — Harper	4855	84.388A	12-4855-11	08/15/11-08/31/12
	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
		4620	84.027A	13-4620-00	07/01/12-08/31/13
		4620	84.027A	14-4620-00	07/01/13-08/31/14
	Room and Board	4625	84.027A	14-4625-00	09/01/11-08/31/14
	IDEA — Parent Mentor	4630	84.027A	13-4630-05	07/01/12-06/30/13
		4630	84.027A	14-4630-05	07/01/13-06/30/14
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	13-4600-00	07/01/12-08/31/13
		4600	84.173A	14-4600-00	07/01/13-08/31/14
	IDEA — Pre-School Discretionary	4605	84.173A	12-4605-01	07/01/11-06/30/12
		4605	84.173A	13-4605-01	07/01/12-06/30/13
		4605	84.173A	14-4605-01	07/01/13-06/30/14
	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
	ESEA — School Improvement	4331	84.010A	13-4331-SS	07/01/12-06/30/13
		4331	84.010A	14-4331-SS	07/01/13-06/30/14
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	13-4305-00	07/01/12-08/31/13
		4305	84.010A	14-4305-00	07/01/13-08/31/14
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	12-4306-00	07/01/11-08/31/12
		4306	84.010A	13-4306-00	07/01/12-08/31/13
		4306	84.010A	14-4306-00	07/01/13-08/31/14
	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
	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
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
Perkins Leadership High Schools that Work	Perkins Leadership High Schools that Work	4720	84.048A	11-4720-01	08/10/10-07/31/11
		4720	84.048A	13-4720-00	08/01/12-07/31/13
Twenty-First Century Community Learning Centers	Title IV — 21st Century Comm Learning Centers	4421	84.287C	13-4421-01	07/01/12-08/31/13
		4421	84.287	14-4421-01	08/13/13-08/31/14
		4421	84.287C	13-4421-02	07/01/12-08/31/13
		4421	84.287	14-4421-02	08/13/13-08/31/14
		4421	84.287C	13-4421-22	07/01/12-08/31/13
		4421	84.287	14-4421-22	08/13/13-08/31/14
		4421	84.287C	13-4421-21	07/01/12-08/31/13

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status: Cumulative Expenditures Through June 30, 2014
$ 8,369,901	$ 2,130,112	$ (3,134,829)	$ 1,004,717	$ 1,004,717	$ —	$ —	$ 6,071,461	$ 7,076,178
9,663,624	—	(5,223,179)	7,929,392	7,929,392	—	2,706,213	—	7,929,392
3,333,333	—	(1,831,152)	2,625,457	2,625,457	—	794,305	—	2,625,457
8,963,152	3,101,200	(3,715,810)	614,610	614,610	—	—	7,968,680	8,583,290
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	7,256,812	(8,971,137)	1,714,324	1,714,324	—	(1)	14,316,114	16,030,438
17,414,272	—	(11,609,246)	14,566,387	14,566,387	—	2,957,141	—	14,566,387
$ 68,964,143	**$ 13,133,651**	**$ (34,485,353)**	**$ 28,454,887**	**$ 28,454,887**	**$ —**	**$ 7,103,185**	**$ 31,169,354**	**$ 59,624,241**
$ 96,011,080	$ 62,718	$ —	$ 62,718	$ 62,718	$ —	$ 125,436	$ 90,945,093	$ 91,007,811
102,946,185	27,097,533	(27,747,937)	650,404	650,404	—	—	86,009,665	86,660,069
103,623,039	—	(76,830,036)	97,903,897	97,903,897	—	21,073,861	—	97,903,897
N/A	—	(1,154,176)	453,929	453,929	—	(700,247)	—	453,929
60,000	53,761	(53,761)	—	—	—	—	60,000	60,000
60,000	—	(26,473)	60,000	60,000	—	33,527	—	60,000
1,242,858	277,045	(586,541)	309,496	309,496	—	—	808,762	1,118,258
1,386,335	—	(805,425)	962,477	962,477	—	157,052	—	962,477
489,250	1	—	—	—	—	1	486,468	486,468
489,250	136,900	(194,379)	57,479	57,479	—	—	421,187	478,666
489,250	—	(220,075)	404,182	404,182	—	184,107	—	404,182
$306,797,247	**$ 27,627,958**	**$(107,618,803)**	**$100,864,582**	**$100,864,582**	**$ —**	**$ 20,873,737**	**$178,731,175**	**$279,595,757**
$332,558,791	$ —	$ 2,486,437	$ (1,815,261)	$ (1,815,261)	$ —	$ 671,176	$ —	$ (1,815,261)
325,795,584	139,613,622	(162,266,962)	22,653,340	22,653,340	—	—	266,494,686	289,148,026
308,559,813	—	(161,999,045)	266,941,945	266,941,945	—	104,942,900	—	266,941,945
7,720,620	7,621,483	(7,656,108)	34,625	34,625	—	—	7,621,483	7,656,108
3,193,498	—	(1,421,815)	2,958,038	2,958,038	—	1,536,223	—	2,958,038
738,621	161,267	(431,099)	269,832	269,832	—	—	352,344	622,176
719,374	—	(221,224)	339,861	339,861	—	118,637	—	339,861
774,664	18,216	(32,629)	—	—	—	(14,413)	648,199	648,199
891,935	310,631	(363,862)	53,231	53,231	—	—	687,443	740,674
909,032	—	(530,874)	755,855	755,855	—	224,981	—	755,855
$981,861,932	**$147,725,219**	**$(332,437,181)**	**$292,191,466**	**$292,191,466**	**$ —**	**$107,479,504**	**$275,804,155**	**$567,995,621**
$ 59,918,597	$ 17,916,328	$ (19,960,358)	$ 2,044,031	$ 2,044,031	$ —	$ 1	$ 36,321,828	$ 38,365,859
56,200,586	—	(27,935,334)	44,474,034	44,474,034	—	16,538,700	—	44,474,034
132,182	—	(145,900)	132,100	132,100	—	(13,800)	—	132,100
88,121	—	(13,800)	51,200	51,200	—	37,400	—	51,200
7,974,040	(99,900)	—	—	—	—	(99,900)	7,874,120	7,874,120
6,107,181	1,897,849	(3,228,169)	1,330,321	1,330,321	—	1	4,776,861	6,107,182
5,739,480	—	(3,396,673)	4,677,547	4,677,547	—	1,280,874	—	4,677,547
10,000	5,118	—	—	—	—	5,118	8,061	8,061
10,000	1,500	(2,054)	554	554	—	—	7,105	7,659
1,215,000	333,732	(673,768)	340,036	340,036	—	—	550,953	890,989
1,012,500	—	(445,941)	816,936	816,936	—	370,995	—	816,936
1,953,525	846,823	(1,094,694)	247,871	247,871	—	—	1,587,783	1,835,654
1,302,350	—	(653,307)	1,105,419	1,105,419	—	452,112	—	1,105,419
1,463,200	547,461	(901,065)	353,604	353,604	—	—	876,114	1,229,718
1,463,200	—	(724,640)	1,185,143	1,185,143	—	460,503	—	1,185,143
1,500,000	506,307	(969,944)	463,637	463,637	—	—	821,081	1,284,718

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
		4421	84.287	14-4421-21	08/13/13-08/31/14
		4421	84.287C	13-4421-23	07/01/12-08/31/13
		4421	84.287	14-4421-23	08/13/13-08/31/14
		4421	84.287C	13-4421-13	11/01/12-08/31/13
		4421	84.287	14-4421-13	08/13/13-08/31/14
	Title IV — 21st Century Comm Learning Centers — Larry Vaughn Youth Connections	4421	84.287C	13-4421-13	11/01/12-08/31/13
Race to the Top	Race to the Top	4901	84.413A	13-4901-00	07/01/12-06/30/13
		4901	84.413A	14-4901-00	07/01/13-06/30/14
		4999	84.395A	14-4999-00	01/01/14-06/30/14
English Language Acquisition Grants	Title III — Lang Inst Prog — Limited Eng LIPLEP	4909	84.365A	12-4909-00	09/01/11-08/31/12
		4909	84.365A	13-4909-00	09/01/12-08/31/13
		4909	84.365A	14-4909-00	09/01/13-08/31/14
International Baccalaureate	International Baccalaureate	4999	84.365A	4999-IB	07/01/10-06/30/14
	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					
Teacher Incentive Fund Cluster					
Teacher Incentive Fund, Recovery Act	Teachers Incentive Fund — CPS TIF	N/A	84.385A	S385A100166	10/01/10-07/30/12
	Total Teacher Incentive Fund Cluster				
Direct Funding					
Impact Aid	Federal Impact Aid Grant	N/A	84.041	23-IL-2010-1711	07/01/10-06/30/13
Indian Education — Grants to Local Education	Indian Elementary/Secondary School Assistance	N/A	84.060A	S060A120666	07/01/12-06/30/13
Agencies	Program	N/A	84.060A	S060A130666	07/01/13-06/30/14
Safe and Drug-Free Schools and Communities	SDFS Readiness	N/A	84.184E	Q184E100196	09/01/11-06/30/13
	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
	Smaller Learning Communities in CPS High School	N/A	84.215L	S215L070494-10	10/01/07-09/30/13
	Smaller Learning Communities	N/A	84.215L	S215L080581-11	07/10/08-07/09/13
	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
Foreign Language Assistance	Project ITALIC Integrative Technology in Arabic	N/A	84.293B	T293B090101	09/01/09-08/31/13
Advanced Placement Program	Advanced Placement Incentive Program	N/A	84.330C	S330C090185	07/01/09-06/30/13
Transition to Teaching Program	Teacher for Special Education (T-SPED) Project	N/A	84.350A	U350A070066	10/01/07-09/30/12
	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	07/01/09-06/30/13
	Students (CREATES)	N/A	84.351C	U351C110047	10/01/12-09/30/13
		N/A	84.351C	U351C110047	10/01/13-09/30/14
Early Reading First	Enhancing Early Reading in Chicago (EERIC)	N/A	84.359B	S359B050093	10/01/05-06/30/09
		N/A	84.359B	S359B090079	10/01/09-09/30/13
High School Graduation Initiative	Pathways to Accelerated Student Success (PASS)	N/A	84.360A	S360A100176	10/01/12-09/30/13
		N/A	84.360A	S360A100176	10/01/13-09/30/14
Voluntary School Choice Program	Chicago Comprehensive Choice Initiative (CCCI)	N/A	84.361A	U361A070036-11	08/01/07-07/31/13
School Leadership Program	Effective Leaders Improve Schools — (ELIS) II	N/A	84.363A	U363A080120	10/01/08-09/30/13
TRIO — Talent Search	Pullman Talent Search	N/A	84.044A	P044A110797	09/01/12-08/31/13
		N/A	84.044A	P044A110797	09/01/13-08/31/14
	Total U.S. Department of Education — Direct Funding (not including cluster)				
	Total U.S. Department of Education — Direct Funding (including cluster)				
Passed Through Illinois Board of Higher Education					
Improve Teacher Quality State Grants	St. Xavier University	N/A	84.367B	S367B090013	08/01/12-07/31/13
	Total U.S. Department of Education Passed Through Illinois Board of Higher Education				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status: Cumulative Expenditures Through June 30, 2014
1,500,000	—	(668,252)	1,228,825	1,228,825	—	560,573	—	1,228,825
405,000	98,072	(265,033)	166,961	166,961	—	—	151,150	318,111
337,500	—	(121,910)	245,844	245,844	—	123,934	—	245,844
3,150,000	911,275	(2,189,331)	1,278,056	1,278,056	—	—	1,022,233	2,300,289
3,150,000	—	(1,866,347)	2,947,549	2,947,549	—	1,081,202	—	2,947,549
25,590	—	(25,590)	25,590	25,590	—	—	—	25,590
9,514,574	1,640,709	(2,072,008)	431,299	431,299	—	—	5,933,982	6,365,281
7,154,816	—	(3,211,766)	5,507,299	5,507,299	—	2,295,533	—	5,507,299
106,345	—	—	106,345	106,345	—	106,345	—	106,345
12,572,548	—	2,047	(2,047)	(2,047)	—	—	—	(2,047)
13,174,655	3,285,162	(4,879,756)	1,594,594	1,594,594	—	—	8,704,394	10,298,988
11,753,117	—	(4,231,403)	6,650,427	6,650,427	—	2,419,024	—	6,650,427
769,591	229,200	(368,452)	290,587	290,587	—	151,335	650,112	940,699
$ 209,703,698	**$ 28,119,636**	**$ (80,043,448)**	**$ 77,693,762**	**$ 77,693,762**	**$ —**	**$ 25,769,950**	**$ 69,285,777**	**$ 146,979,539**
$1,568,943,455	**$216,612,597**	**$(554,813,517)**	**$500,010,031**	**$500,010,031**	**$ —**	**$161,809,111**	**$555,797,146**	**$1,055,807,177**
$ 16,836,824	$ (56,935)	$ —	$ 56,935	$ 56,935	$ —	$ —	$ 469,452	$ 526,387
$ 16,836,824	**$ (56,935)**	**$ —**	**$ 56,935**	**$ 56,935**	**$ —**	**$ —**	**$ 469,452**	**$ 526,387**
$ N/A	$ —	$ (45,958)	$ 28,724	$ 28,724	$ —	$ (17,234)	$ —	$ 28,724
188,646	33,531	(33,638)	107	107	—	—	188,539	188,646
192,104	—	(168,722)	192,104	192,104	—	23,382	—	192,104
599,870	8,266	(43,683)	35,417	35,417	—	—	506,809	542,226
49,792	1,238	(7,707)	36,014	36,014	—	29,545	1,238	37,252
750,000	—	(24,863)	59,757	59,757	—	34,894	—	59,757
5,557,786	59,390	(255,857)	196,467	196,467	—	—	5,281,968	5,478,435
5,174,698	150,894	(514,214)	482,850	482,850	—	119,530	4,610,641	5,093,491
2,505,908	103,121	(338,686)	248,502	248,502	—	12,937	1,599,848	1,848,350
1,617,328	—	(525,048)	671,645	671,645	—	146,597	—	671,645
1,325,165	17,322	(17,322)	—	—	—	—	887,669	887,669
4,141,933	316,901	(389,917)	73,016	73,016	—	—	2,385,700	2,458,716
2,617,582	99,894	—	(99,894)	(99,894)	—	—	2,049,081	1,949,187
1,117,981	53,272	(77,507)	27,888	27,888	—	3,653	461,321	489,209
1,385,743	187,129	(228,929)	71,282	71,282	—	29,482	1,127,454	1,198,736
418,108	22,124	(64,946)	42,822	42,822	—	—	144,465	187,287
580,805	—	(299,511)	522,040	522,040	—	222,529	—	522,040
846,947	69,116	—	—	—	—	69,116	69,116	69,116
10,432,142	247,890	(581,496)	333,606	333,606	—	—	3,710,460	4,044,066
4,432,018	118,713	(632,560)	513,847	513,847	—	—	1,494,238	2,008,085
5,084,822	—	(1,232,916)	1,517,615	1,517,615	—	284,699	—	1,517,615
16,740,293	101,886	(176,765)	74,879	74,879	—	—	11,552,104	11,626,983
8,553,087	388,172	(1,045,396)	772,429	772,429	—	115,205	5,671,373	6,443,802
112,951	10,209	(5,406)	(4,803)	(4,803)	—	—	109,658	104,855
226,067	—	(118,877)	140,323	140,323	—	21,446	—	140,323
$ 74,651,776	**$ 1,989,068**	**$ (6,829,924)**	**$ 5,936,637**	**$ 5,936,637**	**$ —**	**$ 1,095,781**	**$ 41,851,682**	**$ 47,788,319**
$ 91,488,600	**$ 1,932,133**	**$ (6,829,924)**	**$ 5,993,572**	**$ 5,993,572**	**$ —**	**$ 1,095,781**	**$ 42,321,134**	**$ 48,314,706**
$ 34,205	$ 8,647	$ (8,647)	$ —	$ —	$ —	$ —	$ 11,512	$ 11,512
$ 34,205	**$ 8,647**	**$ (8,647)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 11,512**	**$ 11,512**

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
Passed Through National Writing Project					
Title II SEED Program	Title II SEED Program—Carl Von Linne Elementary	N/A	84.367D	12-IL01-CTRLSEED	07/01/12-06/30/13
	Total U.S. Department of Education Passed Through National Writing Project				
Passed Through Illinois Department of Human Services (IDHS)					
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
	Total U.S. Department of Education Passed Through IDHS				
Passed Through University of Illinois at Chicago					
Education Research, Development and Dissemination	Reading for Understanding (Project READ)	N/A	84.305F	R305F100007	09/20/12-05/31/13
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 National Opinion Research Center				
Passed Through National Opinion Research Center					
Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A100706	07/01/13-06/30/14
		N/A	84.305	R305A120809	07/01/13-06/30/14
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	R01HD067500	12/01/11-11/30/12
		N/A	93.865	R01HD067500	12/01/12-11/30/13
		N/A	93.865	R01HD067500	12/01/13-11/30/14
	Total U.S. Department of Education Passed Through National Opinion Research Center				
Passed Through Northeastern Illinois University					
Gaining Early Awareness and Readiness for Undergraduate Program	Chicago Gear Up Alliance	N/A	84.334A	P334A1000031	10/01/10-09/30/11
		N/A	84.334A	P334A110082	09/26/12-09/25/13
	Gear-Up 4 (Year 4)	N/A	84.334A	P334A100031-12	10/01/13-09/30/14
	Gear-Up 5 (Year 3)	N/A	84.334A	P334A110032	09/28/13-09/25/14
	Gear-Up-Theodore Roosevelt High School—(NEIU)	N/A	84.334A	PO#028756	07/01/13-8/31/13
	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-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-Marie Sklodowska Curie Metro—(NEIU)	N/A	84.334A	PO#028755	07/01/13-08/31/13
	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
Title IV 21st Century	Illinois 21st Century CLC NEIU—Saucedo	N/A	84.287	PO#025508	11/01/12-06/01/13
		N/A	84.287	PO#030739	10/15/13-06/05/14
	Illinois 21st Century CLC NEIU—Curie	N/A	84.287	PO#025178	10/01/12-06/01/13
		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
	Illinois 21st Century CLC NEIU—Duke Ellington	N/A	84.287	PO#031208	10/01/13-06/05/14
	Illinois 21st Century CLC NEIU—Michelle Clark Academic	N/A	84.287	PO#031213	10/01/13-08/31/14
	Illinois 21st Century CLC NEIU—Frederick A Douglas	N/A	84.287	PO#031209	10/01/13-06/05/14
	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	10/01/12-09/30/13
		N/A	84.336S	U336S090013	10/01/13-09/30/14
	Total U.S. Department of Education Passed Through University of Illinois at Chicago				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status: Cumulative Expenditures Through June 30, 2014
$ —	$ —	$ (1,500)	$ 1,500	$ 1,500	$ —	$ —	$ —	$ 1,500
$ —	**$ —**	**$ (1,500)**	**$ 1,500**	**$ 1,500**	**$ —**	**$ —**	**$ —**	**$ 1,500**
$ 691,955	$316,279	$ (354,583)	$ 35,731	$ 35,731	$ —	$ (2,573)	$316,279	$ 352,010
1,124,571	—	(280,386)	573,336	573,336	—	292,950	—	573,336
$1,816,526	**$316,279**	**$ (634,969)**	**$ 609,067**	**$ 609,067**	**$ —**	**$290,377**	**$316,279**	**$ 925,346**
$ 2,658	$ 854	$ —	$ (854)	$ (854)	$ —	$ —	$ 854	$ —
35,000	—	—	8,703	8,703	—	8,703	—	8,703
$ 37,658	**$ 854**	**$ —**	**$ 7,849**	**$ 7,849**	**$ —**	**$ 8,703**	**$ 854**	**$ 8,703**
$ 906,269	$348,734	$ (349,662)	$ 48,572	$ 48,572	$ —	$ 47,644	$671,172	$ 719,744
681,525	—	(213,729)	352,289	352,289	—	138,560	—	352,289
162,653	30,211	(127,214)	97,003	97,003	—	—	108,765	205,768
164,984	130,614	(161,527)	30,913	30,913	—	—	130,614	161,527
313,705	—	—	287,238	287,238	—	287,238	—	287,238
$2,229,136	**$509,559**	**$ (852,132)**	**$ 816,015**	**$ 816,015**	**$ —**	**$473,442**	**$910,551**	**$1,726,566**
$ 413,322	$361,261	$ (413,322)	$ 52,062	$ 52,062	$ —	$ 1	$361,261	$ 413,322
654,575	539,172	(576,569)	37,397	37,397	—	—	539,172	576,569
421,090	—	(205,379)	324,793	324,793	—	119,414	—	324,793
1,097,940	—	—	639,586	639,586	—	639,586	—	639,586
8,522	—	(8,522)	8,522	8,522	—	—	—	8,522
12,326	10,956	—	—	—	—	10,956	10,956	10,956
21,873	—	—	5,559	5,559	—	5,559	—	5,559
3,104	7,437	—	—	—	—	7,437	7,437	7,437
12,326	11,996	—	—	—	—	11,996	11,996	11,996
12,326	10,653	—	—	—	—	10,653	10,653	10,653
25,566	—	(4,775)	4,775	4,775	—	—	—	4,775
41,702	—	—	7,631	7,631	—	7,631	—	7,631
4,375	—	—	951	951	—	951	—	951
21,650	21,650	(21,600)	(50)	(50)	—	—	21,650	21,600
22,104	—	(5,489)	18,435	18,435	—	12,946	—	18,435
22,105	13,167	(13,167)	—	—	—	—	13,167	13,167
31,824	—	(195)	19,653	19,653	—	19,458	—	19,653
64,985	—	(13,190)	35,600	35,600	—	22,410	—	35,600
18,890	—	—	9,762	9,762	—	9,762	—	9,762
20,595	—	(4,005)	8,335	8,335	—	4,330	—	8,335
13,620	—	—	6,227	6,227	—	6,227	—	6,227
$2,944,820	**$976,292**	**$(1,266,213)**	**$1,179,238**	**$1,179,238**	**$ —**	**$889,317**	**$976,292**	**$2,155,529**
$ 91,645	$ 29,103	$ —	$ —	$ —	$ —	$ 29,103	$ 46,453	$ 46,453
91,425	1,136	(11,794)	10,658	10,658	—	—	1,136	11,794
91,425	—	(44,034)	44,034	44,034	—	—	—	44,034
$ 274,495	**$ 30,239**	**$ (55,828)**	**$ 54,692**	**$ 54,692**	**$ —**	**$ 29,103**	**$ 47,589**	**$ 102,281**

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
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	01/01/12-12/31/12
		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
	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
	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
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation				
Passed Through Illinois State University					
High Schools That Work	High Schools That Work — Chicago High School for Agricultural Sciences	N/A	84.048A	533009619	08/01/12-07/31/13
	Total U.S. Department of Education Passed Through Illinois State University				
	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	09/30/12-09/29/13
		N/A	93.737	1H75DP004181-01	09/30/13-09/29/14
Healthy Chicago Public Schools	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14
	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14
	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#25061	12/01/12-08/31/13
		N/A	93.600	PO#25061	09/30/13-11/30/13
		N/A	93.600	PO#25061	12/31/13-11/30/14
	Head Start — Supp DIS SP initiatives	N/A	93.600	PO#26003	12/01/12-11/30/13
		N/A	93.600	PO#30583	12/01/13-11/30/14
	Total U.S. Department of Health and Human Services Passed Through City of Chicago-Head Start Cluster				
Direct Funding					
Cooperative Agreements to Support Comprehensive School Health Programs	Comprehensive School Health	N/A	93.293	5U87DP001234-05	03/01/08-02/28/13
Chicago Teen Pregnancy Prevention Initiative	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-01-0	09/01/12-08/31/13
	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-01-00	09/01/13-08/31/14
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	5U79SM060297-03	09/30/12-09/29/13
		N/A	93.243	5U795M060297-03	09/30/13-09/29/14
	Total U.S. Department of Health and Human Services — Direct Funding				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status: Cumulative Expenditures Through June 30, 2014
$ 373,881	$ 43,269	$ (43,269)	$ —	$ —	$ —	$ —	$ 203,620	$ 203,620
2,112,985	388,545	—	1,850,542	1,850,542	—	2,239,087	388,545	2,239,087
2,001,576	—	—	1,262,821	1,262,821	—	1,262,821	—	1,262,821
112,450	—	(55,899)	83,933	83,933	—	28,034	—	83,933
$ 4,600,892	**$ 431,814**	**$ (99,168)**	**$ 3,197,296**	**$ 3,197,296**	**$ —**	**$ 3,529,942**	**$ 592,165**	**$ 3,789,461**
$ 189,051	$ —	$ (9,126)	$ 46,454	$ 46,454	$ —	$ 37,328	$ —	$ 46,454
$ 189,051	**$ —**	**$ (9,126)**	**$ 46,454**	**$ 46,454**	**$ —**	**$ 37,328**	**$ —**	**$ 46,454**
$ 95,000	$ —	$ —	$ 15,348	$ 15,348	$ —	$ 15,348	$ —	$ 15,348
$ 95,000	**$ —**	**$ —**	**$ 15,348**	**$ 15,348**	**$ —**	**$ 15,348**	**$ —**	**$ 15,348**
$ 5,000	$ 3,849	$ —	$ (3,849)	$ (3,849)	$ —	$ —	$ 3,849	$ —
$ 5,000	$ 3,849	$ —	$ (3,849)	$ (3,849)	$ —	$ —	$ 3,849	$ —
$1,672,658,838	**$220,822,263**	**$(564,571,024)**	**$511,927,213**	**$511,927,213**	**$ —**	**$168,178,452**	**$600,977,371**	**$1,112,904,583**
$ 4,398,118	$ 426,332	$ (853,810)	$ 427,478	$ 427,478	$ —	$ —	$ 644,666	$ 1,072,144
4,398,118	—	(1,283,361)	1,868,817	1,868,817	—	585,456	—	1,868,817
50,000	—	(29,614)	37,746	37,746	—	8,132	—	37,746
225,000	—	(153,868)	196,960	196,960	—	43,092	—	196,960
$ 9,071,236	**$ 426,332**	**$ (2,320,653)**	**$ 2,531,001**	**$ 2,531,001**	**$ —**	**$ 636,680**	**$ 644,666**	**$ 3,175,667**
$ 30,724,744	$ 10,979,384	$ (14,253,170)	$ 3,273,786	$ 3,273,786	$ —	$ —	$ 23,569,721	$ 26,843,507
11,189,186	—	(11,189,136)	11,189,136	11,189,136	—	—	—	11,189,136
38,479,159	—	(13,454,922)	24,858,105	24,858,105	—	11,403,183	—	24,858,105
942,000	538,332	(938,980)	400,648	400,648	—	—	538,332	938,980
975,000	—	—	599,556	599,556	—	599,556	—	599,556
$ 82,310,089	**$ 11,517,716**	**$ (39,836,208)**	**$ 40,321,231**	**$ 40,321,231**	**$ —**	**$ 12,002,739**	**$ 24,108,053**	**$ 64,429,284**
$ 2,505,186	$ 15,454	$ (37,985)	$ 22,531	$ 22,531	$ —	$ —	$ 2,315,376	$ 2,337,907
3,943,607	778,875	(1,817,227)	1,038,352	1,038,352	—	—	2,333,406	3,371,758
4,093,618	—	(1,903,763)	2,746,448	2,746,448	—	842,685	—	2,746,448
99,456	2,053	—	—	—	—	2,053	2,053	2,053
99,456	35,394	(33,551)	(1,843)	(1,843)	—	—	53,820	51,977
319,051	—	(115,469)	174,374	174,374	—	58,905	—	174,374
$ 11,060,374	**$ 831,776**	**$ (3,907,995)**	**$ 3,979,862**	**$ 3,979,862**	**$ —**	**$ 903,643**	**$ 4,704,655**	**$ 8,684,517**

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
Passed Through Illinois Department of Human Services					
Refugee and Entrant Assistance Discretionary Grants	Refugee Children Impact Grant	N/A	93.576	FCSRK01131	07/01/12-06/30/13
	Refugee Children Impact Grant	N/A	93.576	FCSSK01131	07/01/13-06/30/14
	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	07/01/10-06/30/12
	Total U.S. Department of Health and Human Services Passed Through IDHFS				
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE				
U.S. DEPARTMENT OF JUSTICE					
Direct Funding					
Public Safety Partnership and Community	DOJ — Secure Our Schools	N/A	16.710	2010-CK-WX-0694	12/01/10-02/28/13
Policy Grants		N/A	16.710	2011-CK-WX-0007	09/01/11-08/31/13
Juvenile Justice and Delinquency Prevention	OJJDP Academic After School Program	N/A	16.540	2009-JL-FX-0229	08/01/09-08/30/13
Allocation to States	Juvenile Justice and Delinquency Program				
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113003	02/01/14-01/01/15
	TOTAL U.S. DEPARTMENT OF JUSTICE				
U.S. DEPARTMENT OF LABOR					
Passed Through Illinois Department of Commerce and Economic Opportunity					
Marine Sanctuary Program	CIMBY Gets Wet	N/A	11.429	NA12NOS4290061	06/01/12-06/30/13
Coastal Zone Management Administration Awards	CIMBY Gets Wet	N/A	11.419	14-013-N12-11	04/19/14-04/18/15
	CIMBY Gets Wet	N/A	11.419	NO14-004	10/01/13-09/30/14
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
	Total U.S. Department of Transportation Passed Through Illinois Department of Aviation				
Passed Through Easter Seals, Inc.					
Easter Seals Project ACTION	Transportation Education Pilot Program	N/A	20.514	459-6211-15	06/15/12-03/30/13
	Total U.S. Department of Transportation Passed Through Easter Seals, Inc.				
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION				
OFFICE OF NAVAL RESEARCH					
Passed Through City Colleges of Chicago					
STEM Research	Critical MASS	N/A	12.300	14-12-1-0738	07/01/13-6/30/14
	Total Office of Naval Research Passed Through City Colleges of Chicago				
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				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status: Cumulative Expenditures Through June 30, 2014
$ 198,701	$ 83,511	$ (79,659)	$ (3,851)	$ (3,851)	$ —	$ 1	$ 194,725	$ 190,874
193,602	—	(106,015)	175,334	175,334	—	69,319	—	175,334
$ 392,303	**$ 83,511**	**$ (185,674)**	**$ 171,483**	**$ 171,483**	**$ —**	**$ 69,320**	**$ 194,725**	**$ 366,208**
N/A	$ 6,177,749	$(12,216,697)	$13,145,181	$13,145,181	$ —	$ 7,106,233	$39,434,955	$ 52,580,136
$ —	**$ 6,177,749**	**$(12,216,697)**	**$13,145,181**	**$13,145,181**	**$ —**	**$ 7,106,233**	**$39,434,955**	**$ 52,580,136**
$102,834,002	**$19,037,084**	**$(58,467,227)**	**$60,148,758**	**$60,148,758**	**$ —**	**$20,718,615**	**$69,087,054**	**$129,235,812**
$ 500,000	$ 499,999	$ (499,999)	$ —	$ —	$ —	$ —	$ 499,999	$ 499,999
500,000	464,107	(464,107)	—	—	—	—	464,107	464,107
1,200,000	40,323	(27,938)	(12,385)	(12,385)	—	—	1,062,156	1,049,771
118,896	—	—	19,136	19,136	—	19,136	—	19,136
$ 2,318,896	**$ 1,004,429**	**$ (992,044)**	**$ 6,751**	**$ 6,751**	**$ —**	**$ 19,136**	**$ 2,026,262**	**$ 2,033,013**
$ 94,340	$ 74,295	$ (68,534)	$ (5,761)	$ (5,761)	$ —	$ —	$ 85,552	$ 79,791
134,736	—	—	2,863	2,863	—	2,863	—	2,863
100,000	—	(2,500)	65,063	65,063	—	62,563	—	65,063
5,000	(5,000)	—	—	—	—	(5,000)	—	—
5,000	(4)	—	—	—	—	(4)	4,996	4,996
$ 339,076	**$ 69,291**	**$ (71,034)**	**$ 62,165**	**$ 62,165**	**$ —**	**$ 60,422**	**$ 90,548**	**$ 152,713**
$ 339,076	**$ 69,291**	**$ (71,034)**	**$ 62,165**	**$ 62,165**	**$ —**	**$ 60,422**	**$ 90,548**	**$ 152,713**
$ 350,000	$ 800	$ (148,899)	$ 148,899	$ 148,899	$ —	$ 800	$ 142,892	$ 291,791
4,500,000	2,147,943	(4,247,650)	2,129,005	2,129,005	—	29,298	2,326,139	4,455,144
$ 4,850,000	**$ 2,148,743**	**$ (4,396,549)**	**$ 2,277,904**	**$ 2,277,904**	**$ —**	**$ 30,098**	**$ 2,469,031**	**$ 4,746,935**
$ 15,000	$ 9,120	$ (9,120)	$ —	$ —	$ —	$ —	$ 12,620	$ 12,620
$ 15,000	**$ 9,120**	**$ (9,120)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 12,620**	**$ 12,620**
$ 4,865,000	**$ 2,157,863**	**$ (4,405,669)**	**$ 2,277,904**	**$ 2,277,904**	**$ —**	**$ 30,098**	**$ 2,481,651**	**$ 4,759,555**
$ 666,466	$ —	$ (141,047)	$ 183,412	$ 183,412	$ —	$ 42,365	$ —	$ 183,412
$ 666,466	**$ —**	**$ (141,047)**	**$ 183,412**	**$ 183,412**	**$ —**	**$ 42,365**	**$ —**	**$ 183,412**
$ 249,999	$ —	$ —	$ 132,970	$ 132,970	$ —	$ 132,970	$ —	$ 132,970
$ 249,999	**$ —**	**$ —**	**$ 132,970**	**$ 132,970**	**$ —**	**$ 132,970**	**$ —**	**$ 132,970**

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
NATIONAL SCIENCE FOUNDATION					
Passed Through University of Massachusetts					
Broadening Advanced Technological Education	Broadening Advanced Technological Education	N/A	47.076	DUE-1104145	09/01/11-08/31/13
	Total National Science Foundation Passed Through University of Massachusetts				
Passed Through Chicago Pre-College Science					
Science, Engineering, and Technology for Students Educators, and Parents Program	SETSEP	N/A	47.076	N/A	01/01/11-12/31/12
	Total National Science Foundation Passed Through Chicago Pre-College Science				
	TOTAL NATIONAL SCIENCE FOUNDATION				
	GRAND TOTAL				

Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2013	Cash (Received) Refunded July 1, 2013 June 30, 2014	Revenue Recognized July 1, 2013 June 30, 2014	Federal Award Expenditures July 1, 2013 June 30, 2014	Adjustments to Grant Revenue July 1, 2013 June 30, 2014	Accrued (Deferred) Grant Revenue June 30, 2014	Prior Years' Expenditures Through June 30, 2013	Final Status Cumulative Expenditures Through June 30, 2014
$ 25,995	$ 6,425	$ (12,619)	$ 6,194	$ 6,194	$ —	$ —	$ 6,425	$ 12,619
$ 25,995	**$ 6,425**	**$ (12,619)**	**$ 6,194**	**$ 6,194**	**$ —**	**$ —**	**$ 6,425**	**$ 12,619**
$ 125,012	$ (30)	$ —	$ —	$ —	$ —	$ (30)	$ 13,226	$ 13,226
$ 125,012	**$ (30)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (30)**	**$ 13,226**	**$ 13,226**
$ 151,007	**$ 6,395**	**$ (12,619)**	**$ 6,194**	**$ 6,194**	**$ —**	**$ (30)**	**$ 19,651**	**$ 25,845**
$1,786,997,670	**$277,230,890**	**$(844,954,001)**	**$766,305,635**	**$766,305,635**	**$ —**	**$198,582,524**	**$1,022,017,309**	**$1,788,322,943**

STATUTORY REPORTING SECTION

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, 2014

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

General — The Board of Education of the City of Chicago (the "CPS") is a body politic and corporate of the State of Illinois. All significant federal financial and compliance operations of the 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 the 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 the CPS' federal awards are passed through and received from the ISBE. For those pass-through federal awards, the CPS' direct reporting responsibility is to ISBE, which, in their capacity as sub-grantors, oversee and monitor the utilization of such federal awards by the 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, 2014. 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 the CPS, it is not intended to and does not present the financial position or changes in net position of the CPS. All federal programs considered active during the year ended June 30, 2014, 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 modified accrual basis of accounting, except for unavailable revenues (not collected within 30 days) are included. 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, 2014.

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, 2014. 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 the 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 the CPS’ Comprehensive Annual Financial Reports:

“Revenue recognized” per the Schedule	$766,305,635
E-Rate program revenues not included in the Schedule	28,536,052
Medicare Part D Revenue not included in the Schedule	675,707
Medicaid Fee for Service Revenue not included in the Schedule	28,777,600
Build America Bonds (BABS) revenue not included in the Schedule	24,855,833
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	4,575,562
Adjustments to record revenue not collected within 30 days (“available”)	50,459,776
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$904,186,165

Expenditures relating to individual federal programs are not represented separately from other CPS expenditures in the 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, 2014, 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 $766,305,635 presented on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014 is $37,314,951 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, 2014.

Program Name	Name of Grant	CFDA	Amount
Farm to School Implementation Grant	Farm to School Grant Program	10.575	$ 1,688
Title I — Public Instruction and Support Services	Title I — Low Income	84.010A	29,371,750
Title III — Language Acquisition	Title III — Language Acquisition	84.365A	360,666
Title IIA — Teacher Quality	Title IIA — Teacher Quality	84.367A	5,784,957
21st Century Community Learning Centers	21st Century Community Learning Centers	84.287C	25,590
Chicago Teen Pregnancy Prevention Initiative	Chicago Teen Pregnancy Prevention Initiative	93.297	16,500
School Improvement Grant	School Improvement Transformation	84.388A	1,753,800
	Total Awards to Subrecipients		$37,314,951

7. FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the fiscal year ended June 30, 2014, 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, 2014

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?	____ Yes	X No
Significant deficiency(ies) identified?	X Yes	____ 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)?	X Yes	____ 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?	X Yes	____ No

Identification of major programs:

CFDA Number	Name of Federal Program	Amount Expended
84.010	Title I — Grants to Local Education Agencies	$292,191,466
84.287	Twenty-First Century Community Learning Centers	10,405,471
84.365	English Language Acquisition Grants	8,533,561
84.367	Improving Teacher Quality State Grants	46,702,865
84.411	Investing In Innovation(i3)	3,243,750
93.600	Head Start	40,321,231
		$401,321,231

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 2014-001: Maintenance of Capital Asset Records

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, GASB No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* requires that all information that becomes available prior to the issuance of the financial statements should be used in evaluating the conditions on which estimates were based.

Management of the District should have policies, procedures and controls in place to ensure that the District meet these various financial reporting requirements in preparing the annual Comprehensive Annual Financial Report.

Condition
We were informed of the following issues in relation to the District's capital asset record maintenance:

- The District did not reassess the useful life of the former Central Office when the District decided to move Central Office locations into new space and vacate the former location
- 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 Illinois State Board of Education *Division of Funding and Disbursement Services State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* has the following requirements:
  - Items of equipment with an acquisition cost of $5,000 or more, the District must obtain two signed bids from potential purchasers or two appraisals from authorized appraisers to determine the per unit current fair market value if the per unit market value is less than $5,000. If the per unit current fair market value is $5,000 or more, the equipment may not be disposed of, transferred or traded in without ISBE approval.
  - If any equipment has been damaged, lost, or stolen, an official investigation by the proper authority should be conducted and fully documented.
- 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

Context:

Accelerated Depreciation Due to Sale of Building

Our audit procedures disclosed the following information relating to the sale of a fixed asset held by the District:

- December 2013: the District publicly announced that it would be moving its Central Office location from 125 S. Clark to 42 W. Madison.
- January 2014: the District began soliciting bids in effort to sell the former Central Office location.
- March 2014: District awarded Clark 125 Acquisition LLC the bid
- June 2014: Clark 125 Acquisition LLC withdrew its bid
- October 2014: the District sells the building in the amount of $28 million.

The District's announcement that it would be moving its Central Office location represents a change in the useful life. Due to this change, the District should have adjusted depreciation expense to properly allocate any remaining expense. We noted the District does not have any controls in place to ensure useful lives and depreciation methods are periodically evaluated for District buildings and other assets.

Asset Management Noncompliance

Effective internal controls over fixed assets includes maintaining a fixed asset listing 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 on the asset register. The listing should include any assets purchased, leased, or 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 ensure 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 105 assets and noted exceptions with 25 (24%) of these. Below is a summary for all exceptions noted:

Type of Exception:	# of Instances
Asset not found	10
Asset ID discrepancy	15
Total	25

Identification discrepancies related to the asset's tag/serial number or we noted the asset was duplicated on the fixed asset register. Per District policy, each asset is required to be identified both on the register and physically on the asset itself.

Based on discussions with school administrators, there are several recurring causes for the ineffectiveness of this control, including employee, 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 controls over fixed assets purchased with federal funds, including that all assets be added to asset registers, and information such as purchase price, serial numbers and tag numbers 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 2014:

- 21 out of 84 equipment additions tested were recorded in the CPS asset registers, but were missing required information as to the unique identification number assigned to the property.
- 47 out of 222 equipment items tested do not meet the requirements of federal ERPM guidelines such as missing asset tags and serial numbers.
- 43 out of 222 equipment items tested, an annual equipment inventory has not been performed for.
- 10 out of 84 equipment purchases tested met the State or Federal, as appropriate, definition for equipment, but did not have a purchase price. The purchase price was inputted as zero value.
- 37 out of 222 equipment items tested, a physical inventory was not taken within the last two years.
- 3 out of the 68 equipment deletions tested, the District did not maintain documentation that an official investigation by the proper authority was conducted.
- 10 out of the 68 equipment deletions tested, the District did not obtain two signed bids from potential purchasers or two appraisals from authorized appraisers to determine the per unit current fair market value. Additionally, the item was disposed of without ISBE approval.

Maintenance of Fixed Assets Records

Through our review 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.

We also noted that the fixed asset ledger is not reconciled to the general ledger in a timely manner. We believe the timely reconciliation is a critical control to ensure all fixed asset additions and retirements are recorded. Without a timely reconciliation control, the District's accounting personnel is required to manually adjust fixed assets. Entering manual adjustments is an extremely inefficient process and resulted in significant audit timeline delays.

Cause and Effect:

These errors are due to 1) the lack of controls over evaluating useful lives and identifying retirements, 2) the ineffectiveness of the maintenance of asset registers and records, and 3) the lack of a regular reconciliation of accounting records.

As a result of these errors, District management recorded an audit adjustment to account for the additional $42 million in depreciation expense. Failure to maintain accurate fixed asset ledgers results in inaccurate accounting records and increases the likelihood that the District's financial statements are materially misstated.

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 ensure proper updates and corrections were made to equipment registers, including the identification of lost, stolen or disposed 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 prior to the start of audit fieldwork. Failure to close out fixed assets in a timely manner results in significant audit timeline delays.

Recommendations:
To prevent the need for major adjustments to the capital accounts at the end of each year, we suggest the District enact a control to reconcile the general ledger and capital asset accounts on a monthly basis.

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.

Management Response and Corrective Action Plan:
CPS agrees with the recommendation to reconcile the fixed asset ledger to the general ledger on a timely basis. The positions of inventory accountant and fixed asset accountant have been consolidated to create greater focus on these areas.

CPS is in the process of evaluating the current Oracle Fixed Assets module to determine if it can be more fully integrated with the general ledger to facilitate a greater level of automation during the reconciliation and record maintenance processes.

CPS will be issuing a Request for Proposal (RFP) for an asset management solution which may result in the District implementing a radio-frequency identification or other asset tracking solution. Regardless of the technology chosen, related asset management documentation, training and procedures will be re-evaluated and modified as required.

The School Support Center conducts asset training on an annual basis and will reinforce the requirements with school staff.

Finding 2014-002: Intergovernmental Revenue

Criteria:
The District reports governmental fund financial statement information under the modified accrual basis of accounting. As disclosed in the District's annual financial report, under this policy "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." The District considers revenues available if the District receives them within 30 days of fiscal year end.

Management of the District should have policies, procedures and controls in place to ensure it accurately identifies if revenue is both measurable and available at year end.

Condition:
The District has multiple intergovernmental agreements with the City of Chicago Department of Planning. Under these agreements, the District incurs expenditures upfront and then submits reimbursement requests. Once the District submits a reimbursement request, the District records a receivable balance. Under the District's revenue recognition policies, the District should record revenue in the current year only if the District receives the reimbursement within 30 days of year end. If the payment is not received within 30 days, the District would record a deferred inflow of resources as the revenue is not considered available.

During our testing, we noted the District incorrectly deferred $6.2 million of revenue.

Context:
We noted the District initially understated revenues by approximately $6.2 million and overstated deferred revenues. The District has a reconciliation control in place which did not identify this misstatement.

Cause and Effect:
After year end, the District reviews grant receivables for collectability and cash collections received within the 30 day collection period. Due to the related prior year significant deficiency, the District implemented new controls to ensure unavailable revenues were deferred after 30 days. A lack of departmental communication resulted in a duplicate journal entry being recorded and the control to not function properly. As a result, an audit entry was required to fairly state the "Other" revenues balance.

Recommendation:
We recommend the District review the year-end account reconciliation process and ensure it is properly designed for future year-ends.

Management Response and Corrective Action Plan:
Chicago Public Schools undergoes a rigorous review process to verify outstanding receivables and identify cash received within its 30 day availability period. This process includes a line by line assessment of all grant receivables, which, historically, total near $1 billion dollars before and after the GASB 33 adjustment.

The control deficiency was caused by the lack of communication between departments resulting in a duplicate journal entry. CPS has re-defined responsibilities between departments to prevent future such errors. This includes a review of all miscellaneous receivables to determine whether revenue was already recorded. If revenue was posted prior to year end, CPS will then review whether cash was received within the 30 day availability period. If cash was not received within 30 days of year end, revenue will be deferred and a deferred revenue liability will be established.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2014-003: Subrecipient Monitoring

Federal Agency: US Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:

Twenty-First Century Community Learning Centers; Illinois State Board of Education; CFDA number 84.287; ISBE project numbers 2013-4421-150162990252 and 2014-4421-14-150162990252; award years November 1, 2012 through August 31, 2014.

Criteria:
The District contracts with organizations that are subrecipients and vendors and, therefore, should apply the guidance in OMB Circular A-133 (§____.105) in determining whether payments constitute a Federal award or a payment for goods and services.

Condition:
Certain third-party agreements include contractual language that does not clearly evidence that the District has determined the third party to be a vendor or subrecipient as defined by OMB Circular A-133 (§____.210).

Context:
The District determined that charter schools were its only subrecipients during fiscal year 2014. However, in two non-charter school agreements reviewed, the District included language that required the non-charter organization to comply with grant requirements and cost principles. As a result, the District included subrecipient language in contracts with non-charter organizations it intended to be vendors.

Questioned costs:
None.

Cause and Effect:
The District did not perform thorough subrecipient and vendor determinations. Additionally, the District did not clearly communicate to the employees involved in the contracting process that the District intended for these organizations to be vendors.

As a result, the District included federal award information in agreements with organizations that it considers vendors.

Recommendation:
Prior to awarding a new agreement, the District should assess and document the results of its vendor and subrecipient determination performed so that each contract contains the appropriate language.

Management Response and Corrective Action Plan:
CPS will review the current procedures and revise as necessary to 1) identify subrecipient relationships early in the approval and contracting process, 2) identify programs that are grant funded, and 3) ensure that appropriate pass-through entity responsibility requirements associated with grants are included in both vendor and subrecipient agreements, as applicable.

Finding 2014-004: Eligibility: Title I, Part A Targeted Assistance Programs

Federal Agency: US Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:

Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2013-4300-00-150162990252 and 2014-4300-00-150162990252; award years July 1, 2013 through August 31, 2014

Criteria:
Title I, Part A funds must be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. A school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's student academic achievement standards. A targeted assistance school selects those children who have the greatest need for special assistance to receive Title I, Part A services (Title I, Section 1115 of ESEA (20 USC 6315)).

Condition:
For one of the two schools operating a targeted assistance program tested, the District could not provide evidence to verify that Title I funds were used only for programs designed to meet the needs of eligible students as identified by the school. The school instead used the Title I funds as though they were operating a school-wide program.

Context:
The Title I, Part A allocations to schools operating targeted assistance program were approximately $700,000 in fiscal year 2014. This does not represent a significant portion of the $292 million in total Title I, Part A expenditures.

Cause and Effect:
In fiscal year 2014, each targeted assistance school spent Title I funds in accordance with the activities listed in their budget, which does not differentiate between school-wide and targeted assistance expenditures.

Recipients that do not comply with all the requirements related to a particular grant risk future reductions in funding or the grantor agency may require the District to reimburse for questioned costs.

Questioned costs:
$56,000

Recommendation:
The District should implement controls to ensure compliance with Title I targeted assistance program requirements, including requiring that schools operating targeted assistance programs prepare annual budgets and plans that incorporate the requirement to use Title I funds only for programs that are designed to meet the needs of the eligible students as identified by the school. Additionally, the District should monitor that the schools spend Title I funds in accordance with the specific activities listed in their budget and plan.

Management Response and Corrective Action Plan:
The District will provide guidance to schools designated as Targeted Assistance. Additionally, these schools will be scheduled for monitoring visits by the Internal Compliance Team.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

I. Finding SA13-02: Subrecipient Monitoring

Corrective Action Plan — See prior year report.

Current Status — Finding was not corrected as the corrective action plan was not implemented. See updated corrective action plan in finding 2014-003.

II. Finding SA13-03: Title I, Part A Targeted Assistance Programs

Corrective Action Plan — See prior year report.

Current Status — Finding was not corrected as the corrective action plan was not implemented. See updated corrective action plan in finding 2014-004.

III. Finding SA13-04: Special Tests and Provisions: Access to Federal Funds for New or Expanded Charter Schools

Corrective Action Plan — See prior year report.

Current Status — Corrective action was taken.

IV. Finding SA13-05: Head Start In-Kind Contributions

Corrective Action Plan — See prior year report

Current Status — Corrective action was taken.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

DEFINITIONS OF CERTAIN TERMS

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEFINITIONS AND CONSTRUCTION

Definitions. The following terms shall, for all purposes of the Indenture, have the following meanings unless a different meaning clearly appears from the context:

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

"*Additional Bonds*" means any Alternate Bonds issued by the Board in the future in accordance with the provisions of the Act and the Indenture on a parity with and sharing ratably and equally in all or any portion of the Pledged State Aid Revenues pledged to the payment of the Bonds.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act.

"*Authorized Denominations*" means $5,000 and any integral multiple thereof for each series of Bonds.

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

"*Board*" means the school district coterminous with the City of Chicago, which is a body politic and corporate by the name of the "Board of Education of the City of Chicago," governed by the Chicago Board of Education.

"*Bond Authorization Act*" means the Bond Authorization Act, 30 Illinois Compiled Statutes 305, as the same may be amended from time to time.

"*Bond Counsel*" means any law firm designated by the Board having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, acceptable to the Trustee.

"*Bond Payment Account*" means the account of that name established by the Indenture.

"*Bond Proceeds*" means the proceeds from the sale of the Bonds as the same shall be deposited by the Trustee.

"*Bond Resolution*" means Resolution No. No. 15-0225-RS6, adopted by the Board on February 25, 2015, authorizing the issuance of the Bonds.

"*Bonds*" means collectively the Series 2015C Project Bonds and the Series 2015E Project Bonds.

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

"*Business Day*" means any day other than a Saturday, Sunday or (a) a day on which banking institutions located (i) in the city in which the designated office of the Trustee is located, or (b) a day on which The New York Stock Exchange is closed.

"*Capitalized Interest Sub-Account*" means the sub-account of that name in the Pledged State Aid Revenues Account established by the Indenture.

"*Chief Financial Officer*" means the Chief Financial Officer of the Board, including any interim or acting Chief Financial Officer of the Board.

"*City*" means the City of Chicago.

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

"*Costs of Issuance Account*" means the account by that name established by the Indenture.

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

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

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

"*Date of Issuance*" means the date of original issuance and delivery of the Bonds.

"*Debt Service Fund*" means any fund of that name established under the Indenture.

"*Defaulted Interest*" means interest on any Bond which is payable, but not duly paid, on the date due.

"*Defeasance Government Obligations*" means Government Obligations which are not subject to redemption other than at the option of the holder under any Indenture.

"*Defeasance Obligations*" means (i) Defeasance Government Obligations and (ii) Pre-refunded Municipal Obligations.

"*Deposit Date*" means February 15 of each year beginning February 15, 2016 or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Indenture.

"*Deposit Sub-Account*" means the sub-account of that name in the Pledged State Aid Revenues Account established under the Indenture.

"*Designated Official*" means (a) the President of the Board, (b) the Chief Financial Officer of the Board, (c) the Treasurer of the Board, or (d) any other officer of the Board authorized to perform specific acts and duties under the Indenture by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York.

"*DTC Participant*" means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Bonds with DTC pursuant to the book-entry only system described in the Indenture.

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

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

"*Fitch*" means Fitch Ratings, its successors and assigns, and, if Fitch shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Fitch*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board by notice to the Trustee.

"*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.

"*General Project Account*" means the account of that name in the Project Fund established under the Indenture.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"*Green Project*" means those projects designated in the Capital Improvement Program of the Board as Green Bond Projects that generally promote energy efficiency and/or sustainability on the properties of the Board.

"*Green Project Account*" means the account of that name in the Project Fund established under the Indenture.

"*Indenture*" means the Trust Indenture dated as of March 1, 2015 between the Board and the Trustee securing the Bonds, as supplemented and amended.

"*Interest Deposit Sub-Account*" means the sub-account of that name in the Payment Sub-Account of the Pledged State Aid Revenues Account established under the Indenture.

"*Interest Deposit Sub-Account*" means the sub-account of that name in the Bond Payment Account established under the Indenture.

"*Interest Payment Date*" means, June 1 and December 1 of each fiscal year beginning December 1, 2015.

"*Interest Deposit Sub-Account*" means the sub-account of that name in the Pledge State Aid Revenues Account established under the Indenture.

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

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

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

(i) Government Obligations;

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

- Export-Import Bank
- 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 Freddie Mac;

(iv) Senior debt obligations of any agency of the United States of America created by act of Congress;

(v) 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" or "A-1+-" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

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

(vii) 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;

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

(ix) Municipal Obligations and Pre-refunded Municipal Obligations;

(x) Any Forward Supply Contract; and

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

"*Letter of Representations*" means the Blanket Issuer Letter of Representations dated March 15, 2002, between the Board and DTC, relating to the book-entry only system for the Bonds.

"*Moody's*" means Moody's Investors Service, its successors and assigns, and, if Moody's shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board by notice to the Trustee.

"*Municipal Obligations*" means any bonds or other obligations of the State of Illinois, or any state of the United States of America or any agency, instrumentality or local governmental unit of the State of Illinois or any such state which at the time of purchase are rated in the two highest general classifications established by a rating service of nationally recognized expertise.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel in form and substance acceptable to the Board and the Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

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

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

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

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

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

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

"*Participant,*" when used with respect to any Securities Depository, means any participant of such Securities Depository.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official or the Trustee as a paying agent for one or more series of Bonds, and any successor or successors appointed by a Designated Official or the Trustee as the case may be in the Indenture.

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

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

"*Pledged State Aid Revenues*" means in any year that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2012 Authorization in any year, as shall provide for the payment of the Bonds, the Prior 2012 Authorization Bonds and any Additional Bonds issued pursuant to the 2012 Authorization and the provision of not less than an additional .10 times debt service thereon in such year.

"*Pledged State Aid Revenues Account*" means the account of that name in the Debt Service Fund established in by the Indenture.

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

"*Pledged Taxes*" means the ad valorem taxes levied or to be levied pursuant to the covenant contained in the Indenture against all of the taxable property in the School District without limitation as to rate or amount, and pledged under the Indenture.

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

"*Pre-refunded Municipal Obligations*" means Municipal Obligations 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, based on an irrevocable escrow account or fund (the "*escrow*"), the same or higher than obligations of the United States of America by any two of S&P, Moody's and Fitch 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 t of the Indenture 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 Sub-Account*" means the sub-account of that name in the Bond Payment Account established by the Indenture.

"*Prior 2012 Authorization Bonds*" means, collectively, the Series 2012B Bonds, the Series 2013B Bonds and the Series 2013C Bonds.

"*Project*" means the construction, acquisition and equipping of school and administrative buildings, site improvements and other real and personal property in and for the School District, all in accordance with the estimate of cost, including the Board's Capital Improvement Program, as heretofore approved and from time to time amended by the Board.

"*Project Costs*" means the cost of acquisition, construction and equipping of the Project, including the cost of acquisition of all land, rights of way, property, rights, easements and interests, acquired by the Board for such construction, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment determined to be necessary and desirable by the Board, the costs of issuance of the Bonds, financing charges, financial advisory fees, consultant fees, interest prior to and during construction and, as permitted under the Code and Regulations for such period after completion of construction as the Board shall determine, the cost of engineering and legal expenses, plans, specifications, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing any portion of the Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, the financing of such construction and the placing of the Project in operation. Project Costs include the payment of the principal of, redemption premium, if any, and interest on, or repaying any amounts drawn by the Board related to, the Series 2013B Bonds and the Series 2013C Bonds.

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

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

"*Record Date*" means the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

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

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

"*Repurchase Agreements*" means 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.

"*School Code*" means the School Code, 105 Illinois Compiled Statutes 5, as the same may be amended from time to time.

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

"*Series 2012B Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2012B, of the Board.

"*Series 2013B Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013B, of the Board.

"*Series 2013B Indenture*" means the Trust Indenture dated as of December 1, 2013 between the Board and the Series 2013B Trustee.

"*Series 2013B Trustee*" means Amalgamated Bank of Chicago, acting as trustee under the Series 2013B Indenture.

"*Series 2013C Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013C, of the Board.

"*Series 2013C Indenture*" means the Trust Indenture dated as of December 1, 2013 between the Board and the Series 2013C Trustee.

"*Series 2013C Trustee*" means Amalgamated Bank of Chicago, acting as trustee under the Series 2013C Indenture.

"*Series 2015C Project Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2015C, of the Board issued under the Indenture.

"*Series 2015E Project Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2015E (Green Bonds), of the Board issued pursuant to the Indenture.

"*Securities Depository*" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

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

"*Special Record Date*" means the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

"*S&P*" means Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*S&P*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board by notice to the Trustee.

"*State*" means the State of Illinois.

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

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

"*Swap Agreement*" means the Interest Rate Agreement and any other between the Board and a counterparty or Swap Provider, the purpose of which is to provide to the Board an interest rate basis, cash flow basis or other basis different from that provided in the Bonds for the payment of interest.

"*Swap Payment*" means, with respect to each Swap Agreement, each periodic scheduled net payment owing to the Swap Provider made with respect to the notional amount identified in such Swap Agreement. For purposes of the Indenture, "Swap Payment" excludes any non-scheduled payments, including but not limited to termination payments, indemnification payments, tax gross-up payments, expenses and default interest payments.

"*Swap Payment Account*" means the Account of that name in the Debt Service Fund established by the Indenture.

"*Swap Payment Date*" has the meaning set forth in the Indenture.

"*Swap Provider*" means any counterparty to a Swap Agreement.

"*Tax Agreement*" means the Tax Compliance Agreement, dated the date of issuance of the Bonds, executed by the Board and the Trustee.

"*Trustee*" means Zions First National Bank, Chicago, Illinois and any successor or successors appointed under the Indenture as hereinafter described.

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

"*2012 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 12-0925-RS1 on September 15, 2012, authorizing the issuance of alternate bonds pursuant to the Act in an amount not to exceed $750,000,000.

"*2012 Authorizing Resolution*" means that resolution adopted on the 25th day of September, 2012 as Resolution No. 12-0925-RS1 by the Board authorizing the issuance of Alternate Bonds, in an amount not to exceed $750,000,000.

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

As used herein, and unless the context shall otherwise indicate, the words "Bond," "Owner" and "Person" shall include the plural as well as the singular number. As used herein, the terms "herein," "hereunder," "hereby," "hereto," "of the Indenture" and any similar terms refer to the Indenture. Unless the context shall otherwise indicate, references herein to articles, sections, subsections, clauses, paragraphs and other subdivisions refer to the designated articles, sections, subsections, clauses, paragraphs and other subdivisions of the Indenture as originally executed.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2015 C/E INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

Summary of Certain Provisions of the Series 2015 C/E Indenture

---

PLEDGE OF TRUST ESTATE

In order to secure the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Indenture, and the performance and observance of each covenant and condition contained in the Indenture and the Bonds, the Board, in the Indenture, pledges and grants a lien upon the following Trust Estate to the Trustee, to the extent provided in the Indenture:

(a) The Pledged State Aid Revenues as set forth in the 2012 Authorization and the Pledged Taxes, provided that the pledge of the Pledged State Aid Revenues to the payment of the Bonds is on a parity with the pledge of such revenues to the payment of the Prior 2012 Authorization Bonds, each series thereof constituting a series of Alternate Bonds of the Board issued pursuant to the Act;

(b) All moneys and securities and earnings thereon in all funds, accounts and sub-accounts established pursuant to the Indenture except the Swap Payment Account; and

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

The pledge of and lien on the Pledged State Aid Revenues for the payment of the Bonds shall be on a parity with the pledge of and lien on the Pledged State Aid Revenues for the payment of the Prior 2012 Authorization Bonds, and the Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Prior 2012 Authorization Bonds. There are further pledged for the payment of the Swap Payments, and a lien is granted under the Indenture on, amounts on deposit in the Swap Payment Account on the terms and conditions set forth in the Indenture; provided*,* however, that the pledge of and lien on any such amounts shall be subordinate to the lien of the Bonds and, to, the extent Pledged State Aid Revenues are on deposit in the Swap Payment Account, subordinate to the lien of Prior 2012 Authorization Bonds and any Additional Bonds issued pursuant to the Indenture.

THE BONDS ARE GENERAL OBLIGATION BONDS

The Series 2015C Bonds and the Series 2015E Bonds are entitled to the benefit, protection and security of the Indenture and are issued pursuant to the authority of the Act and the Bond Resolution. The Bonds shall constitute the general obligation of the Board for the payment of which its full faith and credit is pledged and are payable, in addition to the Pledged State Aid Revenues, from the levy of Pledged Taxes as described in the Indenture. The Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes have been extended for collection, in which case all Outstanding Bonds will be included, to the extent required by law, in the computation of indebtedness of the Board for all purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Bonds have been paid from the Pledged State Aid Revenues for a complete fiscal year of the Board.

APPLICATION OF BOND PROCEEDS

The Board shall apply the Bond Proceeds as described under the caption "PLAN OF FINANCE-Estimated Sources and Uses of Funds" in this Official Statement.

BONDS PAYABLE FROM PLEDGED STATE AID REVENUES

There are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Indenture, and a lien is granted by the Indenture for such purpose, for the purposes and on the terms and conditions set forth in the Indenture, on the Trust Estate as described in the Granting Clauses; provided*,* however, that the pledge of and lien on the Pledged State Aid Revenues for the payment of the Bonds as provided herein shall be on a parity with the pledge of and lien on the Pledged State Aid Revenues for the payment of the Prior 2012 Authorization Bonds, and the Bonds shall share ratably and, equally in the Pledged State Aid Revenues with the Prior 2012 Authorization Bonds. There are hereby further pledged for the payment of the Swap Payments, and a lien is hereby granted for such purpose on, amounts on deposit in the Swap Payment Account on the terms and conditions set forth in the Indenture; provided*,* however, that the pledge of and lien on any such amounts shall be subordinate to the lien of the Bonds, and, to, the extent Pledged State Aid Revenues are on deposit in the Swap Payment Account, subordinate to the lien of Prior 2012 Authorization Bonds and any Additional Bonds issued pursuant to the Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds hereby pledged and received by the Board, 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 do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Bonds shall to the extent required by law be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Bonds have been paid from the Pledged State Aid Revenues, in each case for a complete fiscal year of the Board.

Establishment of Project Fund. The Project Fund is established under the Indenture with the Trustee to be held and applied in accordance with the terms and provisions thereof. There is further established within the Project Fund, the Project Fund a General Project Account and a Green Project Account. There shall be paid into the Project Fund and the account therein the amount required to be so paid by the provisions of the Indenture.

Moneys on deposit in the Project Fund will be paid out from time to time by the Trustee to or upon the order of the Board in order to provide for the payment or to reimburse the Board for the payment of Project Costs upon receipt by the Trustee of a certificate of an Authorized Officer of the Board describing the Project Costs to be paid or reimbursed with such moneys (including the identity of and method of payment for each payee); provided, however, that moneys on deposit in the Green Project Account shall be paid out only for the payment of Project Costs of the Green Project, and stating that:

(i) the costs in an aggregate amount set forth in such certificate are necessary and appropriate Project Costs that (a) have been incurred and paid or (b) are expected to be paid within the next 60 days;

(ii) the amount to be paid or reimbursed to the Board as set forth in such certificate is reasonable and represents a part of the amount payable for the Project Costs and that such payment is to be made or, in the case of reimbursement to the Board, was made, in accordance with the terms of any applicable contracts and in accordance with usual and customary practice under existing conditions;

(iii) that no part of the Project Costs that are the subject of such certificate was included in any certificate previously filed with the Trustee under the provisions of the Indenture; and

(iv) the use of the money so withdrawn from the Project Fund and the use of the facilities provided with such moneys will not result in a violation of any applicable covenant, term or provision of the Tax Agreement.

Moneys in the Project Fund shall be invested at the written direction of a Designated Official to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Project Costs or such other costs as may be required to be paid from such moneys. The Board may, and to the extent required for payments from the Project Fund shall, direct the Trustee in writing to sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Project Fund. Earnings received on moneys or securities in the Project Fund shall be retained therein and applied to the purposes for which moneys in the Project Fund are otherwise held.

The completion, substantial completion or abandonment of the Project shall be evidenced by a certificate of an Authorized Officer of the Board, which shall be filed promptly with the Trustee, stating the date of such completion, anticipated completion or abandonment and the amount, if any, required in the opinion of the signer of such certificate for the payment of any remaining part of the Project Costs. Upon the filing of such certificate, the balance in the Project Fund in excess of the amount, if any, stated in such certificate of the Board as necessary to complete the Project shall be deposited into such accounts of the Debt Service Fund as shall be directed in such certificate.

The Trustee shall rely fully on any certificate of an Authorized Officer of the Board delivered pursuant to the paragraphs above and shall not be required to make any investigation in connection therewith.

Establishment of Costs of Issuance Account.

The Costs of Issuance Account is established with the Trustee to be held and applied in accordance with the terms and provisions of the Indenture. There shall be paid into the Costs of Issuance Account the amount required to be so paid on the Date of Issuance.

Moneys on deposit in the Costs of Issuance Account will be paid out from time to time by the Trustee to or upon the order of the Board in order to provide for the payment or to reimburse the Board for the payment of costs of issuing the Bonds upon receipt by the Trustee of a certificate of an Authorized Officer of the Board describing the costs of issuance to be paid or reimbursed with such moneys (including the identity of and method of payment for each payee). On September 1, 2015, the Costs of Issuance Account shall be closed and any moneys held therein shall be deposited into the Interest Sub-Account.

Moneys in the Costs of Issuance Account shall be invested pursuant to the provisions of the Indenture. The Board may, and to the extent required for payments from the Costs of Issuance Account shall, direct the Trustee in writing to sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Costs of Issuance Account. Earnings received on moneys or securities in the Costs of Issuance Account shall be retained therein and applied to the purposes for which moneys in the Costs of Issuance Account are otherwise held

Establishment of Debt Service Fund and Accounts. The Debt Service Fund and the following Accounts within the Debt Service Fund are established with the Trustee to be held and applied in accordance with the provisions of the Indenture:

(i) Pledged State Aid Revenues Account, consisting of (1) the Interest Deposit Sub-Account, (2) the Capitalized Interest Sub-Account and (3) the Pledged State Aid Revenues Sub-Account;

(ii) Pledged Taxes Account;

(iii) Bond Payment Account, consisting of (1) the Interest Sub-Account and (2) the Principal Sub-Account; and

(iv) Swap Payment Account.

Pledged State Aid Revenues Account. The Trustee shall deposit to the credit of the Interest Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit and any payments made by Swap Providers, if any, under Swap Agreements to the extent set forth in a certificate of a Designated Official filed with the Trustee.

The proceeds of the Bonds deposited to the credit of the Capitalized Interest Sub-Account pursuant to the Indenture, and any other amounts deposited to the credit of such Sub-Account, shall be transferred to the Interest Sub-Account and applied to the payment of interest due on the Bonds on such dates as described below.

On or before February 16 of each year, whenever sufficient funds are on deposit in the Pledged State Aid Revenues Account as described below, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Bonds.

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

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

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

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

Bond Payment Account. The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-Account. The Trustee shall also transfer, from time to time, to the credit of the Interest Sub-Account all amounts so directed by the Board to be transferred into such Sub-Account.

There shall be transferred first from moneys on deposit in the Pledged Taxes Account, second from moneys on deposit in the Interest Deposit Sub-Account, subject to the requirements of the following paragraph, third from moneys on deposit in the Capitalized Interest Sub-Account (but only for deposit in the Interest Sub-Account), and fourth from moneys on deposit in the Pledged State Aid Revenues Sub-Account: (i) first, to the Interest Sub-Account on or before each Interest Payment Date for any of the Outstanding Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment; (ii) second, to the Principal Sub-Account on or before each December 1 an amount equal to the principal amount of the Outstanding Bonds, if any, which mature on December 1 less the amount then on deposit in the Principal Sub-Account and available for such payment; and (iii) third, to the Principal Sub-Account on or prior to December 1 on which Bonds are subject to mandatory sinking fund redemption, the amount required for the payment of the Redemption Price of such Bonds then to be redeemed.

The Trustee shall pay to the respective Paying Agents in immediately available funds on or before each date on which interest or principal is due on the Bonds the respective amounts on deposit in the Interest Sub-Account and the Principal Sub-Account described in clauses (i), (ii) and (iii) above necessary to pay such debt service. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof.

Swap Payment Account. After deducting the amount then required to be transferred to the Principal Sub-Account and provided the Board is not in default with respect to the payment of interest on the Bonds, there shall be transferred into the Swap Payment Account on each June 1 and December 1, or such other dates specified in the relevant Swap Agreements which the Board shall identify in a written notice delivered to the Trustee (each, a "*Swap Payment Date*"), first from moneys on deposit in the Pledged Taxes Account, second from moneys on deposit in the Interest Deposit Sub-Account, and third from the Pledged State Aid Revenues Sub-Account, an amount equal to the sum of the Swap Payment then owing under such Swap Agreement on such Swap Payment Date. The Trustee shall pay each Swap Provider on each Swap Payment Date from amounts then on deposit in the Swap Payment Account pursuant to payment instructions specified in the relevant Swap Agreements and provided to the Trustee and the Board by such Swap Provider. On or prior to December 1, 2015 and each December 1 thereafter, the Board shall provide the Trustee with written notice of the amount of each Swap Payment owing to such Swap Provider on each Swap Payment Date for the succeeding Bond Year. The Board shall promptly notify the Trustee in writing if the amount of any Swap Payments shall change from the amounts identified in such notice. Notwithstanding anything in the Indenture to the contrary, all payments of Swap Payments to be paid from Pledged Taxes shall be subordinate to the payment of principal of and interest on the Bonds and all payments of Swap Payments to be paid from Pledged State Aid Revenues shall be subordinate to the payment of principal of and interest on the Bonds, the Prior 2012 Authorization Bonds and any Additional Bonds and all payments of Swap Payments to be paid from Pledged State Aid Revenues shall be subordinate to the payment of principal of and interest on the Bonds, the Prior 2012 Authorization Bonds and any Additional Bonds.

If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the sum of the principal amount of the Outstanding Bonds which mature on that December 1 and the amount required to pay the Redemption Price of Outstanding Bonds required to be redeemed on that December 1 by the application of sinking fund installments pursuant to the Indenture, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency. If on any Swap Payment Date the amount held in the Swap Payment Account is less than the Swap Payments then owing under the Swap Agreements, then the Board shall immediately pay over to the Trustee for deposit to the credit Swap Payment Account, the sum required to cure such deficiency.

INVESTMENT OF MONEYS

Moneys held in the several Accounts and Sub-Accounts of the Debt Service Funds and the Project Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official's written instructions as to both the suitability and legality of the directed investments. Nothing contained in the Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common control with the Trustee. All investments made under the Indenture shall be consistent with the expectations expressed in the Tax Agreement.

VALUATION AND SALE OF INVESTMENTS

Investment Securities in any Fund, Account or Sub-Account created under the provisions of the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account.

Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established hereunder shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein. In computing the amounts in such Funds, Accounts and Sub-

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

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

PARTICULAR COVENANTS AND REPRESENTATIONS OF BOARD

Covenants Regarding Pledged State Aid Revenues. Pursuant to Section 15(e) of the Act, the Board covenants, so long as there are any Outstanding Bonds, to provide for, collect and apply the Pledged State Aid Revenues to the payment of the Bonds, the Prior 2012 Authorization Bonds and the provision of not less than an additional .10 times debt service on the Bonds and the Prior 2012 Authorization Bonds. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged State Aid Revenues may be allocated and paid to the Board for application as herein provided.

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

The Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by said Section, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

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

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

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

Federal Income Tax and Arbitrage. The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance.

The Board shall not permit any of the proceeds of the Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the Bonds or other moneys to be invested in any manner that would cause any Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

EVENTS OF DEFAULT

Events of Default. Each of the following events is hereby declared to be an "**Event of Default**":

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

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

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

(D) 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 of Illinois.

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

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 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 the Bonds on the Indenture forthwith by a suit or suits in equity or at law, 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 the Indenture or enforcing any of the rights on interests of the Owner of the Bonds under the Bonds or the Indenture.

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

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

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

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

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

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

First: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on 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.

(iii) To the payment of Swap Payments.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or 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 the Indenture to be deposited or pledged, with the Trustee), and thereupon the Board, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment to the Board by the Trustee nor such restoration of the Board and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Whenever moneys are to be applied pursuant to the provisions of this Section, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

RESTRICTION ON OWNERS' ACTIONS

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

Nothing in the Indenture or in the Bonds contained shall affect or impair the general obligation of the Board 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 of any Owner to enforce such payment of its Bond from the sources provided herein.

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

REMEDIES NOT EXCLUSIVE

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of the Indenture.

WAIVER AND OTHER CIRCUMSTANCES

No delay or omission of the Trustee or any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair, any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein.

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

PROVISIONS RELATING TO THE TRUSTEE

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

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

Appointment of Successor Trustee. In case at any time the Trustee shall resign, be removed or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Bonds.

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

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

Resignation or Removal of Paying Agent and Appointment of Successor. Any Paying Argent at any time may resign and be discharged of the duties and obligations imposed upon it by the Indenture by giving at least 60 days written notice to the Board and the other Fiduciaries. Any Paying Agent may be removed at any time by an instrument signed by a Designated Official and filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the Board and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly-owned subsidiary of such an entity, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee and shall be subject to audit of all of its books, records and accounts with respect to the Bonds. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

Resignation of Registrar and Appointment of Successor. Any Registrar may at any time resign and be discharged of the duties and obligations imposed upon it by the Indenture by giving at least 60 days written notice to the Board and the other Fiduciaries. Any Registrar may be removed at any time by an instrument signed by a Designated Official and filed with such Registrar and the Trustee. Any successor Registrar shall be appointed by the Board and shall be a bank, trust company or national banking association doing business and having an office in the State of Illinois or in the Borough of Manhattan, in the City and State of New York, if there be such a bank, 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 the Indenture.

In the event of the resignation or removal of any Registrar, such Registrar shall deliver all books, records and other property including the bond register of the Board to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Registrar, the Trustee shall act as such Registrar.

SUPPLEMENTAL INDENTURES

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

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

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

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

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

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

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

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

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

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

Supplemental Indenture Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner prescribed below.

AMENDMENTS

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

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture, to take effect when and as provided in this provision. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. 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 provision 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 aggregate principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of` the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as hereinafter in this provision provided. A certificate or certificates by the Trustee delivered to the Board that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee 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 or replacement thereof whether or not such subsequent Owner has notice thereof; provided, however, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter in this provision 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. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by this Article and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under this provision the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in this provision, 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). The Trustee shall deliver to the Board proof of the mailing of such notice. A record, consisting of the information required or permitted by this provision to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Modifications by Unanimous Action. The Indenture and the rights and obligations of the Board and of the Owners of the Bonds may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given. Such Supplemental Indenture shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in Section 10.3 of the Indenture and (b) with the Board of the Trustee's written statement that the consents of the Owners of all Outstanding Bonds have been filed with it. No mailing or publication of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

EXCLUSION OF BONDS

Unless all Bonds are owned or held by or for the account of the Board, Bonds owned or held by or for, the account of the Board shall not be deemed Outstanding and shall be excluded for the purpose of any calculation required by the Indenture. At the time of any consent or other action taken under the Indenture, the Board shall furnish the Trustee a certificate of a Designated Official, upon which the Trustee may rely, identifying all Bonds so to be excluded.

DEFEASANCE

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

Bonds or interest installments for the payment or redemption 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 and with the effect described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which shall be sufficient, without further reinvestment 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 (d) 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 in accordance with this provision 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. The Defeasance Obligations and moneys deposited with the Trustee pursuant to this Section 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 said Bonds, at maturity or upon redemption, as the case may be.

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

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Board, shall be applied by the Trustee to the purchase of such Bonds in accordance with this subsection. Bonds for which a redemption date has been established may be purchased on or prior to the 45th 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 pursuant to this subsection 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 pursuant to the Indenture.

The Board may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the Board on or prior to the 45th day preceding the redemption date. On or prior to the 45th day preceding the redemption date the Board shall give written 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 time after any Bonds are deemed to be paid pursuant to the Indenture, the Board shall not at any time permit any of the proceeds of the Bonds or any other funds of the Board to, be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the Code and Regulations.

Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under the Indenture, notwithstanding that any Bonds are deemed to be paid pursuant to the Indenture. Such compensation shall be paid by the Board from lawfully available funds and no Fiduciary shall have a claim against the Trust Estate for such compensation except as may be expressly provided herein.

Any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such 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 Trustee or such Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited, with the Trustee or such Paying Agent after the said date when such Bonds become due and payable, shall, at the written request of the Board, be repaid by the Trustee or such Paying Agent to the Board, as its absolute property and free from trust, and the Trustee or such Paying Agent 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 Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

THE REAL PROPERTY TAX SYSTEM

Real Property, Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "**County**") and that are applicable to the School District. The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. As described under "**SECURITY FOR THE BONDS – Pledged Taxes**," the Pledged Taxes, to the extent they are levied and collected, will be derived from the proceeds of *ad valorem* taxes levied by the Board on all taxable property within the School District.

Substantially all (approximately 99.99%) of the "**Equalized Assessed Valuation**" (described below) 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 under this caption and elsewhere in this Offering Statement with respect to taxable property of the School District does not reflect the portion situated in DuPage County. The Illinois laws relating to real property are contained in the Illinois Property Tax Code, 35 ILCS 200/1-1, et seq., as amended (the "**Property Tax Code**").

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 City was reassessed in tax year 2009 and 2012 and will be reassessed in 2015. The suburbs in the northern and northwestern portions of the County were reassessed in tax year 2010. The suburbs in the western and southern portions of the County were reassessed in tax year 2014.

Pursuant to the Cook County Real Property Assessment Classification Ordinance (the "**Classification Ordinance**"), real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "**Assessed Valuation**") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualified for certain incentives for reduced rates. For prior years the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the Classification Ordinance, pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain incentive renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest their tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the "**Board of Review**"). The Board of Review consists of three commissioners, each elected by an election district in Cook County. The Board of Review is empowered to review and adjust Assessed Valuations set by the Assessor.

Owners of both residential property having six or fewer units and owners of real estate other than residential property with six or fewer units are able to appeal decisions of the Board of Review to the

Illinois Property Tax Appeal Board (the "**PTAB**"), a state-wide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal decisions of the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Law.

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 of Cook County similar to the previously described judicial review procedure but with a different standard of proof than previously required. 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 any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

In a series of 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.

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 estate, except certain farmland, wind turbines with a nameplate capacity of a 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**").

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. 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 **"– Property Tax Extension Limitation Law; Issuance of Alternate Revenue Bonds**" below. For a listing of the Equalization Factors for the eleven years ended December 31, 2013, see **"– Property Tax Information – Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2002-2013**."

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Illinois 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 ("**EAV**") 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 Cook 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. A recent amendment to this exemption requires senior citizens to reapply for it on an annual basis. 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 the 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. Each year applicants for the Senior Citizens Assessment Freeze Homestead Exemption must file the appropriate application and affidavit with the chief county assessment office.

On July 12, 2004, the Property Tax Code was amended to permit each county in the State, by enacting an ordinance within six months of the effective date of the law, to limit future increases in the taxable value of residential property in such a county to an annual increase of not more than 7% per year. This is known as the Alternative General Homestead Exemption (AGHE). Upon adoption of such an ordinance, homestead property will generally be entitled to an annual homestead exemption equal to the difference between the property's EAV and the property's "adjusted homestead value." The County adopted an ordinance electing to be governed by this law. The purpose of the law is to reduce the increase in the taxable value of residential property that otherwise occurs when home values rise rapidly.

In 2007, the Alternative General Homestead Exemption law enacted in 2004 was allowed to sunset. Later in 2007, Public Act 95-0644 was enacted, which extended the AGHE law for an additional three years, subject to certain revisions and adjustments to the prior law. On May 1, 2011, Public Act 96¬1418 was enacted to extend the AGHE for three more years, and to reduce the maximum amount of the exemption. For tax years beginning in 2008, the maximum exemption for homeowners is as follows: For homeowners in the City, $20,000 for the 2008 and 2009 tax years (taxes paid in 2009 and 2010), $16,000 for the 2010 tax year (taxes paid in 2011) and $12,000 for the 2011 tax year (taxes paid in 2012); for homeowners in the northern and northwestern portions of the County, $26,000 for the 2008 tax year (taxes paid in 2009), $20,000 for the 2009 and 2010 tax years (taxes paid in 2010 and 2011), $16,000 for the 2011 tax year (taxes paid in 2012) and $12,000 for the 2012 tax year (taxes paid in 2013); and for homeowners in the western and southern portions of the County, $33,000 for the 2008 tax year (taxes paid in 2009), $26,000 for the 2009 tax year (taxes paid in 2010), $20,000 for the 2010 and 2011 tax years (taxes paid in 2011 and 2012), $16,000 for the 2012 tax year (taxes paid in 2013) and $12,000 for the 2013 tax year (taxes paid in 2014). In the year that a homeowner loses all of its 7% savings, a Sunset Exemption provides an additional one-time deduction of $5,000 off the equalized assessed value of a property for eligible homeowners.

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.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 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 percent 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 percent of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the "**Units**") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the County include the Board, the City, the Park District, the Authority, the Community College District, the Water Reclamation District, the County and the Forest Preserve District.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the governing body of each Unit. 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 estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector.

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit. The County Clerk computes the Unit's maximum allowable levy by multiplying the maximum tax rate for that Unit multiplied by the prior year's EAV for all property currently in the taxing district. The prior year's EAV includes the EAV of any new property, the current year value of any annexed property, and any recovered tax increment value, minus any disconnected property for the current year under the Limitation Law. See **"—Property Tax Extension Limitation Law; Issuance of Alternate Revenue Bonds**" below. The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year's EAV. 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.

Extensions. The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the County Collector (the "**Warrant Books**") along with the tax rates, the Assessed Valuation and the EAV. 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.

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 always due on March 1 and the second due 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 then current tax year levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Over the last 10 years, the second installment "*penalty date*" (that is, the date after which interest is due on unpaid amounts) has not been later than December 1 except the date for tax year 2009, which was December 13, 2010. It is possible that delays in the assessment process or changes to the assessment appeal process described above will cause delays in the preparation and mailing of second installment tax bills in future years. The delay in the second installment 2009 tax bill was a result of the decrease in the level of assessment for all properties, prompting a county-wide appeal by taxpayers.

The following table sets forth the second installment penalty date for the tax years 2004 to 2013; the first installment penalty date has been March 2 for all years.

	Second Installment
Tax Year	**Penalty Date**
2004	November 1, 2005
2005	September 1, 2006
2006	December 3, 2007
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	November 1, 2012
2012	August 1, 2013
2013	August 1, 2014

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 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 penalties 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 a maximum of 18% for 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 to the State and are eligible to be purchased "*over the counter*" 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 is scheduled to be held by Cook County 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 substantially less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the Board has a provision for an allowance for uncollectible taxes for debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2014, collectible in 2015, the allowance for uncollectible taxes is approximately 3.5% of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the Board after four years, but are fully reserved after one year.

Property Tax Extension Limitation Law; Issuance of Alternate Revenue Bonds

The Limitation Law was extended in 1995 (effective as of the 1994 assessment year) to non-home rule taxing districts in Cook County, including the Board. The effects of the Limitation Law 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 Limitation Law specifically limits the annual growth in property tax extensions for the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction and referendum approval of tax or limitation rate increases.

The Limitation Law requires the Cook County Clerk, in extending taxes for taxing districts in Cook County, including the Board, 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 Limitation Law authorizes the issuance of "*limited bonds*" payable from non-home rule taxing districts' "*debt service extension base.*" Alternate Revenue Bonds, such as the Bonds, are excluded from the direct referendum requirements of the Limitation Law. Pursuant to the provisions of this amendatory legislation and the Debt Reform Act, the Bonds are being issued as Alternate Revenue Bonds and the extension and collection of the Pledged Taxes for the payment of debt service on such Bonds are not limited or restricted in any way by the provisions of the Limitation Law.

Illinois Truth in Taxation Law

The Illinois Truth in Taxation Law imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in the 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, election cost and payments due under public building commission leases. 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 Unit's 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 a certification of compliance with the foregoing procedures. This law does not impose any limitations on the rate or the amount of the levy to pay principal of and interest on the Unit's general obligation bonds and notes.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

PENSION FUND ACTUARIAL VALUATION FOR FISCAL YEAR 2014

[THIS PAGE INTENTIONALLY LEFT BLANK]

Public School Teachers' Pension and Retirement Fund of Chicago

Actuarial Valuation and Review as of June 30, 2014

Segal Consulting
101 North Wacker Drive, Suite 500 Chicago, IL 60606
T 312.984.8500 www.segalco.com

October 21, 2014

Board of Trustees
Public School Teachers' Pension and Retirement Fund of Chicago
203 North LaSalle Street, Suite 2600
Chicago, Illinois 60601

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2014. It summarizes the actuarial data used in the valuation, establishes the net pension liability under Governmental Acocunting Standards Board (GASB) Statement No. 67 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Public School Teachers' Pension and Retirement Fund of Chicago. The census information and financial information on which our calculations were based was prepared by the Fund staff. That assistance is gratefully acknowledged.We have not subjected the census data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

Since the effective date of the last actuarial valuation, there have not been any changes in benefit provisions that have had an impact on the actuarial liabilities of the Fund.

The actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Fund's actuary. The assumptions and methods used for the June 30, 2014, actuarial valuation were based on an experience analysis covering the five-year period ending June 30, 2012, and were adopted by the Board, effective for the June 30, 2013, valuation. These actuarial assumptions and methods comply with the parameters for disclosure of GASB 67. Further, in our opinion, the assumptions as approved by the Board appear to be reasonably related to the experience of the Fund.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Kim Nicholl, FSA, MAAA, EA, FCA	*Matthew A. Strom, FSA, MAAA, EA*
Senior Vice President and Actuary	*Vice President and Actuary*

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

SECTION 5

GASB INFORMATION

Purpose

This report has been prepared by Segal Consulting to present a valuation of the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) as of June 30, 2014. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contents of this report are based on:

- The benefit provisions of the Fund, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of June 30, 2014, provided by the CTPF staff;
- The assets of the Plan as of June 30, 2014, provided by the CTPF staff;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. The Government Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. Statement 67 is effective with the fiscal year ending June 30, 2014, for Plan reporting. Statement 68 is effective with the fiscal year ending June 30, 2015, for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with both Statements 67 and 68.
2. When measuring pension liability, GASB uses a different actuarial cost method (Entry Age method) than the cost method used for funding purposes (Projected Unit Credit method). However, as of June 30, 2014, the GASB blended discount rate calculation results in the same discount rate (expected return on assets) as used for funding purposes (7.75%). The total pension liability (TPL) measure for financial reporting is $20,316,899,952 as of June 30, 2014.
3. The net pension liability (NPL) is equal to the difference between the TPL and the Plan’s fiduciary net position. The Plan’s fiduciary net position is equal to the market value of assets. The NPL decreased from $10,121,734,006 as of June 30, 2013, to $9,501,205,338 as of June 30, 2014.

4. As shown in Chart 13, for the fiscal year beginning July 1, 2014, the actuarially determined contribution (ADC) amount is $728,488,520. Public Act 96-0889 specifies that the required Board of Education contribution for Fiscal Years 2014 through 2059 must be a level percentage of payroll sufficient to bring the funded percentage of the Fund up to 90% by the end of Fiscal Year 2059. The Fiscal Year 2015 required Board of Education contribution amount was determined to be $683,574,000, as a part of the June 30, 2013, valuation. Given that $65,000,000 is expected to be used to pay health insurance subsidies, the required Board of Education contribution for the pension plan is $618,574,000. Also, Sections 17-127 and 17-127.2 of the Pension Code specify additional State contributions of 0.544% of payroll and additional Board of Education Contributions of 0.58% of payroll, which were determined as part of the June 30, 2013, valuation to be $12,145,000 and $12,948,000, respectively. Therefore, the total employer contributions for Fiscal 2015 are expected to be $643,667,000. Compared to the actuarially determined contribution of $728,488,520, the contribution deficiency is $84,821,520 as of July 1, 2014. Each year there is a contribution deficiency leads to an increased deficiency in all future years.
5. Employer contributions for Fiscal Year 2014 were determined to be $624,603,000, $65,000,000 for the health insurance and $559,603,000 for the pension plan. Actual employer contributions for Fiscal Year 2014 totaled $650,416,141, $65,000,000 for health insurance and $585,416,141 for the pension plan.
6. For the year ended June 30, 2014, Segal has determined that the asset return on a market basis was 17.9%. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 12.8%. This represents an experience gain when compared to the assumed rate of 7.75%. As of June 30, 2014, the actuarial value of assets ($10.05 billion) represents 92.9% of the market value ($10.82 billion).
7. As indicated in Section 2, Subsection B of this report, the total unrecognized investment gain as of June 30, 2014, is $770,152,039. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment losses derived from future experience. This implies that earning the assumed rate of investment return of 7.75% per year (net of expenses) on a market value basis will result in investment gains on the actuarial value of assets in the next few years.
8. The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of June 30, 2014, is 51.5%, compared to 49.5% as of June 30, 2013.
9. As mentioned above, the current method used to determine the actuarial value of assets yields an amount that is 92.9% of the market value of assets as of June 30, 2014. Guidelines in Actuarial Standards of Practice No. 44 (Selection and Use of Asset Valuation Methods for Pension Valuations) recommend that asset values fall within a reasonable range around the corresponding market value. We believe the actuarial asset method currently complies with these guidelines.

10. This actuarial valuation report as of June 30, 2014, is based on financial data as of that date. Changes in the value of assets subsequent to that date are not reflected.

Summary of Key Valuation Results

	2014	2013
Contributions for plan year beginning July 1:		
Actuarially determined contribution requirement	$728,488,520	$719,781,746
Expected employer contributions	643,667,000	559,306,000
Actual	--	585,416,141
Funding elements for plan year beginning July 1:		
Employer normal cost, including administrative expenses	$139,510,202	$129,928,449
Market value of assets	10,815,694,614	9,674,188,563
Actuarial value of assets	10,045,542,575	9,422,519,190
Actuarial accrued liability	19,503,893,632	19,044,533,016
Unfunded/(overfunded) actuarial accrued liability	9,458,351,057	9,622,013,826
Funded ratio	51.51%	49.48%
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	27,722	27,440
Number of vested former participants	4,818	4,502
Number of active participants	30,654	30,969
Total salary supplied by the Fund	$2,149,841,688	$2,146,811,972
Average salary	$70,133	$69,321
GASB Information:		
Discount rate	7.75%	7.75%
Total pension liability	$20,316,899,952	$19,795,922,569
Plan fiduciary net position	10,815,694,614	9,674,188,563
Net pension liability	9,501,205,338	10,121,734,006
Plan fiduciary net position as a percentage of total pension liability	53.23%	48.87%

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated members, retirees and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.

CHART 1

Participant Population: 2005 – 2014

Year Ended June 30	Active Participants	Vested Terminated Members	Retirees and Beneficiaries	Ratio of Non-Actives to Actives
2005	37,521	2,059	20,954	0.61
2006	34,682	2,408	22,105	0.71
2007	32,968	2,752	23,623	0.80
2008	32,086	3,479	23,920	0.85
2009	31,905	3,056	24,218	0.85
2010	31,012	3,554	24,600	0.91
2011	30,133	4,253	25,199	0.98
2012	30,366	4,245	25,926	0.99
2013	30,969	4,502	27,440	1.03
2014	30,654	4,818	27,722	1.06

Active Participants
Plan costs are affected by the age, years of service and salary of active participants. In this year's valuation, there were 30,654 active participants with an average age of 41.3, average years of service of 10.3 and average salary of $70,133. The 30,969 active participants in the prior valuation had an average age of 41.2, average years of service of 10.0 and average salary of $69,321.

Inactive Participants
In this year's valuation, there were 4,818 participants with a vested right to a deferred or immediate vested benefit.

These graphs show a distribution of active participants by age and by years of service.

CHART 2

Distribution of Active Participants by Age as of June 30, 2014

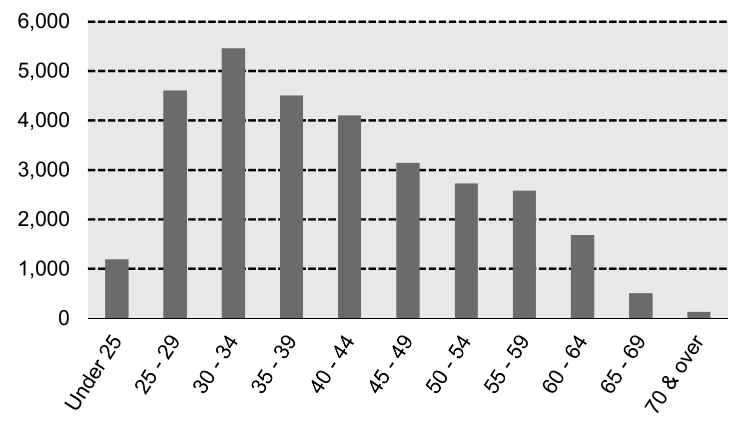
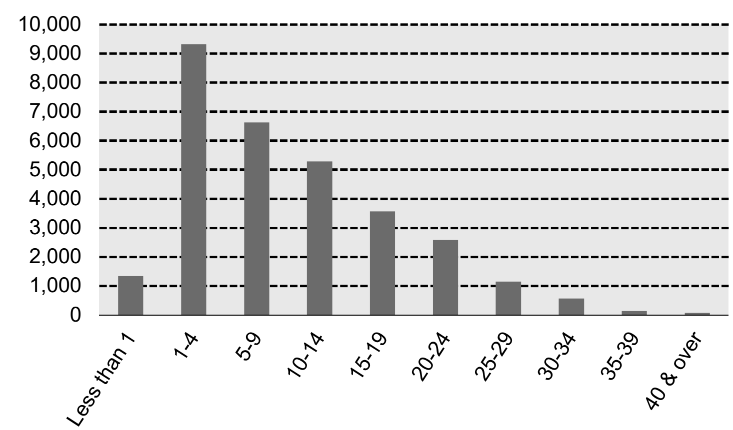


CHART 3

Distribution of Active Participants by Years of Service as of June 30, 2014



Retired Participants and Beneficiaries
As of June 30, 2014, 24,251 retirees, 2,997 beneficiaries, and 474 disabled retirees were receiving total monthly benefits of $105,788,010. For comparison, in the previous valuation, there were 24,042 retirees, 2,920 beneficiaries, and 478 disabled retirees receiving monthly benefits of $102,072,460.

These graphs show a distribution of the current retirees based on their monthly amount and age, by type of pension.

Disability

Regular

CHART 4

Distribution of Retirees by Monthly Amount as of June 30, 2014

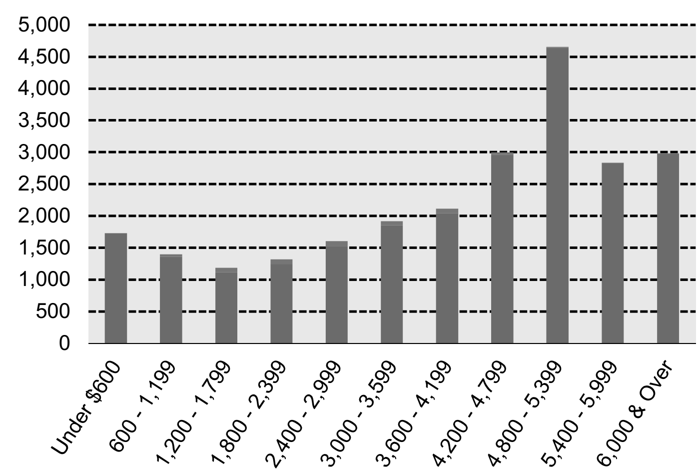
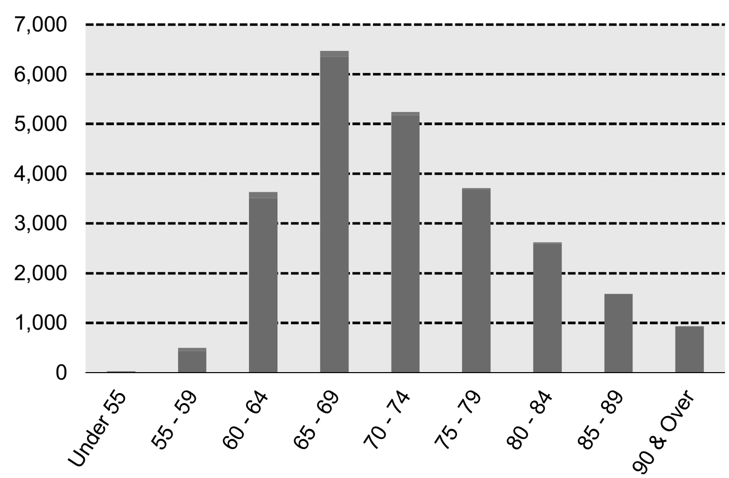


CHART 5

Distribution of Retirees by Age as of June 30, 2014



B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 6

Determination of Actuarial Value of Assets for Years Ended June 30, 2014 and June 30, 2013

				2014		2013
1.	Actuarial value of assets as of prior June 30			$9,458,316,094		$9,398,201,630
2.	Employer and employee contributions			846,262,206		404,362,941
3.	Benefits and expenses			1,389,710,589		1,340,401,281
4.	Expected investment income			686,757,247		714,414,597
5.	Total investment income, including income for securities lending			1,685,134,974		1,174,582,823
6.	Investment gain/(loss) for the year ended June 30: (5) – (4)			998,377,727		460,168,226
7.	Expected actuarial value of assets: (1) + (2) – (3) + (4)			9,601,624,958		9,176,577,887
8.	Calculation of recognized return	Original Amount*	% Recognized		% Recognized	
(a)	Year ended June 30, 2014	$998,377,727	25%	$249,594,432		--
(b)	Year ended June 30, 2013	460,168,226	25%	115,042,057	25%	$115,042,057
(c)	Year ended June 30, 2012	-815,951,719	25%	-203,987,930	25%	-203,987,930
(d)	Year ended June 30, 2011	1,276,986,010	25%	319,246,503	25%	319,246,503
(e)	Year ended June 30, 2010	205,750,306			25%	51,437,577
(f)	Total recognized return			479,895,061		281,738,207
9.	Total actuarial value of assets as of June 30: (7) + (8f)			10,081,520,019		9,458,316,094
10.	Assets for retiree health insurance benefits			35,977,444		35,796,904
11.	Actuarial value of assets for pension benefits: (9) – (10)			$10,045,542,575		$9,422,519,190

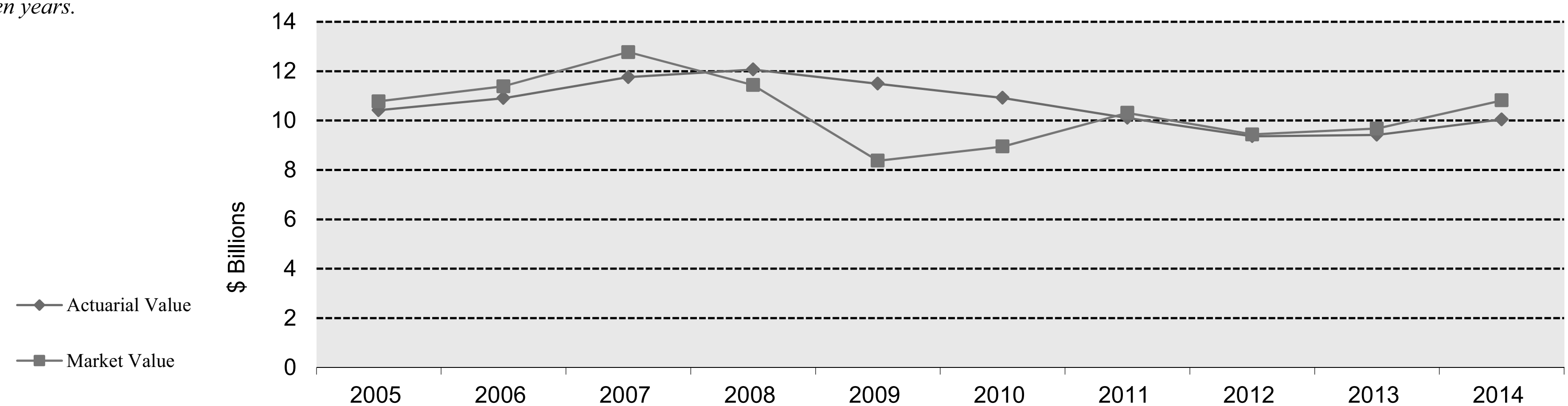
** Total return minus expected return on actuarial value*

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 7

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2005 – 2014



C. ACTUARIAL EXPERIENCE

To calculate the actuarially determined contribution, 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. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is $480,507,260, $457,415,422 from investment gains and $23,091,838 in gains from all other sources. The net experience variation from individual sources other than investments was approximately 0.1% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 8

Actuarial Experience for Year Ended June 30, 2014

1.	Net gain/(loss) from investments*	$457,415,422
2.	Net gain/(loss) from administrative expenses	2,157,407
3.	Net gain/(loss) from other experience**	20,934,431
4.	Net experience gain/(loss): (1) + (2) + (3)	$480,507,260

** Details in Chart 9*

*** Details in Chart 12*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the CTPF's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets for the year ending June 30, 2014, is 7.75%. The actual rate of return on an actuarial basis for the year ending June 30, 2014, was 12.75%.

Since the actual return for the year was greater than the assumed return, the CTPF experienced an actuarial gain during the year ended June 30, 2014, with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 9

Actuarial Value Investment Experience for Year Ended June 30, 2014

1.	Actual return	$1,166,597,174
2.	Average value of assets	9,150,732,295
3.	Actual rate of return: (1) ÷ (2)	12.75%
4.	Assumed rate of return	7.75%
5.	Expected return: (2) x (4)	$709,181,753
6.	Actuarial gain/(loss): (1) – (5)	$457,415,422

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. Chart 10 shows the rate of return on an actuarial basis compared to the market value investment return for the last twenty-five years, including ten-year and twenty-five-year averages.

CHART 10
Investment Return

Year Ended June 30	Market Value	Actuarial Value*
1990	9.3%	n/a
1991	10.4%	n/a
1992	12.8%	n/a
1993	14.3%	n/a
1994	0.4%	n/a
1995	18.7%	n/a
1996	16.3%	n/a
1997	19.8%	n/a
1998	18.2%	n/a
1999	10.7%	n/a
2000	9.5%	n/a
2001	-1.5%	n/a
2002	-3.3%	n/a
2003	4.0%	2.3%
2004	15.0%	3.2%
2005	10.8%	6.0%
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%*	12.8%
Average Returns		
Last 10 years:	7.2%	6.0%
Last 25 years:	8.9%	n/a

* *As determined by Segal*

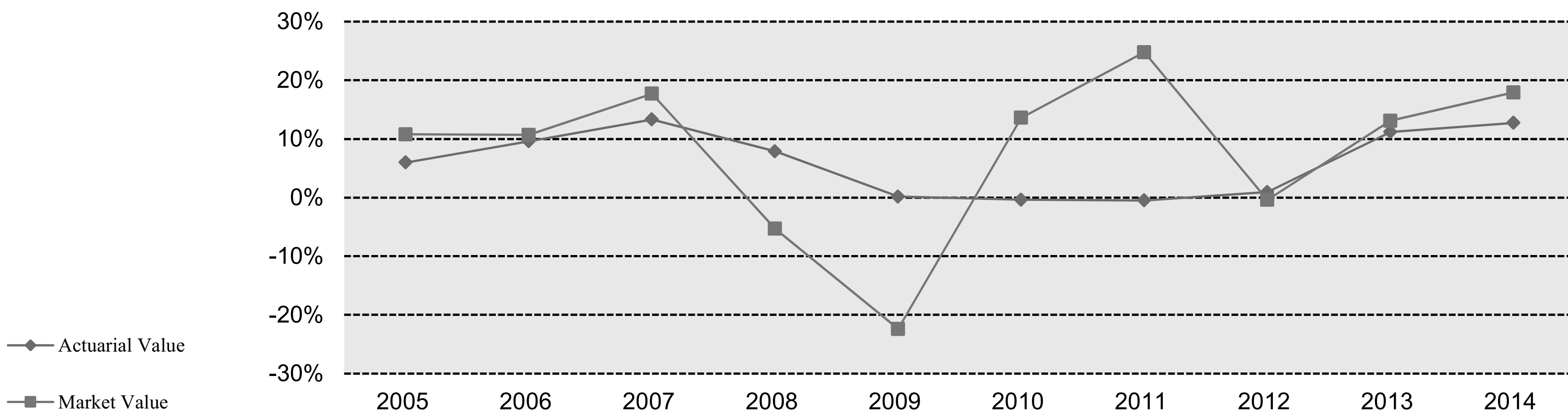
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

Administrative Expenses
Administrative expenses for the year ended June 30, 2014, totaled $10,494,139 compared to the assumption of $12,114,263. This resulted in a gain of $2,157,407 for the year, when adjusted for timing.

This chart illustrates how this leveling effect has actually worked over the years 2005 - 2014.

CHART 11

Market and Actuarial Rates of Return for Years Ended June 30, 2005 - 2014



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2014, amounted to $20,934,431, which is approximately 0.1% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the CTPF for the year ended June 30, 2014, is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 12

Experience Due to Changes in Demographics for Year Ended June 30, 2014

1.	Termination	-$81,255
2.	Retirement	-54,224,028
3.	Deaths among retired members and beneficiaries	-66,239,359
4.	Salary/service increase for continuing actives	150,327,609
5.	Miscellaneous	-8,848,536
6.	Total	$20,934,431

D. DEVELOPMENT OF EMPLOYER COSTS

The amount of actuarially determined contribution is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the actuarially determined contribution of 31.45% of payroll.

Effective July 1, 2013, the amortization period was set to 30 years, but will decline by one year in each subsequent valuation. As of July 1, 2014, there are 29 years remaining on this schedule.

The chart compares this valuation's actuarially determined contribution with the prior valuation.

CHART 13

Actuarially Determined Contribution

	Year Beginning July 1			
	2014		2013	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$323,323,392*	13.96%	$313,624,165	13.47%
2. Administrative expenses	11,018,846	0.47%	12,114,263	0.52%
3. Expected employee contributions	-194,832,036	-8.41%	-195,809,979	-8.41%
4. Employer normal cost: (1) + (2) + (3)	$139,510,202	6.02%	$129,928,449	5.58%
5. Employer normal cost, adjusted for timing	144,815,353**	6.25%	134,838,147***	5.79%
6. Actuarial accrued liability	19,503,893,632		19,044,533,016	
7. Actuarial value of assets	10,045,542,575		9,422,519,190	
8. Unfunded actuarial accrued liability: (6) - (7)	$9,458,351,057		$9,622,013,826	
9. Payment on unfunded actuarial accrued liability, adjusted for timing	583,673,167**	25.20%	584,943,599***	25.13%
10. Actuarially determined contribution, adjusted for timing	$728,488,520	31.45%	$719,781,746	30.92%
11. Projected payroll	$2,316,336,417		$2,327,963,064	

* *Reflects timing adjustment to the middle of the year*

** *Employer contributions are assumed to be paid at the end of the year.*

*** *Employer contributions are assumed to be paid at the middle of every month.*

The contribution requirements as of June 30, 2014, are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Actuarially Determined Contribution
The chart below details the changes in the actuarially determined contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 14

Reconciliation of Actuarially Determined Contribution from July 1, 2013 to July 1, 2014

Actuarially Determined Contribution as of July 1, 2013	$719,781,746
Effect of plan changes	0
Effect of expected change in amortization payment due to payroll growth	20,473,025
Effect of change in administrative expense assumption	-1,180,311
Effect of contributions (more)/less than actuarially determined contribution	10,607,186
Effect of investment (gain)/loss	-27,186,691
Effect of other gains and losses on accrued liability	-1,372,474
Effect of change in timing of employer contribution	7,255,663
Effect of net other changes	110,376
Total change	$8,706,774
Actuarially Determined Contribution as of July 1, 2014	$728,488,520

EXHIBIT A
Table of Plan Coverage

Category	Year Ended June 30 2014	Year Ended June 30 2013	Change From Prior Year
Active participants in valuation:			
Number	30,654	30,969	-1.0%
Average age	41.3	41.2	0.2%
Average years of service	10.3	10.0	3.0%
Total salary supplied by the Fund	$2,149,841,688	$2,146,811,972	0.1%
Average salary	$70,133	$69,321	1.2%
Total active vested participants	19,997	20,185	-0.9%
Male members	7,215	7,253	-0.5%
Female members	23,439	23,716	-1.2%
Vested terminated participants	4,818	4,502	7.0%
Service retirees:			
Number in pay status	24,251	24,042	0.9%
Average age	72.6	72.1	0.7%
Average monthly benefit	$4,106	$4,003	2.6%
Total annual benefit	$1,194,862,326	$1,154,757,533	3.5%
Disabled retirees:			
Number in pay status	474	478	-0.8%
Average age	66.2	65.8	0.6%
Average monthly benefit	$2,812	$2,714	3.6%
Total annual benefit	$15,995,375	$15,565,791	2.8%
Beneficiaries (including children) in pay status:			
Number in pay status	2,997	2,920	2.6%
Average age	75.1	74.7	0.5%
Average monthly benefit	$1,629	$1,557	4.6%
Total annual benefit	$58,598,429	$54,546,193	7.4%
Total number of members	63,194	62,911	0.4%

EXHIBIT B

Participants in Active Service as of June 30, 2014
By Age, Years of Service, and Average Salary

		Years of Service									
Age	**Total**	**< 1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	1,190	233	956	1	- -	- -	- -	- -	- -	- -	- -
	$41,245	$14,848	$47,662	$57,335	- -	- -	- -	- -	- -	- -	- -
25-29	4,608	371	3,569	668	- -	- -	- -	- -	- -	- -	- -
	50,332	15,405	51,192	65,132	- -	- -	- -	- -	- -	- -	- -
30-34	5,463	225	2,197	2,430	611	- -	- -	- -	- -	- -	- -
	62,463	15,176	53,131	69,995	$83,472	- -	- -	- -	- -	- -	- -
35-39	4,510	120	960	1,467	1,664	299	- -	- -	- -	- -	- -
	73,484	13,778	53,667	72,010	86,548	$95,605	- -	- -	- -	- -	- -
40-44	4,101	129	632	760	1,162	1,165	252	1	- -	- -	- -
	79,776	12,444	54,554	72,393	86,966	94,150	$100,098	$94,257	- -	- -	- -
45-49	3,146	72	369	453	633	738	765	114	2	- -	- -
	81,629	10,665	53,242	69,682	83,667	90,401	96,356	98,580	$98,682	- -	- -
50-54	2,726	59	235	337	469	537	589	377	122	1	- -
	82,120	11,224	49,369	65,600	83,894	88,131	92,177	95,815	100,893	$92,765	- -
55-59	2,582	57	175	252	398	446	529	381	280	64	- -
	82,742	12,007	45,660	60,662	82,212	87,216	91,887	92,699	98,563	102,122	- -
60-64	1,684	43	137	177	250	293	346	206	131	64	37
	78,118	8,385	31,380	54,280	74,166	84,107	92,261	95,000	95,845	98,857	$100,638
65-69	513	23	63	54	79	71	92	60	28	11	32
	70,522	3,772	18,252	47,324	67,879	80,018	92,858	93,153	93,705	104,373	107,433
70 & over	131	8	24	25	14	14	18	12	8	3	5
	53,363	3,890	14,296	23,782	60,835	70,033	79,869	101,538	102,944	74,364	97,389
Total	30,654	1,340	9,317	6,624	5,280	3,563	2,591	1,151	571	143	74
	$70,133	$13,762	$51,092	$68,845	$84,442	$90,518	$94,072	$94,831	$98,261	$100,187	$103,357

EXHIBIT C
Reconciliation of Participant Data

	Active Participants	Vested Former Participants	Retirees	Disabled Retirees	Beneficiaries	Total
Number as of June 30, 2013	30,969	4,502	24,042	478	2,920	62,911
New participants	2,637	N/A	N/A	N/A	N/A	2,637
Terminations – with vested rights	-708	708	0	0	0	0
Terminations – without vested rights	-1,928	N/A	N/A	N/A	N/A	-1,928
Retirements	-563	-161	724	N/A	N/A	0
New disabilities	-13	-5	N/A	18	N/A	0
New beneficiary	0	0	0	0	228	228
Deaths	-30	-10	-551	-21	-151	-763
Refunds	-120	-88	0	0	0	-208
Rehire	410	-102	0	N/A	N/A	308
Certain period expired	N/A	N/A	0	0	0	0
Data adjustments	0	-26	36	-1	0	9
Number as of June 30, 2014	30,654	4,818	24,251	474	2,997	63,194

EXHIBIT D

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Fiscal Year	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	% Increase in Avg. Annual Allowances
2004	1,336	$63,484,844	635	$13,595,626	19,266	$594,371,147	$30,851	5.2
2005	2,631	117,025,483	943	23,137,112	20,954	688,259,518	32,846	6.5
2006	1,788	91,991,917	637	15,910,849	22,105	764,340,586	34,578	5.3
2007	2,055	104,043,221	537	14,063,967	23,623	854,319,840	36,165	4.6
2008	881	67,060,461	584	16,543,468	23,920	904,836,833	37,828	4.6
2009	957	57,109,256	659	19,557,718	24,218	942,388,371	38,913	2.9
2010	1,080	67,630,266	698	21,855,794	24,600	988,162,843	40,169	3.2
2011	1,394	86,404,558	795	26,694,342	25,199	1,047,873,059	41,584	3.5
2012	1,579	96,719,811	852	28,511,983	25,926	1,116,080,887	43,049	3.5
2013	2,129	130,553,477	615	21,764,846	27,440	1,224,869,518	44,638	3.7
2014	1,006	70,963,133	724	26,376,522	27,722	1,269,456,130	45,792	2.6

EXHIBIT E

Distribution of Current Annuitants by Benefit Type and Amount as of June 30, 2014

	Retirees		Disabled Retirees		Beneficiaries		Total	
Monthly Pension Amount	Male	Female	Male	Female	Male	Female	Male	Female
$0 - 499	422	988	2	2	174	249	598	1,239
$500 - 999	394	859	9	19	225	408	628	1,286
$1,000 - 1,499	323	661	14	40	178	231	515	932
$1,500 - 1,999	242	689	12	43	185	266	439	998
$2,000 - 2,499	256	840	15	50	196	286	467	1,176
$2,500 - 2,999	286	1,000	11	54	113	227	410	1,281
$3,000 - 3,499	303	1,216	16	34	19	91	338	1,341
$3,500 - 3,999	350	1,326	15	46	11	55	376	1,427
$4,000 - 4,499	474	1,483	9	47	7	43	490	1,573
$4,500 - 4,999	835	2,497	6	14	2	16	843	2,527
$5,000 - 5,499	1,001	2,847	2	6	1	9	1,004	2,862
$5,500 - 5,999	508	1,477	1	1	1	0	510	1,478
$6,000 - 6,499	271	581	1	1	0	2	272	584
$6,500 - 6,999	220	305	1	1	0	0	221	306
$7,000 - 7,499	119	234	0	1	0	0	119	235
$7,500 - 7,999	110	208	1	0	1	0	112	208
$8,000 - 8,499	95	165	0	0	0	0	95	165
$8,500 - 8,999	64	123	0	0	0	0	64	123
$9,000 & over	177	302	0	0	0	1	177	303
Total	6,450	17,801	115	359	1,113	1,884	7,678	20,044

EXHIBIT F
Schedule of Average Benefit Payments

	Years of Credited Service							
	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Fiscal Year 2012								
Average Monthly Pension	$348	$842	$1,452	$2,522	$3,308	$4,142	$5,788	$3,846
Average Final Salary	$6,690	$5,457	$5,509	$6,696	$7,049	$7,173	$7,887	$7,114
Number of Retired Members	72	114	84	134	221	157	538	1,320
Average Age								63.2
Fiscal Year 2013								
Average Monthly Pension	$275	$856	$1,645	$2,761	$3,567	$4,422	$5,976	$4,294
Average Final Salary	$5,623	$5,491	$6,180	$7,136	$7,495	$7,688	$8,157	$7,535
Number of Retired Members	56	114	91	186	380	256	824	1,907
Average Age								63.2
Fiscal Year 2014								
Average Monthly Pension	$262	$758	$1,648	$2,581	$3,477	$4,307	$5,683	$3,217
Average Final Salary	$6,555	$5,023	$6,309	$6,657	$7,376	$7,516	$7,823	$6,958
Number of Retired Members	46	89	74	102	184	120	145	760
Average Age								63.4

Table does not include disabled members or surviving spouses.

EXHIBIT G
Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended June 30, 2014		Year Ended June 30, 2013	
Net assets at market value at the beginning of the year		$9,674,188,563		$9,437,316,026
Contribution income:				
Employer contributions	$585,416,141		$142,654,000	
Employee contributions	187,846,065		188,356,294	
Administrative expenses	-10,494,139		-11,537,394	
Net contribution income		762,768,067		319,472,900
Investment income:				
Interest, dividends and other income	$237,084,694		$251,028,034	
Asset appreciation	1,486,073,269		961,784,065	
Securities lending income	2,999,976		4,006,659	
Less investment and administrative fees	-41,078,099		-42,318,757	
Net investment income		1,685,079,840		1,174,500,001
Total income available for benefits		$2,447,847,907		$1,493,972,901
Less benefit payments:				
Annuity payments	-$1,269,835,064		-$1,228,318,993	
Refund of contributions	-32,832,171		-24,787,063	
Death benefits	-3,674,621		-3,994,308	
Net benefit payments		-$1,306,341,856		-$1,257,100,364
Change in reserve for future benefits		$1,141,506,051		$236,872,537
Net assets at market value at the end of the year		$10,815,694,614		$9,674,188,563

EXHIBIT H
Summary Statement of Plan Assets

	Year Ended June 30, 2014		Year Ended June 30, 2013	
Cash equivalents		$11,782,210		$15,666,922
Accounts receivable		169,404,046		203,140,399
Investments, at fair value:				
Equities	$6,234,288,422		$5,565,488,614	
Fixed income	1,998,455,301		1,644,521,422	
Commingled funds	1,230,947,404		1,099,569,739	
Short-term investments	891,009,314		481,913,983	
Real estate	299,147,976		297,996,967	
Private equity	297,705,749		274,077,937	
Infrastructure	141,571,217		182,573,109	
Public REITs	52,778,941		175,023,120	
Margin cash	790,472		100,000	
Total investments at market value		11,146,694,796		9,721,264,891
Invested securities lending collateral		505,301,189		648,873,113
Capital assets		1,506,069		1,934,121
Prepaid expenses		13,150		13,174
Total assets		$11,834,701,460		$10,590,892,620
Less accounts payable:				
Benefits payable	-$3,551,111		-$3,576,691	
Refunds payable	-12,537,535		-12,004,775	
Accounts and administrative expenses payable	-13,109,072		-17,565,015	
Securities lending collateral	-520,146,384		-667,849,650	
Due to brokers for securities purchased	-469,662,744		-215,707,926	
Total accounts payable		-$1,019,006,846		-$916,704,057
Net assets at market value		$10,815,694,614		$9,674,188,563
Net assets at actuarial value		$10,045,542,575		$9,422,519,190

EXHIBIT I

Development of the Fund Through June 30, 2014

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Miscellaneous	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2005	$8,872,764	$175,706,081	$603,213,991	$561,154	$7,477,671	$679,131,878	$10,416,708,086
2006	52,789,706	163,419,386	1,033,995,851**	139,509	8,320,340	751,791,350	10,906,940,848
2007	103,761,750	179,017,663	1,415,420,214	1,923	8,434,688	837,008,647	11,759,699,063
2008	164,270,412	172,504,804	905,021,878	0	7,827,576	924,251,543	12,069,417,038
2009	198,069,327	176,176,975	21,935,841	0	8,751,945	963,591,482	11,493,255,754
2010	290,759,950	194,621,551	-39,885,503	0	8,800,848	1,012,533,911	10,917,416,993
2011	143,589,994	185,882,636	-50,121,733	55,307	9,527,938	1,077,980,337	10,109,314,922
2012	138,729,011	187,141,384	92,083,763	431,790	10,120,434	1,153,503,764	9,364,076,672
2013	142,654,000	188,356,294	996,069,982	0	11,537,394	1,257,100,364	9,422,519,190
2014	585,416,141	187,846,065	1,166,597,174	0	10,494,139	1,306,341,856	10,045,542,575

** Net of investment fees*

*** Includes $59,496,735 transferred from health insurance assets*

EXHIBIT J

Development of Unfunded Actuarial Accrued Liability

	Year Ending June 30			
	2014		2013	
1. Unfunded actuarial accrued liability at beginning of year		$9,622,013,826		$8,011,583,697
2. Normal cost at beginning of year		325,738,428		299,633,862
3. Total contributions		773,262,206		331,010,294
4. Interest				
(a) Unfunded actuarial accrued liability and normal cost	$770,950,800		$664,897,405	
(b) Total contributions	6,582,531		11,968,408	
(c) Total interest: (4a) – (4b)		764,368,269		652,928,997
5. Expected unfunded actuarial accrued liability: (1) + (2) – (3) + (4c)		$9,938,858,317		$8,633,136,262
6. Changes due to (gain)/loss from:				
(a) Investments	-$457,415,422		-$284,448,947	
(b) Demographics and other	-23,091,838		251,389,004	
(c) Total changes due to (gain)/loss: (6a) + (6b)		-480,507,260		-33,059,943
7. Change to due plan changes		0		0
8. Change in actuarial assumptions		0		1,021,937,507
9. Unfunded accrued liability at end of year: (5) + (6c) + (7) + (8)		$9,458,351,057		$9,622,013,826

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Cost Method: A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the Annual Required Contribution.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., CTPF's assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield in actuarial liabilities that are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:

a. Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)
b. Multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
c. Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the Actuarially Determined Contribution (ADC) and the Net Pension Liability (NPL).

Actuarial Value of Assets: The value of the Fund’s assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

Actuarially Determined: Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Actuarially Determined Contribution (ADC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: The portion of the pension plan contribution, or ADC, that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Fund is calculated including:

(a) Investment return - the rate of investment yield that the Fund will earn over the long-term future;

(b) Mortality rates - the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates - the rate or probability of retirement at a given age;

(d) Turnover rates - the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;

(e) Salary increase rates - the rates of salary increase due to inflation and productivity growth.

Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula applied to the member's compensation and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Fund that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.
Funded Ratio:	The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.
GASB:	Governmental Accounting Standards Board.

GASB 25 and GASB 27:	Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.
GASB 67 and GASB 68:	Governmental Accounting Standards Board Statements No. 67 and No. 68 are the successor statements to GASB Statements No. 25 and No. 27.
Investment Return:	The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. 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.
Net Pension Liability (NPL):	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.
Normal Cost:	That portion of the Actuarial Present Value of pension plan benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount, or in relation to covered payroll, if the actuarial assumptions are realized.

Plan Fiduciary Net Position:	Market value of assets.
Total Pension Liability (TPL):	The actuarially accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded Actuarial Accrued Liability:	The excess of the actuarial accrued liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Pensioners as of the valuation date (including 2,997 beneficiaries and 474 disabled retirees)		27,722
2. Participants inactive during year ended June 30, 2014 with vested rights		4,818
3. Participants active during the year ended June 30, 2014		30,654
Fully vested	19,997	
Not vested	10,657	

The actuarial factors as of the valuation date are as follows:

1. Actuarial accrued liability		$19,503,893,632
Service retirees	$13,609,596,553	
Disabled retirees	174,947,368	
Beneficiaries	514,294,186	
Inactive participants with vested rights	327,527,624	
Active participants:		
Retirement	4,231,572,134	
Turnover	451,476,004	
Mortality	102,730,050	
Disability	91,749,713	
Total	4,877,527,901	
2. Actuarial value of assets ($10,815,694,614 at market value)		10,045,542,575
3. Unfunded actuarial accrued liability		$9,458,351,057
4. Funded ratio: (2) ÷ (1)		51.5%

EXHIBIT I (continued)
Summary of Actuarial Valuation Results

Components of the normal cost:	% of Payroll	Amount
1. Retirement	10.77%	$249,518,331
2. Turnover	2.04%	47,314,536
3. Mortality	0.33%	7,655,654
4. Disability	0.30%	6,990,275
5. Total normal cost: (1) + (2) + (3) + (4)	13.44%	$311,478,796
6. Total normal cost, adjusted to the middle of the year	13.96%	323,323,392
7. Administrative expenses	0.47%	11,018,846
8. Total normal cost, including administrative expenses: (6) + (7)	14.43%	$334,342,238
9. Expected employee contributions	-8.41%	-194,832,036
10. Employer normal cost: (8) + (9)	6.02%	$139,510,202

The determination of the actuarially determined contribution is as follows:	
1. Total normal cost, adjusted to the middle of the year	$323,323,392
2. Administrative expenses	11,018,846
3. Expected employee contributions	-194,832,036
4. Employer normal cost: (1) + (2) + (3)	$139,510,202
5. Employer normal cost projected, adjusted for timing*	144,815,353
6. Payment on projected unfunded/(overfunded) actuarial accrued liability, adjusted for timing*	583,673,167
7. Total actuarially determined contribution: (5) + (6)	$728,488,520
8. Expected employer contributions	$643,667,000
9. Projected payroll	$2,316,336,417
10. Actuarially determined contribution as a percentage of projected payroll: (7) ÷ (9)	31.45%

**Employer contributions are assumed to be paid at the end of the year.*

EXHIBIT II

Comparison of Employer Contribution to Actuarially Determined Contribution

Plan Year Ended June 30	Actuarially Determined Contributions (ADC)*	Actual Contributions	Percentage Contributed
2006	$328,365,821	$52,789,706	16.1%
2007	311,139,800	103,761,750	33.3%
2008	290,072,885	164,270,412	56.6%
2009	292,145,359	198,069,327	67.8%
2010	355,846,125	290,759,950	81.7%
2011	430,091,545	143,589,994	33.4%
2012	510,101,466	138,729,011	27.2%
2013	585,444,539	142,654,000	24.4%
2014	719,781,746	585,416,141	81.3%
2015	728,488,520	--	--

*Prior to 2015, this amount was the Annual Required Contribution (ARC)

EXHIBIT III

Schedule of Funding Progress

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%

* *Not less than zero*
** *Includes Health Insurance Fund assets*

EXHIBIT IV

Funded Ratio

A critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

The chart below depicts a history of the funded ratios for this plan.

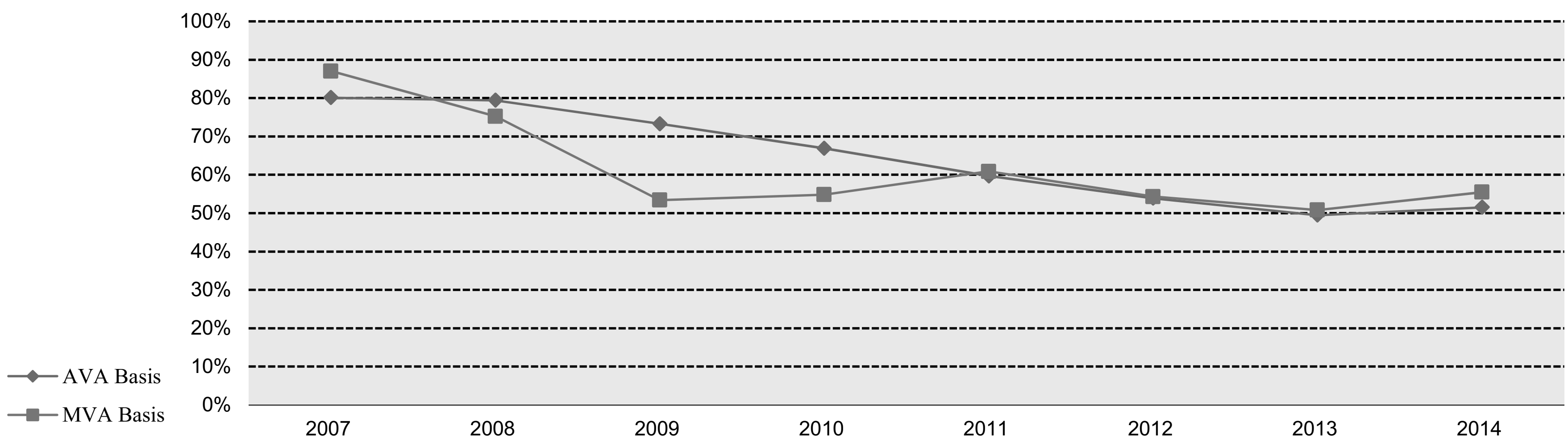


EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy: The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA. (adopted June 30, 2013).

Disabled: The RP-2000 Disabled Mortality Table, set back 3 years (adopted June 30, 2013).

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.

Termination Rates:

Select and ultimate termination rates are based on recent experience of the Fund were used (adopted June 30, 2013). Ultimate rates after the tenth year are shown for sample ages in the table on the next page. Select rates are as follows:

Years of Service	Rate(%)
Less than 1	25.0
1 - 1.99	15.0
2 - 2.99	10.0
3 - 3.99	9.0
4 - 4.99	8.0
5 - 5.99	7.0
6 - 6.99	6.0
7 - 7.99	5.0
8 - 8.99	4.5
9 - 9.99	4.0

Age	Rate (%) 10+ Years of Service
30	2.5
35	2.5
40	2.3
45	2.0
50	2.0
55	2.0

Retirement Rates:

For employees first hired prior to January 1, 2011, rates of retirement for each age from 55 to 75 based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

	Rate (%)	
Age	<34 Years of Service	34+ Years of Service
55	5.0	20.0
60	9.0	22.5
65	15.0	25.0
70	20.0	30.0
75	100.0	100.0

For employees first hired on or after January 1, 2011, rates of retirement for each age from 62 to 75 were used (adopted June 30, 2011). Sample rates are shown below.

Age	Rate (%)
62	40.0
64	25.0
67	30.0
70	20.0
75	100.0

Disability Rates: Disability rates are based on the recent experience of the Fund were used (adopted June 30, 2013). All disabilities are assumed to be non-duty disabilities. Sample rates are shown below.

Age	Rate (%)
30	0.06
40	0.08
50	0.16
60	0.20

Salary Increases: Assumed salary increases are based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

Age	Rate (%)
25	10.8
30	7.3
35	7.3
40	5.8
45	5.3
50	4.8
55	4.3

Valuation of Inactive Vested Participants: The account balance is projected to retirement (age 62) with interest, converted to an annuity, and loaded by 35%.

Unknown Data for Participants: Same as those exhibited by Participants with similar known characteristics. If not specified, Participants are assumed to be female.

Spouses: 80% of participants were assumed to be married and females are assumed to be 2 years younger than males.

Net Investment Return: 7.75% per year

Inflation: 2.75% per year

Payroll Growth: 3.50% per year

Administrative Expenses:	Equal to actual expenses for the prior year, increased by 5%.
Total Service at Retirement:	Total service at retirement is assumed to be 103.3% of the teacher's regular period of service at retirement.
Actuarial Value of Assets:	The actuarial value of assets was determined by smoothing unexpected gains and losses 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.
Actuarial Cost Method:	Projected Unit Credit (adopted August 31, 1991). Under this method, the projected benefits of each individual included in the valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the accrued liability.

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the CTPF included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership:	Any teacher and certain other employees of the Chicago Public Schools, approved charter schools, and the Chicago Teachers' Pension Fund are members of this pension plan.
Employee Contributions:	All members of the Fund are required to contribute 9% of salary to the Fund as follows: 7.5% for the retirement pension, 1% for the spouse's pension, and 0.5% for the automatic increases in the retirement pension. As of September 1981, the Board of Education has been paying 7% of the required teacher contributions for Chicago public school teachers. Charter school contributions may be contributed at various rates by the employers and teachers.
Service Retirement Pension:	a. Eligibility – An employee may retire at age 55 with at least 20 years of service or at age 62 with 5 years of service. If retirement occurs before age 60, the service retirement pension is reduced ½ of 1% of each month that the age of the member is below 60. However, there is no reduction if the employee has at least 34 years of service. b. Amount – For service earned before July 1, 1998, the amount of the 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 service retirement pension is 2.2% of highest average salary for each year of service. Service earned before July 1, 1998 can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary

	within the last four years for each year of prior service, up to a maximum of 20%, which upgrades all service years. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service. The highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years. The maximum pension payable is 75% of the highest annual salary or $1,500 per month, whichever is greater. An employee who first becomes a participant on or after January 1, 2011 is subject to the following provisions: 1. The highest salary for annuity purposes is equal to the average monthly salary obtained by dividing the participant's total salary during the 96 consecutive months of service within the last 120 months of service in which the total compensation was the highest by the number of months in that period. 2. For 2014, the salary is limited to $110,631, as determined by the Illinois Department of Insurance. The limit for future years shall automatically be increased by the lesser of 3% or one-half the percentage change in the Consumer Price Index-U during the preceding calendar year. 3. A participant is eligible to retire with unreduced benefits after attainment of age 67 with at least 10 years of service credit. However, a participant may elect to retire at age 62 with at least 10 years of service credit and receive a retirement annuity reduced by ½ of 1% for each month that the age of the member is below 67.
Post-Retirement Increase:	An annuitant is entitled to automatic annual increases of 3% of the current pension starting the later of attainment of age 61 and receipt of one year's pension payments. Automatic annual increases in the retirement annuity for employees who first become a participant on or after January 1, 2011 is equal to the lesser of 3% or one-half the annual change in the Consumer Price Index-U, whichever is less, based on the originally granted retirement annuity. This automatic annual increase starts the later of attainment of age 67 and receipt of one year's pension payments.

Survivor's Pension:	A surviving spouse or unmarried minor child is entitled to a pension upon the death of an employee while in service or on retirement. The minimum survivor's pension is 50% of the deceased employee's or retired employee's pension at the date of death. If the spouse is under age 50 and no unmarried minor children under age 18 survive, payment of the survivor's pension is deferred until age 50. Survivor's pensions are subject to annual increases of 3% per year based on the current amount of pension starting the later of when the member would have attained age 61 and receipt of one year's pension payments. For employees who first become a participant on or after January 1, 2011, the initial survivor's pension is equal to 66 2/3% of the participant's earned retirement annuity at the date of death, subject to automatic annual increases of the lesser of 3% or one-half of the increase in the Consumer Price Index-U during the preceding calendar year, based on the originally granted survivor's annuity. This automatic annual increase starts the later of when the member would have attained age 67 and receipt of one year's pension payments.
Single Sum Death Benefit:	Upon the death of an employee in service, a refund equal to the total contributions less contributions for survivor's pensions is payable. A death benefit is payable upon the death of an employee in service in addition to any other benefits payable to the surviving spouse or minor children. The death benefit payable is the lesser of $10,000 and salary earned for the most recent six months. Upon the death of a retired member, the death benefit is the lesser of $10,000 and the most recent salary earned for a 6 month period less 20% of the death benefit for each year that the member has been on pension, to a minimum of $5,000.
Non-Duty Disability Benefit:	A non-duty disability pension is payable in the event of total or permanent disability with 10 or more years of service. The benefit is the unreduced service retirement pension. However, if the participant has 20 or more and less than 25 years of service and is under age 55, the benefit is reduced by ½ of 1% for each month that the age of the member is below 55 down to a minimum age of 50, but not less than the unreduced service retirement pension with 20 years of service.

Duty Disability Benefit:	Upon disability resulting from an injury incurred while working, an employee is entitled to a disability benefit of 75% of final average salary until age 65. At age 65, the disabled employee shall receive a service retirement pension, which includes service earned while disabled.
Refunds:	An employee who terminates employment before qualifying for a pension is entitled to a refund of employee contributions, without interest. An employee who is unmarried at date of retirement is entitled to a refund of the full amount contributed for the survivor's pension, without interest.
Plan Year:	July 1 through June 30
Changes in Plan Provisions:	There have been no changes in plan provisions since the last valuation.

EXHIBIT 1

Net Pension Liability

The components of the net pension liability at June 30, 2014, were as follows:

Total pension liability	$20,316,899,952
Plan fiduciary net position	10,815,694,614
Association’s net pension liability	9,501,205,338
Plan fiduciary net position as a percentage of the total pension liability	53.23%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 15.75%, varying by age
Investment rate of return	7.75%, net of investment expense
Cost of living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

For healthy participants, mortality rates were based on the RP-2000 Healthy Mortality Table for Males or Females, as appropriate, set back 2 years and adjusted for mortality improvements generationally from 2004 based on Scale AA. For disabled participants, mortality rates were based on the RP-2000 Disabled Mortality Table, set back 3 years.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an experience study for the period July 1, 2007, through June 30, 2012. They are the same as the assumptions used in the June 30, 2013, funding actuarial valuation.

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 the net pension liability to changes in the discount rate. The following presents the net pension liability as of June 30, 2014, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Net pension liability as of June 30, 2014	$12,136,287,040	$9,501,205,338	$7,312,538,277

EXHIBIT 2

Schedules of Changes in Net Pension Liability

	2014
Total pension liability	
Service cost	$332,188,481
Interest	1,309,307,860
Change of benefit term	0
Differences between expected and actual experience	(14,177,102)
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	(1,306,341,856)
Net change in total pension liability	$520,977,383
Total pension liability – beginning	19,795,922,569
Total pension liability – ending (a)	$20,316,899,952
Plan fiduciary net position	
Contributions – employer	$585,416,141
Contributions – employee	187,846,065
Net investment income	1,685,079,840
Benefit payments, including refunds of employee contributions	(1,306,341,856)
Administrative expense	(10,494,139)
Other	0
Net change in plan fiduciary net position	$1,141,506,051
Plan fiduciary net position – beginning	9,674,188,563
Plan fiduciary net position – ending (b)	$10,815,694,614
Fund's net pension liability – ending (a) – (b)	$9,501,205,338
Plan fiduciary net position as a percentage of the total pension liability	53.23%
Covered employee payroll	$2,233,280,995
Fund's net pension liability as percentage of covered employee payroll	425.44%

EXHIBIT 3

Schedule of Employer Contribution – Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Actual Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2005	$258,883,211	$8,872,764	$250,010,447	$1,968,612,235	0.45%
2006	328,365,821	52,789,706	275,576,115	1,944,358,215	2.72%
2007	311,139,800	103,761,750	207,378,050	1,863,182,086	5.57%
2008	290,072,885	164,270,412	125,802,473	1,914,558,916	8.58%
2009	292,145,359	198,069,327	94,076,032	1,996,194,224	9.92%
2010	355,846,125	290,759,950	65,086,175	2,107,934,080	13.79%
2011	430,091,545	143,589,994	286,501,551	2,090,131,858	6.87%
2012	510,101,466	138,729,011	371,372,455	2,224,903,121	6.24%
2013	585,444,539	142,654,000	442,790,539	2,239,347,051	6.37%
2014	719,781,746	585,416,141	134,365,605	2,233,280,995	26.21%

5460980v1/13805.010

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF OPINION OF BOND COUNSEL

_______________ ___, 2015

Board of Education of the City of Chicago
Chicago, Illinois

Zions First National Bank, as trustee
Chicago, Illinois

Re: Board of Education of the City of Chicago
Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues), Series 2015C and Series 2015E (Green Bonds)

Ladies and Gentlemen:

We have acted as co-bond counsel to the Board of Education of the City of Chicago (the "*Board*") in connection with its issuance of $_________________ aggregate principal amount Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues), Series 2015C (the "*Series 2015C Bonds*"), and $__________________ aggregate principal amount Unlimited Tax General Obligation Project Bonds (Dedicated Alternate Revenues), Series 2015E (Green Bonds) (the "*Series 2015E Bonds*," and together with the Series 2015C Bonds, the "*Bonds*"). As co-bond counsel, we have examined a certified copy of the record of proceedings of the Board, together with various accompanying certificates, pertaining to the issuance by the Board of the Bonds. The Bonds are being issued pursuant to a Trust Indenture dated as of March 1, 2015 (the "*Indenture*") between the Board and Zions First National Bank, as trustee (the "*Trustee*"). The Bonds are issued pursuant to the authority of the Local Government Debt Reform Act of the State of Illinois, as amended (the "*Act*"), a Resolution adopted by the Board on September 25, 2012 (the "*Authorizing Resolution*"), a Resolution adopted by the Board on February 25, 2015 (the "*Bond Resolution*") and the Indenture. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

The Bonds are issued as "alternate bonds" under the Act for the purpose of paying for the costs of refunding a portion of the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013B (the "*Series 2013B Bonds*") and a portion of the outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013C (the "*Series 2013C Bonds;*" the refunded portions of the Series 2013B Bonds and the Series 2013C Bonds, the "*Refunded Bonds*"), of the Board on a current basis.

The Bonds are dated the date of issuance thereof, mature on December 1 of each of the years and in the principal amounts and bear interest at the rates per annum as set forth below:

Year	Principal Amount	Interest Rate

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2015.

The Bonds are subject to optional and mandatory redemption prior to maturity as set forth in the Indenture.

In our capacity as bond counsel, we have examined, among other things, the following:

(a) certified copies of the proceedings of the Board adopting the Authorizing Resolution and the Bond Resolution and authorizing, among other things, the execution and delivery of the Indenture and the issuance of the Bonds;

(b) certified copies of the Authorizing Resolution and the Bond Resolution;

(c) an executed counterpart of the Indenture; and

(d) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The Board has full power and authority and has taken all necessary corporate action to authorize the execution and delivery of the Indenture.

2. The Indenture has been duly and lawfully executed and delivered by the Board and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Indenture is valid and binding upon the Board and enforceable in accordance with its terms.

3. The Indenture creates the valid pledge which it purports to create of the Trust Estate held or set aside or pledged under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

4. The Bonds have been duly and validly authorized and issued in accordance with law and the Indenture and the Bonds, to the amount named, are valid and legally binding general obligations of the Board, enforceable in accordance with their terms and the terms of the Indenture.

5. The form of Bond prescribed for said issue is in due form of law.

6. The Bonds are payable ratably and equally (i) together with the Board's outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2012B, the Series 2013B Bonds, the Series 2013C Bonds, and any bonds issued on a parity therewith under the terms of the Indenture, from the "Pledged State Aid Revenues," being that amount of State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code of the State of Illinois, as amended, or such successor or replacement fund or act as may be enacted in the future, not in excess of $150,000,000, as shall provide for the payment of the bonds issued pursuant to the Authorizing Resolution and the provision of not less than an additional 0.10 times debt service on such bonds in such year, and (ii) from the "Pledged Taxes," being ad valorem taxes levied against all of the taxable property in the School District without limitation as to rate or amount for the payment of the Bonds. The Bonds are further secured by the other moneys, securities and funds pledged under the Indenture.

7. The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage, Illinois, to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

8. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "*Code*") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Board has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Board comply with those requirements. In rendering this opinion, have relied upon certifications of the Board and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed or refinanced with the Bonds, the application of the proceeds of the Bonds and certain other matters pertinent to the tax exemption of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

9. The interest on the Bonds is not exempt from present State of Illinois income taxes.

The rights of the registered owners of the Bonds and the enforceability of provisions of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and enforcement by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com