

**CHICAGO PARK DISTRICT**

Financial Statements

December 31, 2005

(With Independent Auditors' Report Thereon)

# CHICAGO PARK DISTRICT

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**KPMG LLP**  
303 East Wacker Drive  
Chicago, IL 60601-5212

## **Independent Auditors' Report**

The Board of Commissioners of the  
Chicago Park District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chicago Park District (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Retirement Fund) which represents 98% and 85% of the assets and revenues (additions), respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Retirement Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of other auditors, 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 the Chicago Park District as of December 31, 2005, and the respective changes in financial position and net assets thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 12, 45 through 46, and 47 through 48, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Chicago, Illinois  
June 30, 2006

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2005

(Unaudited)

This section of the Chicago Park District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2005. We encourage readers to consider the information in conjunction with the District's basic financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### FINANCIAL HIGHLIGHTS

- The total assets of the District exceeded liabilities at December 31, 2005 by \$749,260. Of this amount \$135,236 is unrestricted in governmental activities and may be used to meet obligations.
- The District's net assets increased by \$68,050 during the year.
- At December 31, 2005, the governmental funds reported combined fund balances of \$197,510.
- Governmental fund balances increased \$52,671 during the year largely because of personnel savings and reduced spending in the Park Improvements Fund.
- The District's long-term obligations increased \$1,651 as a result of an increase in other long-term liabilities of \$3,172 offset by a decrease in general obligation debt of \$1,521.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means such statements follow methods that are similar to those used in most businesses. The statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements can be found on pages 13-14 of this report. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the District.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned, but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the District.

# CHICAGO PARK DISTRICT

## Management's Discussion and Analysis

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(Unaudited)

Government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include park operation and maintenance, recreation programs, special services, general and administrative, and interest on long-term debt. The District does not account for any business-type activities.

### **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. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary 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, 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. This information is useful in evaluating the District'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 for *governmental funds* with information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The District maintains four individual governmental funds of which three are major. Information on major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Bond Debt Service, and Park Improvements Funds. The Special Revenue Fund is shown under the other (nonmajor) governmental fund column for presentation.

The District adopts an annual appropriated budget for all of the governmental funds except for the Park Improvements Fund. A budgetary comparison statement for the General Fund has been provided to demonstrate compliance with this budget. Generally, expenditures from the Park Improvements Fund are made for projects approved in the Capital Improvement Program. The governmental fund financial statements can be found on pages 15-18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. Fiduciary funds are accounted for on the accrual basis. The fiduciary fund financial statements can be found on pages 19-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2005

(Unaudited)

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the General Fund and funding progress for the District's employee pension obligation. Required supplementary information can be found on pages 45-48 of this report.

#### Government-wide Financial Analysis

The following is a summary of assets, liabilities, and net assets (amounts expressed in thousands) as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
Current and other assets	\$ 645,072	614,059	31,013	5.1%
Capital assets	1,526,937	1,495,757	31,180	2.1
Total assets	<u>2,172,009</u>	<u>2,109,816</u>	<u>62,193</u>	<u>2.9</u>
Long-term obligations	1,017,690	1,016,039	1,651	0.2
Other liabilities	405,059	412,567	(7,508)	(1.8)
Total liabilities	<u>1,422,749</u>	<u>1,428,606</u>	<u>(5,857)</u>	<u>(0.4)</u>
Net assets:				
Invested in capital assets net of related debt	478,267	448,054	30,213	6.7
Restricted	135,757	218,808	(83,051)	(38.0)
Unrestricted	135,236	14,348	120,888	842.5
Total net assets	<u>\$ 749,260</u>	<u>681,210</u>	<u>68,050</u>	<u>10.0%</u>

Current and other assets increased 5.1%, or \$31,013, primarily as the result of an increase in cash and investments of \$46,329 from operating surpluses and unspent bond proceeds that will be used for capital projects in fiscal year 2006, offset by a decrease of \$5,106 from the amortization of prepaid contributions and a decrease in net pension asset of \$10,135 which resulted from legislation that allowed the District to reduce employer pension contributions by \$5,000,000 for both calendar years 2004 and 2005.

Capital assets increased 2.1%, or \$31,180, as the result of the District's capital improvement projects of \$25,189 and contributed capital assets of \$40,236 for Soldier Field, the Lakefront Revetment, Fosco Park, and the Lincoln Park Zoo, offset by depreciation expense of \$34,245. See further discussion under the capital assets section of this analysis.

Long-term obligations remained relatively consistent between years with a slight increase of .2%, or \$1,651.

Net assets increased 10.0%, or \$68,050. As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the District's net assets (64%) reflects its investment in capital assets (land, infrastructure, buildings and improvements, and equipment), less any related debt used to

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2005

(Unaudited)

acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets invested in capital assets, net of related debt, increased 6.7%, or \$30,213, primarily as the result of contributed capital assets for Soldier Field, the Lakefront Revetment, Fosco Park, and the Lincoln Park Zoo.

An additional portion of the District's governmental activities net assets (18%) for 2005 and (32%) for 2004 represents resources that are subject to external restrictions on how they may be used. The decrease in restricted net assets of 38.0%, or \$83,051, is primarily the result of legislation passed that eliminated the restriction of working cash funds in the amount of \$77,244. These funds are now considered to be unrestricted. The remaining balance of net assets of \$135,236 (18%) is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. This represents an increase over 2004 of \$120,888, or 843%. This increase is primarily due to legislation that eliminated the restriction of working cash funds as discussed above and the operating surplus for 2005.

**Governmental Activities.** There was an increase in net assets from governmental activities of \$68,050 during the current fiscal year. The increase is attributable to contributions of capital assets received including Soldier Field, the Lakefront Revetment, and Lincoln Park Zoo.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

December 31, 2005

(Unaudited)

Following is a summary of changes in net assets (amounts expressed in thousands) for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
Revenues:				
Program revenues:				
Charges for services	\$ 89,756	86,754	3,002	3.5%
Operating grants and contributions	4,781	4,642	139	3.0
Capital grants and contributions	6,745	27,867	(21,122)	(75.8)
Total program revenues	<u>101,282</u>	<u>119,263</u>	<u>(17,981)</u>	<u>(15.1)</u>
General revenues:				
Property tax	266,049	252,291	13,758	5.5
Personal property replacement tax	40,480	29,190	11,290	38.7
Capital contributions	32,949	62,907	(29,958)	(47.6)
Investment income	5,139	3,018	2,121	70.3
Miscellaneous income	1,993	588	1,405	238.9
Total general revenues	<u>346,610</u>	<u>347,994</u>	<u>(1,384)</u>	<u>(0.4)</u>
Total revenues	<u>447,892</u>	<u>467,257</u>	<u>(19,365)</u>	<u>(4.1)</u>
Expenses:				
Park operations and maintenance	108,824	104,942	3,882	3.7
Recreation programs	101,768	111,287	(9,519)	(8.6)
Special services	75,746	75,766	(20)	(0.0)
General and administrative	41,390	33,441	7,949	23.8
Interest on long-term debt	52,114	51,511	603	1.2
Total expenses	<u>379,842</u>	<u>376,947</u>	<u>2,895</u>	<u>0.8</u>
Change in net assets	\$ <u>68,050</u>	<u>90,310</u>	<u>(22,260)</u>	<u>(24.6)</u>

- Program revenues decreased 15.1%, or \$17,981, primarily as a result of decreased capital grant revenue of \$21,122.
- Capital contributions decreased 47.6%, or \$29,958, as a result of Soldier Field stadium and Lincoln Park Zoo renovations being substantially completed in prior years.
- Investment income increased 70.3%, or \$2,121, in large part due to increased interest rates and larger investment holdings by the District during 2005.
- Park operations and maintenance expenses increased 3.7%, or \$3,882, primarily as a result of increased utility expenses.

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### Management's Discussion and Analysis

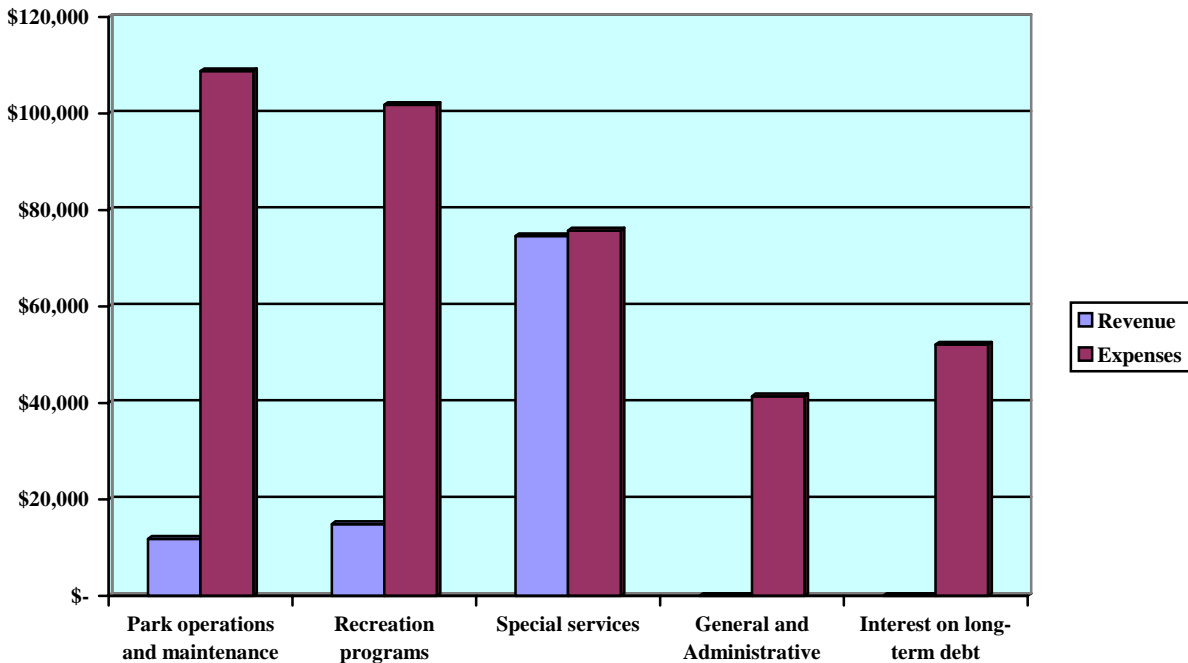
December 31, 2005

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- Recreational program expenses decreased 8.6%, or \$9,519. The largest contributing expense reduction was in the area of personnel.
- The increased property tax claim payable and other liability accounts in 2005 resulted in additional expense over 2004, which is reflected in the 23.8% expense increase in general and administrative.

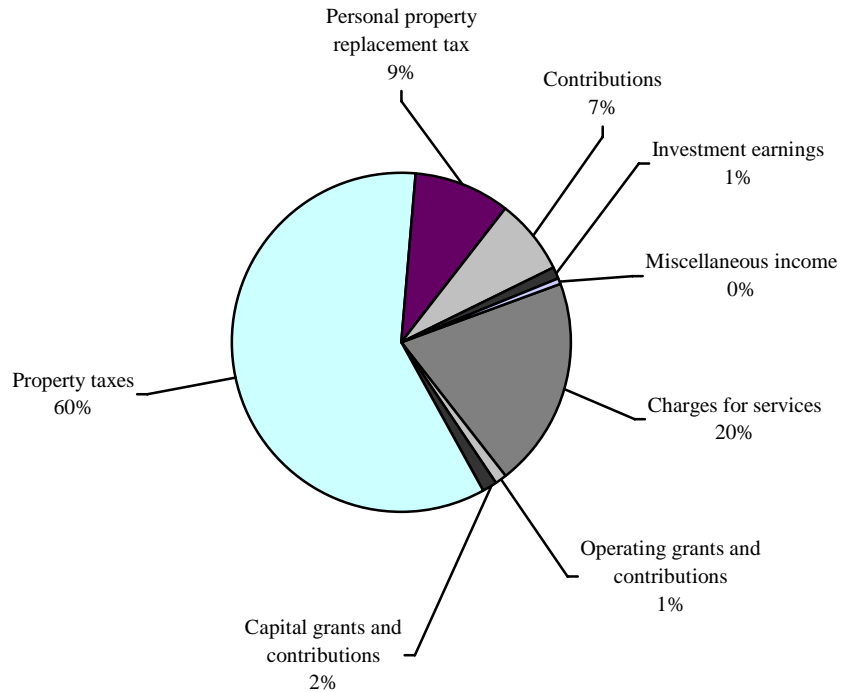
The first chart below depicts functions/programs revenue and expenses. It does not include general revenues such as property taxes, personal property replacement taxes, contributions, and investment earnings. General revenues for the District amount to 77% of total governmental revenues as depicted in the second chart.

#### Expense and Program Revenue – Governmental Activities



**CHICAGO PARK DISTRICT**  
 Management's Discussion and Analysis  
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**Revenues by Source - Governmental Activities**



**Financial Analysis of the Government's Funds**

***Governmental Funds***

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District's governmental funds reported combined ending fund balances of \$197,510, an increase of \$52,671 over last year.

One of the main contributing reasons for the increase in combined fund balance was the increase in the general fund balance. The General Fund is the primary operating fund of the District and reported an ending fund balance of \$28,342. During the year, revenues exceeded expenditures in the General Fund by \$35,173. Total other financing sources and uses netted to \$(9,833). The result was the General Fund showed a net increase in fund balance of \$25,340. Part of this increase in the general fund is attributed to the collection of revenues (primarily taxes) in excess of budget by \$15,371 and Personnel Services reflecting lower than budgeted amounts by \$5,854. See further discussion under General Fund Budgetary Highlights below.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

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(Unaudited)

Another reason for the increase in combined fund balance was the reduced spending in the Park Improvements Fund which resulted in an increase in fund balance of \$21,729.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Commissioners passed the annual appropriation ordinance for 2005 at the December 2004 board meeting. The budget appropriations for the General Fund are included in the annual appropriations ordinance. The ordinance also addresses funding from other sources as well as detailing how each fund should be expended.

The 2005 year-end General Fund budget appropriation was approximately \$270 million. The following is an explanation for the significant variances in the final budget to actual for the General Fund:

#### *Revenues*

- Personal Property Replacement Tax (PPRT) is derived from the State of Illinois based on tax applied to business revenue. Actual PPRT General Fund revenues came in \$11 million higher than budgeted for 2005.
- Parking revenues were approximately \$1 million higher than budgeted for 2005 as a result of increased fees.
- Investment income was approximately \$2 million higher than budgeted as a result of increased investment fund balances and higher than expected interest rates in 2005.

#### *Expenditures*

- Personnel Services reflected lower than budgeted amounts of \$5.8 million in part because of a legislative action on January 16, 2004. The articles of the Illinois Pension Code relating to the Park District were amended to provide for a program of early retirement incentives and changes concerning participation, eligibility benefits, the administration of benefits and technical corrections, which provides an early retirement incentive (ERI), and allows a reduction of the pension payment by five million dollars for each of the fiscal years 2004 and 2005. As a result of the amendment, the Park District has modified its retirement annuity computation payout to a 2.4% flat rate.
- General Administrative had a favorable variance of \$1.8 million primarily as the result of property tax refunds and claims that were less than budgeted.
- Contractual services had a favorable variance as a result of contract negotiations.
- Museum contributions proportionally increased as a result of additional PPRT revenue. The State requires the District to allocate a share of its personal property replacement taxes to the Aquarium and Museums.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

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**CAPITAL ASSETS**

The District's investment in capital assets includes land, construction in process, infrastructure, site improvements, buildings, building improvements, and equipment. This investment in capital assets as of December 31, 2005 was \$1,526,937 (net of accumulated depreciation), up \$31,180 over last year.

Major capital asset events during the year were:

- The District acquired additional land at a cost of \$4,182.
- Construction of the lakefront revetment; construction in progress as of the close of the fiscal year had accumulated to \$82,826 and recorded revetment infrastructure assets of \$23,591.
- Lincoln Park Zoo buildings completed construction and added assets totaling \$8,358.
- Additional construction at Soldier Field was completed and increased assets by \$8,120.
- Fosco Park was completed at a cost of \$10,253.
- Various buildings and District additions and improvements were completed at a cost of \$10,921.

A comparative schedule of capital assets, net of accumulated depreciation (in thousands) is as follows:

	<u>2005</u>	<u>2004</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
Land	\$ 158,595	154,413	4,182	2.7%
Construction in process	104,440	143,389	(38,949)	(27.2)
Infrastructure	311,369	286,851	24,518	8.5
Site improvements	67,086	63,604	3,482	5.5
Harbor and improvements	115,208	115,208	—	—
Stadium and improvements	639,741	631,621	8,120	1.3
Buildings and improvements	536,887	473,872	63,015	13.3
Equipment	36,404	35,347	1,057	3.0
Accumulated depreciation	(442,793)	(408,548)	(34,245)	8.4
	<u>\$ 1,526,937</u>	<u>1,495,757</u>	<u>31,180</u>	<u>2.1%</u>

Additional information on capital assets can be found in note 4 in the Notes to Financial Statements.

# CHICAGO PARK DISTRICT

## Management's Discussion and Analysis

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(Unaudited)

### DEBT ADMINISTRATION

There are various State laws which govern how the District can issue bonds as well as how much of certain kinds of debt it can have outstanding. The District's general obligation debt limit is 2.3% of the latest known Equalized Assessed Valuation (EAV). The District was below the \$1,042 million (not in thousands) state-imposed limit. Certain general obligation bonds issued without a referendum are further limited to 1% of the EAV. The District had in excess of \$99 million in capacity under this limit. At the end of 2005, the District had a total of \$977,675 in governmental funds outstanding long-term debt, which is .4% less than the year prior. During the course of the year, the District's general obligation bond rating was reaffirmed as AA by both Fitch Ratings and Standard & Poor's and Aa3 by Moody's Investors Service.

#### Long-term Debt

In July 2005, the District issued \$40 million of general obligation limited tax bonds to fund a portion of the 2005 capital improvement program. At the same time the District refunded approximately \$32 million of general obligation limited tax park bonds and approximately \$3 million of general obligation park bonds.

	<b>December 31,</b>		<b>Increase</b>	<b>Percent</b>
	<b>2005</b>	<b>2004</b>	<b>(decrease)</b>	<b>increase</b>
				<b>(decrease)</b>
General obligation bonds	\$ 954,285	955,435	(1,150)	(0.1)%
Capital lease debt PBC	23,390	25,735	(2,345)	(9.1)
Total	\$ 977,675	981,170	(3,495)	(0.4)%

#### Tax Anticipation Warrants

In May 2005, the District issued approximately \$72 million of Corporate Purpose Tax Anticipation Warrants with a maturity on May 1, 2006. The Warrants were issued to provide operating funds to the District. Each year the District levies and collects property taxes for its operations. The District usually receives approximately half of the tax levy in the spring and the other half in the fall. The cash deficit created by the timing delay is bridged by the issuance of Warrants.

#### Requests for Information

This financial report is designed to provide a general overview of the Chicago Park District's finances to interested parties and to demonstrate the District's accountability over the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, Chicago Park District, 541 North Fairbanks, Chicago, IL 60611, (312) 742-4341.

# CHICAGO PARK DISTRICT

## Statement of Net Assets

December 31, 2005

	<u>Governmental activities</u>
Assets:	
Cash and cash equivalents (note 2)	\$ 353,324
Investments (note 2)	257,448,132
Receivables:	
Property taxes, net	254,753,150
Personal property replacement tax	5,817,331
Accounts	6,308,286
Accrued interest on investments	90,099
Due from other governments	406,130
Other current assets	1,432,905
Unamortized cost of debt issuance	4,825,038
Prepaid contributions, net	96,115,778
Net pension asset	17,520,975
Capital assets (note 4):	
Not being depreciated	263,035,373
Being depreciated, net	1,263,901,963
Total assets	<u>2,172,008,484</u>
Liabilities:	
Tax anticipation warrants (note 5)	72,270,000
Accounts payable and accrued expenses	44,512,734
Accrued payroll	3,597,741
Accrued interest	24,335,957
Due to other organizations	440,587
Due to broker for securities purchased	3,399,462
Retainage payable	761,952
Deposits	595,718
Deferred revenue:	
Program fees	516,813
Soldier Field	253,893,384
Other liabilities	734,480
Long-term obligations (note 6):	
Due within one year	65,367,884
Due in more than one year	952,322,164
Total liabilities	<u>1,422,748,876</u>
Net assets:	
Invested in capital assets, net of related debt	478,266,931
Restricted for:	
Debt service	96,346,376
Contributions for other organizations	39,410,533
Unrestricted	135,235,768
Total net assets	<u>\$ 749,259,608</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Activities

Year ended December 31, 2005

Functions/programs	Expenses	Program revenues		Capital grants and contributions	Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions		
Governmental activities:					Governmental activities
Park operations and maintenance	\$ 108,824,084	5,075,068	—	6,745,051	(97,003,965)
Recreation programs	101,767,751	10,077,263	4,781,240	—	(86,909,248)
Special services	75,745,926	74,603,987	—	—	(1,141,939)
General and administrative	41,390,589	—	—	—	(41,390,589)
Interest on long-term debt	52,113,972	—	—	—	(52,113,972)
Total governmental activities	<u>\$ 379,842,322</u>	<u>89,756,318</u>	<u>4,781,240</u>	<u>6,745,051</u>	<u>(278,559,713)</u>
General revenues:					
Property taxes					266,048,522
Personal property replacement tax					40,479,963
Capital contributions					32,949,547
Investment income					5,138,929
Miscellaneous income					1,992,802
Total general revenues					<u>346,609,763</u>
Change in net assets					68,050,050
Net assets – beginning of year					<u>681,209,558</u>
Net assets – end of year					<u>\$ 749,259,608</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Balance Sheet

Governmental Funds

December 31, 2005

<b>Assets</b>	<b>General</b>	<b>Bond Debt Service</b>	<b>Park Improvements</b>	<b>Other governmental fund</b>	<b>Total governmental funds</b>
Cash and cash equivalents (note 2)	\$ 352,824	—	500	—	353,324
Investments (note 2)	74,330,986	59,848,126	117,744,234	5,524,786	257,448,132
Receivables:					
Property taxes, net	186,895,835	57,171,577	—	10,685,738	254,753,150
Personal property replacement tax	2,630,931	3,186,400	—	—	5,817,331
Accounts	4,905,122	—	1,403,164	—	6,308,286
Accrued interest on investments	—	90,099	—	—	90,099
Due from other funds (note 3)	5,634,048	—	—	—	5,634,048
Due from other governments	—	406,130	—	—	406,130
Other assets	1,432,905	—	—	—	1,432,905
<b>Total assets</b>	<b>\$ 276,182,651</b>	<b>120,702,332</b>	<b>119,147,898</b>	<b>16,210,524</b>	<b>532,243,405</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Tax anticipation warrants (note 5)	\$ 72,270,000	—	—	—	72,270,000
Accounts payable and accrued expenses	21,618,532	—	21,047,936	1,846,266	44,512,734
Accrued payroll	3,597,741	—	—	—	3,597,741
Due to other funds (note 3)	—	—	5,634,048	—	5,634,048
Due to other organizations	440,587	—	—	—	440,587
Due to broker for securities purchased	—	—	3,399,462	—	3,399,462
Retainage payable	—	—	761,952	—	761,952
Deposits	595,718	—	—	—	595,718
Deferred revenue:					
Program fees	516,813	—	—	—	516,813
Property taxes	148,066,924	45,245,279	—	8,457,560	201,769,763
Other	—	—	500,000	—	500,000
Other liabilities	734,480	—	—	—	734,480
<b>Total liabilities</b>	<b>247,840,795</b>	<b>45,245,279</b>	<b>31,343,398</b>	<b>10,303,826</b>	<b>334,733,298</b>
Fund balances:					
Fund balances reserved for:					
Debt service	—	75,457,053	—	—	75,457,053
Contributions for other organizations	8,341,221	—	—	—	8,341,221
Capital projects	—	—	87,804,500	—	87,804,500
Special recreational activities	1,119,959	—	—	—	1,119,959
Fund balances unreserved:					
Undesignated	18,880,676	—	—	5,906,698	24,787,374
<b>Total fund balances</b>	<b>28,341,856</b>	<b>75,457,053</b>	<b>87,804,500</b>	<b>5,906,698</b>	<b>197,510,107</b>
<b>Total liabilities and fund balances</b>	<b>\$ 276,182,651</b>	<b>120,702,332</b>	<b>119,147,898</b>	<b>16,210,524</b>	<b>532,243,405</b>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets

December 31, 2005

Total fund balances – governmental funds	\$	197,510,107
Amounts reported for governmental activities in the statement of net assets are different because:		
Bond costs of issuance are capitalized at the District wide level and amortized over the life of the related bonds		4,825,038
Prepaid contributions used in governmental activities are not financial resources and therefore are not in the funds (note 1 (h))		96,115,778
Net pension asset recorded in governmental activities is not a financial resource and therefore is not reported in the funds		17,520,975
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,526,937,336
Capital payments received for Soldier Field are not earned and therefore are deferred in the government-wide statement of net assets		(253,893,384)
Capital grant payments not received but earned and therefore are not deferred in the government-wide statement of net assets		500,000
Some of the District’s taxes will be collected after year-end, but are not available soon enough to pay for current period’s expenditures, and therefore are reported as deferred revenue in the funds		201,769,763
Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net assets. Also, during the year the District refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. The amount that was sent to the refunding bond escrow agent (\$43,707,908) to be escrowed for payment of the old debt (\$41,495,000) as it comes due is paid out of governmental funds and reduces fund balance. The loss on the refundings of \$2,377,261 will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the refunded debt. Balances at December 31, 2005 are:		
Accrued interest on bonds		(24,335,957)
General obligation bonds		(954,285,000)
Unamortized bond premium		(20,772,965)
Deferred amount on refunding		29,092,345
Capital lease debt of PBC		(23,390,000)
Compensated absences		(7,203,689)
Claims and judgments		(5,937,000)
Property tax claim payable		(20,937,650)
Workers compensation		(14,256,089)
Total long-term obligations		<u>(1,042,026,005)</u>
Net assets of governmental activities	\$	<u>749,259,608</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended December 31, 2005

	<u>General</u>	<u>Bond Debt Service</u>	<u>Park Improvements</u>	<u>Other governmental fund</u>	<u>Total governmental funds</u>
Revenues:					
Property taxes	\$ 190,945,253	62,233,365	—	11,060,925	264,239,543
Personal property replacement tax	20,323,151	20,156,812	—	—	40,479,963
Investment income	2,265,870	644,791	2,228,268	—	5,138,929
Parking fees	19,830,033	—	—	—	19,830,033
Harbor fees	17,971,858	—	—	—	17,971,858
Other privatized fees	1,772,429	—	—	—	1,772,429
Concessions	2,328,461	—	—	—	2,328,461
Rental of Soldier Field	20,121,776	—	—	—	20,121,776
Rental of other property	2,485,815	—	—	—	2,485,815
Golf course fees	3,511,809	—	—	—	3,511,809
Recreational activities	10,077,263	—	—	—	10,077,263
Other user charges	2,589,253	—	—	—	2,589,253
Donations and grant income	4,781,240	—	7,610,935	—	12,392,175
Miscellaneous	1,965,726	81	26,995	—	1,992,802
<b>Total revenues</b>	<b>300,969,937</b>	<b>83,035,049</b>	<b>9,866,198</b>	<b>11,060,925</b>	<b>404,932,109</b>
Expenditures:					
Current:					
Park operations and maintenance	74,852,052	—	—	—	74,852,052
Recreation programs	95,927,217	—	—	—	95,927,217
Special services	60,651,636	—	—	8,135,999	68,787,635
General and administrative	32,088,838	2,722,709	—	400,631	35,212,178
Capital outlay	—	—	25,478,780	—	25,478,780
Debt service:					
Principal	—	43,500,000	—	—	43,500,000
Interest	1,917,989	46,999,427	—	—	48,917,416
Cost of issuance and other	358,831	—	1,033,571	—	1,392,402
<b>Total expenditures</b>	<b>265,796,563</b>	<b>93,222,136</b>	<b>26,512,351</b>	<b>8,536,630</b>	<b>394,067,680</b>
Excess (deficiency) of revenues over expenditures	35,173,374	(10,187,087)	(16,646,153)	2,524,295	10,864,429
Other financing sources (uses):					
Proceeds from bond refunding	—	—	44,180,000	—	44,180,000
Proceeds from bond issuance	—	—	40,000,000	—	40,000,000
Premium on long-term debt	—	—	3,456,820	—	3,456,820
Premium on TAW issuance	727,036	—	—	—	727,036
Payments to refund bond escrow agent	—	—	(43,787,908)	—	(43,787,908)
Payment for current refunding of bonds	—	—	(2,769,352)	—	(2,769,352)
Transfers in (note 3)	—	13,265,354	—	—	13,265,354
Transfers out (note 3)	(10,560,617)	—	(2,704,737)	—	(13,265,354)
<b>Total other financing sources and uses, net</b>	<b>(9,833,581)</b>	<b>13,265,354</b>	<b>38,374,823</b>	<b>—</b>	<b>41,806,596</b>
<b>Net change in fund balances</b>	<b>25,339,793</b>	<b>3,078,267</b>	<b>21,728,670</b>	<b>2,524,295</b>	<b>52,671,025</b>
Fund balances – beginning of year	3,002,063	72,378,786	66,075,830	3,382,403	144,839,082
Fund balances – end of year	\$ 28,341,856	75,457,053	87,804,500	5,906,698	197,510,107

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Statement of Activities

Year ended December 31, 2005

Net change in fund balances – total governmental funds	\$ 52,671,025
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation (\$34,245,123) exceeded capital outlays (\$25,188,818) in the current period	(9,056,305)
Various Park Improvement bonds were refunded through issuance of general obligation bonds. In governmental funds, bond proceeds are considered a source in the governmental funds, but in the statement of net assets, the bonds are reported as a liability	(84,180,000)
Premium associated with refunding and park improvement bonds issued during the year is shown as an other financing source in the governmental funds but in the statement of net assets, it is deferred and amortized over the life of the bonds	(3,456,820)
Costs of issuance associated with refunding bonds are capitalized and amortized over the life of the bonds in the statement of net assets	1,028,572
The payments made for current refundings and payments to the escrow agent for the refunding of the various Park Improvement Bonds is an expenditure in other financing uses in the governmental funds, but in the statement of net assets, the payment is a reduction of the bond liability	46,557,260
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and capital leases in the statement of net assets	43,500,000
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds	1,808,978
Deferred contributions associated with Soldier Field's new facility are not shown in the governmental funds, but in the statement of net assets they are deferred and amortized over the life of the lease of the stadium	1,780,711
Some of the District's grant revenue was deferred at year-end, but on the governmental activities they are recognized as earned and therefore not deferred	(865,884)
Revenues (capital contributions) in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:	
Soldier Field contribution	8,120,178
Lakefront revetment contribution	14,798,438
Fosco Park	10,253,334
Lincoln Park Zoo	5,227,632
Other	1,836,875
Prepaid contributions are an expenditure in the governmental funds, but in the statement of net assets, are deferred and amortized (note 1 (h)).	1,801,300
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Net pension asset	(10,134,973)
Amortization of deferred contribution	(6,907,616)
Amortization of bond issuance costs	(470,555)
Amortization of bond premiums	2,181,388
Amortization of deferred loss on refunding	(3,075,276)
Net increase in accrued interest	(2,195,319)
Increase in compensated absences	(791,208)
Increase in claims and judgments	(1,371,000)
Increase in property tax claim payable	(1,771,751)
Decrease in workers compensation	761,066
Change in net assets of governmental activities	\$ <u>68,050,050</u>

See accompanying notes to financial statements.

# CHICAGO PARK DISTRICT

## Statement of Fiduciary Net Assets

June 30, 2005

	<u>Pension trust Retirement Fund</u>
Assets:	
Cash and short-term investments:	
Cash	\$ 60,000
Short-term investments	<u>31,190,630</u>
Total cash and short-term investments	<u>31,250,630</u>
Receivables:	
Employer contributions	4,827,374
Employee contributions	351,602
Due from broker for securities sold	24,886,814
Accrued investment income	1,315,769
Early retirement incentive program	<u>171,226</u>
Total receivables	<u>31,552,785</u>
Investments, at fair value:	
Bonds	203,058,624
Common and preferred stock	288,677,596
Pooled separate real estate accounts	55,384,620
Other	<u>5,255,417</u>
Total investments	<u>552,376,257</u>
Invested securities lending collateral	49,739,145
Furniture and fixtures – net	2,325
Prepaid expenses	28,713
Deferred change-statutory reduction of employer contributions	<u>4,891,479</u>
Total assets	<u>669,841,334</u>
Liabilities:	
Accounts payable	582,300
Accrued benefits payable	130,212
Securities lending collateral	49,739,145
Due to broker for securities purchased	<u>41,660,859</u>
Total liabilities	<u>92,112,516</u>
Net assets held in trust for pension benefits (an unaudited schedule of funding progress is presented on page 47)	<u>\$ 577,728,818</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2005

	<u><b>Pension trust Retirement Fund</b></u>
Additions:	
Contributions:	
Employer contributions	\$ 9,768,605
Employee contributions	8,515,799
Statutory reduction of employer contributions	<u>(5,000,000)</u>
Total contributions	<u>13,284,404</u>
Investment income:	
Net appreciation in fair value	38,786,794
Interest	9,555,819
Dividends	2,985,591
Investment return on pooled separate real estate accounts	<u>188,254</u>
Total investment income	51,516,458
Less investment expense	<u>1,981,830</u>
Net investment income	<u>49,534,628</u>
Security lending activities:	
Securities lending income	1,345,359
Borrower rebates	(1,202,118)
Bank fees	<u>(56,231)</u>
Total security lending activities	<u>87,010</u>
Total additions	<u>62,906,042</u>
Deductions:	
Benefits	55,901,007
Refunds	1,960,489
Administrative	<u>1,185,866</u>
Total deductions	<u>59,047,362</u>
Net increase	3,858,680
Net assets held in trust for pension benefits – beginning of year	<u>573,870,138</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 577,728,818</u>

See accompanying notes to financial statements.

# CHICAGO PARK DISTRICT

## Notes to Financial Statements

December 31, 2005

### (1) Summary of Significant Accounting Policies

The Chicago Park District (the District) was created by an Act of the General Assembly of the State of Illinois for the purpose of developing, maintaining, and operating parks within the legal boundaries prescribed by law. The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

#### (a) *Financial Reporting Entity*

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the District has no component units and is not a component unit of any other entity.

The Aquarium and Museums, as defined below, are related organizations, but are not considered to be component units because the District does not appoint a voting majority of their boards and they are fiscally independent. The Aquarium and Museums consist of the following organizations:

Museum of Science and Industry	Chicago Academy of Sciences
Field Museum of Natural History	Adler Planetarium
Art Institute of Chicago	DuSable Museum of African American History
John G. Shedd Aquarium	Mexican Fine Arts Center
Chicago Historical Society	Museum of Contemporary Art

The State of Illinois (the State) has empowered the District to levy taxes for operations and maintenance purposes of the Aquarium and Museums. The State also requires the District to allocate a share of its personal property replacement taxes to the Aquarium and Museums. All such taxes collected by the District are remitted to the Aquarium and Museums. The State also empowers the District to sell bonds and levy taxes for bonds for a 50% share of certain Aquarium and Museums capital improvements. The District has exercised all current authority to issue bonds for the Aquarium and Museums as of December 31, 2003. The Aquarium and Museums each pass their own budgets without the District's approval, and are able to incur indebtedness without the District's approval. As provided by State statutes, the District has administrative responsibilities for approving admission fees to the Aquarium and Museums. In addition, although certain officers of the District are members of the Aquarium and Museums' boards of directors, the Aquarium and Museums have large boards of directors and the District's officers are not able to exercise undue influence.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

(b) ***Basis of Presentation***

***Government-wide Statements.*** The government-wide statement of net assets and statement of activities report the overall financial activity of the District, excluding fiduciary activities. Eliminations have been made to minimize the double counting of internal activities of the District. Governmental activities generally are financed through taxes, contributions, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements.*** The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. The other remaining governmental fund is reported as a nonmajor fund. The following funds are reported as major governmental funds:

**General** – This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The services, which are administered by the District and accounted for in the General Fund, include recreational, parking, harbor, aquarium and museums, Soldier Field, and golf among others.

**Bond Debt Service** – This fund accounts for the resources accumulated and payments made for principal and interest on general obligation long-term debt of the governmental funds.

**Park Improvements** – This fund accounts for all capital improvements to parks.

Additionally, the District reports the following fiduciary fund type:

**Pension Trust** – This fund accounts for the activities of Park Employees' and Retirement Board Employee's Annuity and Benefit Fund of Chicago (Retirement Fund), which accumulates resources for pension benefit payments to qualified District employees. The Retirement Fund's fiscal year end is June 30. Accordingly, the financial statements presented are as of and for the year ended June 30, 2005. Separate financial information of the Retirement Fund can be obtained at 55 East Monroe Street, Suite 2880, Chicago, Illinois, 60603.

(c) ***Basis of Accounting***

The government-wide and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, personal

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

property replacement taxes, grants, and contributions. On an accrual basis, revenues from personal property and personal property replacement taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, contributions, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds 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. 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual, include property taxes, personal property replacement taxes, rentals, concession fees, charges for services, grants, and interest. All other revenue sources including permits, golf course fees, and parking fees are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**(d) *Cash, Cash Equivalents, and Investments***

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

State statute and the District's Investment Policy, adopted by the board of commissioners; authorize the District to invest in the following types of securities:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Domestic interest bearing savings accounts, domestic interest bearing certificates of deposit or domestic interest bearing time deposits or any other investments that are direct obligations of any bank.
- Shares or other securities legally issued by state or federal savings and loan associations, which are insured by the Federal Deposit Insurance Corporation.
- Short-term obligations (commercial paper) of only U.S. corporations with assets over \$500,000,000 provided that: (1) these obligations are rated in the three highest classifications

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

established by at least two standard rating services and mature not later than 180 days from the purchase date, and (2) these purchases do not exceed 5% of the corporation's outstanding obligations.

- Short-term discount obligations of the Federal National Mortgage Association.
- Insured dividend bearing share accounts. Share certificate accounts or class of share accounts of a credit union chartered under the United States or Illinois law whose principal office is located in Illinois.
- Money market mutual funds registered under the amended Investment Company Act of 1940.
- Money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same types of obligations.
- Repurchase agreements of government securities, which meet instrument transaction requirements of Illinois law.

In addition, the Retirement Fund also is permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds, and real estate limited to 10% of the fund's investments.
- Bonds issued by any county, city, township, village, incorporated town, municipal corporation, or school district in Illinois.
- Tax anticipation warrants issued by any city, township, village, incorporated town, or fire protection district in Illinois.

Investments are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value.

The Illinois Funds is an external investment pool administered by the Illinois State Treasurer. The fair value of the District's investment in the fund is the same as the value of the pool shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235.

**(e) Other Assets**

Other assets at the fund and government wide levels represent certain payments to vendors applicable to future payments.

**(f) Due To Other Organizations**

These are amounts collected on behalf of, but not yet paid to the Pension Fund and Aquarium and Museum Funds.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

**(g) Interfund Transactions**

The District has the following types of interfund transactions:

*Loans* – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

*Reimbursements* – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

*Transfers* – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

**(h) Prepaid Contributions to Aquarium and Museums**

Prepaid contributions represent monies that are given to the Aquarium and Museum Fund for capital expenditures. The contributions are amortized over a twenty-five year period.

**(i) Capital Assets**

In the government-wide financial statements, purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capitalization thresholds and the estimated useful lives are as follows:

<b>Capital asset category</b>	<b>Capitalization threshold</b>	<b>Estimated useful life</b>
Infrastructure:		
Public System	\$ 50,000	15 – 50
Land	50,000	20
Site improvements	100,000	N/A
Buildings	100,000	3 – 50
Buildings improvements	100,000	10 – 60
Equipment and machinery	100,000	3 – 50
Seawalls	25,000	4 – 8
	100,000	60

**(j) Soldier Field Deferred Revenue**

Revenue contributed to the District which will benefit stadium operations is deferred and amortized over the life of the stadium lease.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

**(k) *Bond Premiums, Discounts, Issuance Costs, and Deferred Amount on Refunding***

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(l) *Compensated Absences***

The liability for compensated absences reported in the government-wide statements of net assets consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**(m) *Property Taxes***

The District's property tax becomes a lien on real property on January 1 of the year levied. Cook and DuPage County Assessor's (Assessor) are responsible for the assessment of all taxable real property within Cook and DuPage counties. The District's property taxes are levied each calendar year on all taxable real property located in the District's boundaries based on assessments as of January 1. The District must file its tax levy ordinance by the second Tuesday in December of each year. Taxes levied in one year become due and payable in two installments in the following year. The first installment is due on March 1 and the second installment is due on the latter of August 1 or 30 days after the mailing of the tax bills. The second installment is based on the current levy, assessment, equalization, and any changes from the prior year.

In the government-wide financial statements, which are reported on the accrual basis, the District has included as revenue the entire amount of property taxes levied for 2005 less a provision for uncollectible amounts. In the governmental fund financial statements, which are reported on the modified accrual basis, the District has only included as revenue the amount of property taxes levied for 2005, which were collected within 60 days after fiscal year end. Property tax revenue in the governmental fund financial statements also includes property taxes collected for the 2004 levy that were not recognized as revenue in fiscal year 2004 (i.e. not collected within 60 days after prior fiscal year end).

Property tax receivables are recorded net of an allowance for uncollectible amounts of \$20,825,909 at December 31, 2005.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

(n) ***Fund Balances***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative District plans that are subject to change.

(o) ***Net Assets***

In the government-wide financial statements, equity is displayed in three components as follows:

***Invested in Capital Assets, Net of Related Debt*** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted*** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources when they are needed.

***Unrestricted*** – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(p) ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) ***New Accounting Pronouncements***

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, during the year ended December 31, 2005. The implementation of this standard resulted in specific disclosures for credit risk, concentration of credit risk, interest rate risk, and custodial credit risk.

The District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, during the year ended December 31, 2005. This Statement establishes accounting and financial reporting standards for impairment of capital assets. No changes were made to the reported value of capital assets based on the District's implementation of this pronouncement.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. Specifically, the District will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to certain retired employees in future years. The District is also required to record a net OPEB

# CHICAGO PARK DISTRICT

## Notes to Financial Statements

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obligation which is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. The District is currently evaluating the impact of adopting Statement No. 45 but believes it will not have a material effect on the financial statements. The District will implement Statement No. 45 beginning with the year ended December 31, 2007.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation*. This Statement clarifies the definition of legally enforceable enabling legislation. The District will implement Statement No 46 beginning with the year ended December 31, 2006.

### (2) Cash and Investments

#### (a) Governmental Activities

Cash and investments are held separately and in pools by several of the District's funds. The District maintains various cash and investment pools that are available for use by all funds. Income from pooled investments is allocated to the funds based on their proportional share of their investment balance. A summary of cash and investments as of December 31, 2005 is as follows (amounts are in thousands):

	<b>Governmental activities</b>
Petty cash	\$ 6
Demand deposits	3,982
U.S. Treasury obligations	1,492
U.S. Government agencies	22,036
Illinois Funds (government investment pool)	160,475
Money market accounts	64,180
Commercial paper	4,212
Corporate bonds	1,418
	<u>\$ 257,801</u>

#### Investment Policies

The District's investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and the District's investment policy. A summary of authorized investments is included in Note 1(d).

#### Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the District's deposits may not be returned. The District's investment policy requires deposits that exceed the amount insured by FDIC insurance protection be collateralized, at the rate of 110% of such deposits. As of December 31, 2005, the District's bank balances were not subject to custodial credit risk as they were either insured or collateralized with investments held by the District or its agent, in the District's name.

**CHICAGO PARK DISTRICT**

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**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the final maturity on any security owned to a maximum of two years except for reserve funds. Reserve funds may exceed two years if the maturity is matched with the expected use of such funds and approved by the CAO, CEO, and Board of Commissioners. In addition, the District compares the weighted average maturity of its portfolio to the weighted average maturity of the Merrill Lynch 91 Day T-Bill Index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates.

As of December 31, 2005, the District had the following investments and maturities (amounts are in thousands):

	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 1,492	1,492	—	—
U.S. Government agencies	22,036	20,645	1,391	—
Illinois Funds (government investment pool)	160,475	160,475	—	—
Money market accounts	64,180	64,180	—	—
Commercial paper	4,212	4,212	—	—
Corporate bonds	1,418	1,418	—	—
Total	\$ 253,813	252,422	1,391	—

**Credit Risk – Investments**

Credit risk is the risk that the District will not recover their investments due to the ability of the counterparty to fulfill its obligation. The District's general investment policy is to follow the prudent person rule subject to the limitations contained in the Public Funds Investment Act and the District's investment policy. Under the prudent person rule, investments shall be made with the judgment and care, under circumstances then prevailing, which persons knowledgeable of investment practices, and persons or prudence, discretion and intelligence exercise in the management of their own affairs.

**CHICAGO PARK DISTRICT**

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As of December 31, 2005, the District had the following fixed income investments which are rated by both Moody's and Standard and Poor's (amounts are in thousands):

	<b>Fair value</b>	<b>Credit ratings</b>	
		<b>S&amp;P</b>	<b>Moody's</b>
U.S. Treasury obligations	\$ 1,492	AAA	Aaa
U.S. Government agencies	22,036	AAA	Aaa
Illinois Funds (government investment pool)	160,475	AAA	N/A
Money market accounts		AAA	Aaa
Rated	64,097	AAA	Aaa
Note rated	83	N/A	N/A
Commercial paper	4,212	A1	P1
Corporate bonds	1,418	AAA	Aaa
Total	<u>\$ 253,813</u>		

Callable Government Agency Securities. The District actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of December 31, 2005, the fair value of the District's callable bond portfolio (pooled and restricted) is \$23,437,758. Of that total, \$4,205,688 of the callable securities is expected to be called on their respective call dates, with \$19,232,069 remaining non-callable.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. As of December 31, 2005, the District does not have a concentration of credit risk as defined by GAAP.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The investment policies for the District require investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

**(b) *Fiduciary Activities – Park Employees’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (Retirement Fund)***

The Retirement Fund's investments are held by a bank administered trust fund, except for the pooled separate real estate accounts. Investments that represent 5% or more of the Retirement Fund's net assets (except those issued or guaranteed by the U.S. Government) are separately identified.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

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A summary of cash and investments as of June 30, 2005 is as follows (amounts are in thousands)

	<b>Fiduciary activities</b>
Investments at fair value as determined by quoted price:	
Short-term investments	\$ 31,190,630
Bonds:	
PIMCO funds	35,005,160
Other	168,053,464
Common and preferred stock:	
Aggregate stock funds	127,312,882
Other	161,364,714
Other investments	5,255,417
	<hr/> 528,182,267
Investments at fair value as determined by Plan Administrator:	
Pooled separate real estate accounts	55,384,620
	<hr/> <u>\$ 583,566,887</u>

The Retirement Fund shall apply the prudent investor rule in investing for funds under its supervision. The “prudent investor rule” means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, with regards to preservation of capital and income and not speculation. The retirement funds must be invested exclusively for the benefit of their members and in accordance with the respective Retirement Fund’s investment goals and objectives.

**Interest Rate**

Interest rate risk is the risk that changes in interest rates of dates securities will affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates.

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At June 30, 2005 the following table shows the investments by investment type and maturity (amounts are in thousands):

	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Security type:					
Asset backed	\$ 6,698	519	2,924	802	2,453
Commercial mortgage backed	6,688	—	—	145	6,543
Commercial paper	2,880	2,880	—	—	—
Corporate bonds	81,896	2,471	48,506	17,326	13,593
Government agencies	32,186	4,137	4,131	23,190	728
Government bonds	15,582	—	3,747	3,509	8,326
Government mortgage backed	47,907	—	1,210	4,293	42,404
Government issued commercial mortgage backed	502	—	502	—	—
Index linked government bonds	1,800	—	861	939	—
Municipal/provincial bonds	2,135	—	176	—	1,959
Non-governmental backed CMO's	452	—	192	—	260
Short-term bills and notes	4,333	4,333	—	—	—
	<u>\$ 203,059</u>	<u>14,340</u>	<u>62,249</u>	<u>50,204</u>	<u>76,266</u>

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), and interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Park Employees' Retirement Fund maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each fixed income manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

The following table presents the Retirement Fund's ratings as of June 30, 2005 (amounts are in thousands):

<u>S&amp;P Credit Rating</u>	<u>Fair value</u>	<u>Asset backed securities</u>	<u>Comm'l. mortgage backed</u>	<u>Corporate bonds</u>	<u>Gov't. agencies</u>	<u>Gov't. bonds</u>	<u>Gov't. mortgage backed</u>	<u>Gov't. issued CMO</u>	<u>Index linked gov't. bonds</u>	<u>Non-gov't. backed CMO's</u>	<u>Municipal bonds</u>	<u>Pooled assets</u>
AAA	\$ 32,924	5,349	5,188	3,440	3,295	13,592	—	—	1,800	260	—	—
Aa+	184	—	—	184	—	—	—	—	—	—	—	—
AA	1,480	—	—	1,480	—	—	—	—	—	—	—	—
AA	4,883	—	—	1,022	3,861	—	—	—	—	—	—	—
A+	3,333	—	—	3,108	—	—	—	—	—	—	225	—
A	3,974	—	—	3,824	—	—	—	—	—	—	150	—
A-1+	431	431	—	—	—	—	—	—	—	—	—	—
A-1+	3,701	—	—	3,701	—	—	—	—	—	—	—	—
BBB+	3,200	—	—	3,200	—	—	—	—	—	—	—	—
BBB+	4,335	—	—	3,781	—	554	—	—	—	—	—	—
BBB-	4,390	—	—	4,144	—	246	—	—	—	—	—	—
BB+	2,351	—	—	2,351	—	—	—	—	—	—	—	—
BB	1,244	—	—	1,046	—	198	—	—	—	—	—	—
BB-	752	—	—	752	—	—	—	—	—	—	—	—
B+	911	—	—	911	—	—	—	—	—	—	—	—
B	690	—	—	690	—	—	—	—	—	—	—	—
B-	722	50	—	672	—	—	—	—	—	—	—	—
CCC+	56	—	—	56	—	—	—	—	—	—	—	—
CCC	21	—	—	21	—	—	—	—	—	—	—	—
CCC-	277	—	—	277	—	—	—	—	—	—	—	—
C	13	—	—	13	—	—	—	—	—	—	—	—
D	1	—	—	1	—	—	—	—	—	—	—	—
NR	55,414	868	1,500	4,028	—	992	—	—	—	192	—	47,834
US Gov't Agency	77,772	—	—	—	4,449	—	47,907	502	—	—	—	24,914
	<u>\$ 203,059</u>	<u>6,698</u>	<u>6,688</u>	<u>38,702</u>	<u>11,605</u>	<u>15,582</u>	<u>47,907</u>	<u>502</u>	<u>1,800</u>	<u>452</u>	<u>375</u>	<u>72,748</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

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**Securities Lending**

Under the provisions of State statutes, the Retirement Fund lends securities (both equity and fixed income) to qualified and Retirement Fund-approved brokerage firms for collateral that will be returned for the same securities in the future. The Retirement Fund's custodian, The Northern Trust Company, manages the securities lending program, which includes the securities of the Retirement Fund as well as other lenders, and receives cash, U.S. Treasury securities, or letters of credit as collateral. The collateral received cannot be pledged or sold by the Retirement Fund unless the borrower defaults. However, the Retirement Fund does have the right to close the loan at any time. All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the market value of the securities loaned, the collateral is adjusted accordingly. At June 30, 2005, the Retirement Fund had loaned to borrowers, securities with a market value of \$50,772,729. At June 30, 2005, the Retirement Fund received from borrowers cash collateral of \$49,739,145, and non-cash collateral of \$2,264,366. Securities lending net income for the year ended June 30, 2005 was \$87,101.

At June 30, 2005, the Retirement Fund has no credit risk exposure to the borrowers because the fair value of the collateral received exceeded the fair value of the securities on loan.

**(3) Interfund Balances and Activity**

*(a) Balances Due to/from Other Funds*

The following balances at December 31, 2005 represent amounts due to/from other funds.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Park improvements	\$ 5,634,048

These balances result from operating transactions between funds and are repaid during the next fiscal year within the normal course of business.

*(b) Transfers to/from Other Funds*

Interfund transfers for the year ended December 31, 2005 were as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>	<u>Description/purpose</u>
Bond Debt Service	General	\$ 10,560,617	Transfer of parking and harbor revenue for debt service payments.
Bond Debt Service	Park Improvement	2,704,737	Transfer of capitalized interest accounts to service debt payments.
		<u>\$ 13,265,354</u>	

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

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**(4) Capital Assets**

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2005</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 154,413,302	4,182,207	—	158,595,509
Construction in progress	143,389,160	65,966,133	104,915,429	104,439,864
Total capital assets not being depreciated	<u>297,802,462</u>	<u>70,148,340</u>	<u>104,915,429</u>	<u>263,035,373</u>
Capital assets being depreciated:				
Infrastructure	286,850,613	24,518,110	—	311,368,723
Site improvements	63,603,463	3,483,157	—	67,086,620
Harbor and Harbor improvements	115,208,002	—	—	115,208,002
Stadium and stadium improvements	631,621,104	8,120,178	—	639,741,282
Buildings and building improvements	473,872,411	63,014,317	—	536,886,728
Equipment	35,347,297	1,056,602	—	36,403,899
Total capital assets being depreciated	<u>1,606,502,890</u>	<u>100,192,364</u>	<u>—</u>	<u>1,706,695,254</u>
Less accumulated depreciation:				
Infrastructure	144,237,343	5,090,523	—	149,327,866
Site improvements	26,729,528	2,720,756	—	29,450,284
Harbor and Harbor improvements	47,529,419	2,297,455	—	49,826,874
Stadium and stadium improvements	18,264,051	12,713,624	—	30,977,675
Buildings and building improvements	148,091,085	9,549,642	—	157,640,727
Equipment	23,696,742	1,873,123	—	25,569,865
Total accumulated depreciation	<u>408,548,168</u>	<u>34,245,123</u>	<u>—</u>	<u>442,793,291</u>
Total capital assets being depreciated, net	<u>1,197,954,722</u>	<u>65,947,241</u>	<u>—</u>	<u>1,263,901,963</u>
Governmental activity capital assets, net	<u>\$ 1,495,757,184</u>	<u>136,095,581</u>	<u>104,915,429</u>	<u>1,526,937,336</u>
Depreciation expense for governmental activities was charged to functions as follows:				
Park operations and maintenance				\$ 33,988,391
General and administrative				256,732
				<u>\$ 34,245,123</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

**(5) Short-term Debt**

Corporate Purpose Tax Anticipation Warrants (TAWs) are annually issued to provide operating funds to the District and are secured by a pledge against the corporate tax levy. In June 2004, the District issued \$74,485,000 of TAWs secured by a pledge against the 2005 corporate tax levy, bearing a coupon interest rate of 3% per annum, and maturing on May 2, 2005. In May 2005, the District issued \$72,270,000 of TAWs secured by a pledge against the 2006 corporate tax levy bearing a coupon interest rate of 4% per annum and maturing on May 1, 2006.

**(6) Long-term Obligations**

**(a) Changes in Long-term Obligations**

Changes in long-term obligations for the year ended December 31, 2005 were as follows:

Governmental activities	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Amounts due within one year
General obligation bonds:					
Capital improvement	\$ 867,240,000	84,180,000	78,975,000	872,445,000	32,545,000
Aquarium and museums	88,195,000	—	6,355,000	81,840,000	6,685,000
Unamortized premiums	19,497,532	3,456,821	2,181,388	20,772,965	—
Deferred amount on refunding	(29,790,360)	(2,377,261)	(3,075,276)	(29,092,345)	—
Total general obligation bonds	945,142,172	85,259,560	84,436,112	945,965,620	39,230,000
Capital lease debt PBC	25,735,000	—	2,345,000	23,390,000	2,510,000
Compensated absences	6,412,481	6,877,721	6,086,513	7,203,689	6,489,318
Claims and judgments	4,566,000	1,991,431	620,431	5,937,000	3,645,000
Property tax claim payable	19,165,899	12,192,823	10,421,072	20,937,650	10,393,566
Workers' compensation	15,017,155	2,278,022	3,039,088	14,256,089	3,100,000
Total governmental activities	\$ 1,016,038,707	108,599,557	106,948,216	1,017,690,048	65,367,884

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the General Fund.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

**(b) General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the District and also the Aquarium and Museums. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2006	\$ 39,230,000	43,814,891	83,044,891
2007	43,480,000	43,495,416	86,975,416
2008	43,740,000	43,064,126	86,804,126
2009	41,535,000	40,973,385	82,508,385
2010	42,900,000	38,982,301	81,882,301
2011-2015	235,895,000	160,338,758	396,233,758
2016-2020	228,550,000	100,184,547	328,734,547
2021-2025	166,535,000	48,170,491	214,705,491
2026-2030	112,420,000	13,165,363	125,585,363
	<u>\$ 954,285,000</u>	<u>532,189,278</u>	<u>1,486,474,278</u>

**(c) Capital Lease Debt – PBC**

The District has entered into various capital lease agreements with the Public Building Commission for park projects and for construction projects related to recreational and park facilities, including the Lincoln Park Zoo and Soldier Field, with a historical cost and accumulated depreciation of \$14,232,500 and \$2,419,525, respectively, at December 31, 2005. All of the agreements provide that taxes be levied to pay the annual rentals. Future minimum lease payments at December 31, 2005 are as follows:

	<u>Governmental activities</u>
Year ended December 31:	
2006	\$ 4,198,788
2007	3,897,452
2008	3,904,479
2009	3,903,129
2010	3,905,760
2011-2013	<u>7,812,455</u>
Total minimum lease payments	27,622,063
Less amounts representing interest	<u>4,232,063</u>
Present value of future minimum lease payments	<u>\$ 23,390,000</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

**(d) Issuance of General Obligation Bonds and Advance Refunding of Debt**

On July 7, 2005, the District issued General Obligation Limited Tax Project Bonds, Series 2005A (the Series 2005A Bonds) in the amount of \$40,000,000, General Obligation Limited Tax Refunding Bonds, Series 2005B (the Series 2005B Bonds) in the amount of \$31,890,000, and General Obligation Unlimited Tax Refunding Bonds, Series 2005C (the Series 2005C Bonds) in amount of \$12,290,000.

The proceeds of the Series 2005A Bonds were used to: (i) fund a portion of the District's current five-year Capital Improvement Program; (ii) provide for capitalized interest; and (iii) pay certain costs of issuance.

The proceeds of the Series 2005B Bonds were used to: (i) advance refund \$31,640,000 of all or a portion of maturities of certain general obligation limited tax park bonds: \$13,575,000 of General Obligation Limited Tax Park Bonds, Series 1999A bearing interest of 4.5%; \$18,065,000 General Obligation Limited Tax Park Bonds, Series 2001A bearing interest ranging from 5.4% to 5.5%; and (ii) pay certain costs of issuance. The transaction resulted in a net present value savings of \$1,021,800, which amounted to 3.23% of refunded bonds.

Cash flow requirements to service (old) debt	\$ 69,268,920
Less cash flow requirements for new debt	<u>(67,821,370)</u>
Net savings from refunding	<u>\$ 1,447,550</u>

The Series 2005C bonds were used for: (i) a current refunding of \$2,680,000 of all or a portion of maturities of the General Obligation Park Bonds, Series 1995 bearing interest ranging from 6.35% to 6.6% and for an advance refunding of \$9,855,000 of General Obligation Unlimited Tax Refunding Bonds, Series 1997; and (ii) to pay certain costs of issuance. The transaction resulted in a net present value savings of \$826,903 which amounted to 6.597% of the refunded bonds.

Cash flow requirements to service (old) debt	\$ 30,833,913
Less cash flow requirements for new debt	<u>(29,860,112)</u>
Net savings from refunding	<u>\$ 973,801</u>

In prior years, the Park District defeased certain general obligation and revenue bonds by placing the proceeds of new GOs in an irrevocable trust to provide for all future debt service payments on the old GOs. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At December 31, 2005, \$306,075,000 of bonds outstanding is considered defeased, which includes debt defeased during this current year.

**CHICAGO PARK DISTRICT**

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**(7) Operating Leases**

**(a) Lessor**

The District leases land to the Metropolitan Pier and Exposition Authority (MPEA) under the terms of a noncancelable operating lease agreement that requires the MPEA to make minimum lease payments to the District through 2028. In 1999, the District sold a parking facility to MPEA. The land underlying the parking facility is leased from the District. Rent income under the operating lease was \$286,881 for the year ended December 31, 2005.

The following is a schedule of future minimum lease payments receivable under the operating lease:

	<u>Amount</u>
Year ending December 31:	
2006	\$ 286,881
2007	286,881
2008	286,881
2009	309,831
2010	334,618
2011-2016	2,120,114
2016-2020	3,289,071
2021-2025	6,848,242
2026-2028	<u>7,489,447</u>
	<u>\$ 21,251,966</u>

The District leases Soldier Field Stadium to the Chicago Bears Football Club, Inc. and Chicago Bears Stadium LLC (the Club) under the terms of a noncancelable operating lease agreement that requires the Club to make minimum lease payments to the District through 2033. Rent income under the operating lease was \$5,700,000 for the year ended December 31, 2005.

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The following is a schedule of future minimum lease payments receivable under the operating lease:

	<u>Amount</u>
Year ending December 31:	
2006	\$ 5,700,000
2007	5,700,000
2008	5,700,000
2009	5,700,000
2010	5,700,000
2011-2015	28,500,000
2016-2020	28,500,000
2021-2025	28,500,000
2026-2030	28,500,000
2031-2033	17,100,000
	<u>\$ 159,600,000</u>

**(b) Lessee**

The District leases a facility under the terms of a noncancelable operating lease agreement that requires the District to make minimum lease payments through May 12, 2012. The District has the option to renew the lease for two additional periods of five years. Rent expense under the operating lease was \$1,843,564 for the year ended December 31, 2005.

The following is a schedule of future minimum lease payments payable under the operating lease:

	<u>Facility</u>
Year ending December 31:	
2006	\$ 1,904,072
2007	1,962,300
2008	2,020,529
2009	2,078,757
2010	2,136,986
2011-2012	4,448,657
	<u>\$ 14,551,301</u>

The District entered into an intergovernmental agreement with the City of Chicago to lease and operate 51.6 acres of Nature Preserve in North Park Village. The District will pay the City of Chicago one dollar per year for the term of the lease ending on November 30, 2009.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

**(8) Employee Retirement System**

**(a) Plan Description**

Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Retirement Fund) is a single-employer defined benefit pension plan administered by the District. The plan covers substantially all personnel of the District. The defined benefits, as well as the employer and employee contribution levels of the Retirement Fund, are mandated by State statutes and may be amended only by the Illinois legislature.

Plan membership at June 30, 2005 consists of the following:

Retirees and beneficiaries currently receiving benefits	3,184
Terminated employees entitled to benefits but not yet receiving them	181
Current employees:	
Fully vested	980
Nonvested	1,901
	<hr/>
Total	6,246
	<hr/> <hr/>

The Retirement Fund provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 with at least 10 years or more of creditable service are entitled to receive a minimum service retirement pension. The retirement pension is based upon the average of the four highest consecutive years of salary within the last 10 years at various rates depending on years of service. If the employee retires prior to the attainment of age 60, the allowance computed is reduced by 1/4% for each full month the employee is under age 60. There is no reduction if the participant has 30 years of service. Employees with four years of service at age 60 receive a retirement benefit. The monthly annuity of an employee who retires at age 60 or after is increased each year, following one year's receipt of pension payments, by 3% of the original monthly annuity and the same 3% (not compounded) annually thereafter.

The Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Pension Board at 55 East Monroe, Suite 2880, Chicago, Illinois 60605.

**(b) Summary of Significant Accounting Policies**

The financial statements of the Retirement Fund are prepared using the accrual method of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Retirement Fund. The financial statements of the Retirement Fund include all financial transactions as of and for fiscal year ended June 30, 2005.

Investments are reported at fair value. Short-term investments are reported at cost, which approximate fair value. Fair values for bonds and stocks are determined by quoted market prices. Investments in pooled separate real estate accounts are reported at fair value as determined by the plan administrator.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

(c) ***Funding Policy and Annual Pension Cost***

Covered employees are required by State statutes to contribute 9% of their salary to the Retirement Fund. If a covered employee leaves employment before the age of 55 prior to qualifying for a pension, accumulated employee contributions are refunded without interest. The District is required by State statute to contribute the remaining amounts necessary to finance the requirements of the Retirement Fund on an actuarially funded basis.

The District is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees made in the fiscal year two years prior to the year for which the annual applicable tax is levied, multiplied by a factor of 110% annually. In the opinion of the District's legal counsel, the District has no legal obligation to fund pension costs above that allowed by State statutes.

On January 16, 2004, the State legislature amended the State statutes to allow the District to reduce employer contributions by \$5,000,000 for both calendar year 2004 and 2005.

For the year ended June 30, 2005, the District's annual required contribution was determined as part of the June 30, 2004, actuarial valuation using the projected unit credit method. The actuarial assumption included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases at 5% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on an open basis. The amortization period for unfunded actuarial liability is 30 years.

The District's annual pension cost and net pension asset for fiscal year 2005 was as follows:

Annual required contribution	\$ 14,760,329
Interest on net pension asset	(2,212,476)
Adjustment to annual required contribution	<u>2,355,725</u>
Annual pension cost	14,903,578
Contributions made	<u>4,768,605</u>
Decrease in net pension asset	(10,134,973)
Net pension asset at January 1, 2005	<u>27,655,948</u>
Net pension asset at December 31, 2005	<u><u>\$ 17,520,975</u></u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2005

***Three-year Trend Information***

	Employer contribution			Net pension asset
	Annual pension cost	Percentage contributed		
Year ended December 31:				
2005	\$ 14,903,578	32%	\$	17,520,975
2004	7,704,471	128		27,655,948
2003	7,334,188	134		25,519,738

**(9) Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance against losses arising from automotive liability, property, property-related business interruption, terrorism, marine property and liability, employment-related suits including discrimination and sexual harassment, management liability of board members, directors, and officers of the District. Liability coverage is also purchased against losses arising from gymnastic activities and surety bonds are arranged for various obligations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is also self-insured for general liability and automotive liability losses up to a limit of \$1.5 million per claim at which point stop-loss insurance becomes effective. The District is self insured for statutory workers compensation claims and obligations. A reserve has been provided at December 31, 2005 for the estimated potential claim liability based upon an actuary's estimate. Management believes, based on prior experience, that the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents, which occurred through December 31, 2005.

The following is a reconciliation of the District's claims liability:

	2005	2004
Accrued self-insurance – beginning of year	\$ 19,583,155	18,037,723
Claims and other expenses incurred – during year	4,269,453	6,320,116
Claims paid – during year	<u>(3,659,519)</u>	<u>(4,774,684)</u>
Accrued self-insurance – end of year	<u>\$ 20,193,089</u>	<u>19,583,155</u>

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2005

#### (10) Commitments and Contingencies

##### (a) *Construction Commitments*

The District has various outstanding construction projects estimated at December 31, 2005 to be \$32,158,000.

##### (b) *Litigation*

The District is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the District.

#### (11) Lakefront Improvements and Adaptive Reuse of Soldier Field

Pursuant to recent amendments to the Act authorizing the District to enter into lease, license, or other agreements with a professional sports team in connection with certain types of facilities, the District has entered into a series of agreements with the Illinois Sports Facilities Authority, the Chicago Bears Football Club, Inc. (the Chicago Bears), and others for the redevelopment of Burnham Park and the adaptive re-use of Soldier Field. The project includes reclaiming 17 acres of green space and the construction of a 2500-space underground parking facility, among other improvements. The project is financed by bonds issued by the Illinois Sport Facilities Authority and by financial contributions by the Chicago Bears.

#### (12) Subsequent Events

On January 4, 2006, the District issued General Obligation Limited Tax Bonds, Series 2006A (the Series 2006A Bonds) in an amount of \$35,000,000, General Obligation Limited Tax Refunding Bonds, Series 2006B (the Series 2006B Bonds) in an amount of \$30,995,000, General Obligation Unlimited Tax Refunding Bonds, Series 2006C (the Series 2006C Bonds) in an amount of \$51,380,000 and General Obligation Unlimited Tax Refunding Bonds, Series 2006D (Personal Property Replacement Tax Alternate Revenue Source (the Series 2006D PPRT ARS Bonds)) in an amount of \$62,480,000. The proceeds of the Series 2006A Bonds will be used to: (i) fund a portion of the District's current five-year Capital Improvement Plan; (ii) provide for all or a portion of the interest through January 1, 2007; and (iii) pay costs of issuance for the Series 2006A Bonds. The proceeds of the Series 2006B Bonds will be used to: (i) redeem all or a portion of certain maturities of the District's General Obligation Limited Tax Park Bonds, Series 2001A (the Series 2001A Bonds); and (ii) pay costs of issuance of the Series 2006B bonds and the refunding of the Series 2001A Bonds. The proceeds of the Series 2006C Bonds will be used to: (i) redeem all or a portion of certain maturities of the District's General Obligation Refunding Bonds, Series 1995 (the Series 1995 Refunding Bonds); and (ii) pay costs of issuance of the Series 2006C Bonds and the refunding of the Series 1995 Refunding Bonds. The proceeds of the Series 2006D PPRT ARS Bonds will be used to: (i) redeem all or a portion of certain maturities of the District's general obligation unlimited tax park bonds: General Obligation Unlimited Tax Park Bonds, Series 1997 (PPRT ARS); General Obligation Unlimited Tax Park Project and Refunding Bonds, Series 2001B (PPRT ARS); General Obligation Unlimited Tax Park Bonds, Series 2001D (PPRT ARS) (the Prior PPRT ARS Bonds); and (ii) pay costs of issuance of the Series 2006D PPRT ARS Bonds and the refunding of the Prior PPRT ARS Bonds.

**CHICAGO PARK DISTRICT**  
Required Supplementary Information  
Budgetary Comparison Schedule (Unaudited)  
General Fund  
Year ended December 31, 2005

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget – favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 190,358,495	190,358,495	190,945,253	586,758
Personal property replacement tax	9,371,174	9,371,174	20,323,151	10,951,977
Investment income	550,000	550,000	2,265,870	1,715,870
Parking fees	18,957,884	18,957,884	19,830,033	872,149
Harbor fees	17,700,000	17,700,000	17,971,858	271,858
Entertainment facilities	1,637,037	1,637,037	1,772,429	135,392
Concessions	2,090,000	2,090,000	2,328,461	238,461
Rental of Soldier Field	19,812,692	19,812,692	20,121,776	309,084
Rental of other property	4,290,000	4,290,000	2,485,815	(1,804,185)
Golf course fees	500,000	500,000	3,511,809	3,011,809
Recreational activities	10,022,963	11,660,000	10,077,263	(1,582,737)
Other user charges	1,758,444	1,758,444	2,589,253	830,809
Donations and grant income	7,000,000	7,000,000	4,781,240	(2,218,760)
Miscellaneous	1,550,000	1,550,000	1,965,726	415,726
Total revenues	<u>285,598,689</u>	<u>287,235,726</u>	<u>300,969,937</u>	<u>13,734,211</u>
<b>Expenditures:</b>				
Personnel services	131,615,339	129,019,029	123,164,666	5,854,363
General and administrative	9,296,873	9,296,873	7,463,808	1,833,065
Pension	5,045,418	5,045,418	4,983,543	61,875
Workers compensation	2,540,000	3,400,000	3,039,088	360,912
Material and supplies	5,720,765	4,720,765	4,949,872	(229,107)
Machinery and equipment	1,306,782	306,782	502,867	(196,085)
Contractual services	72,671,343	69,324,971	69,242,391	82,580
Special and other:				
Zoological	5,584,000	5,584,000	5,584,000	—
Golf courses	—	—	3,011,809	(3,011,809)
Aquarium and museums	32,855,906	32,855,906	34,234,503	(1,378,597)
Liability	3,401,099	3,401,099	3,241,561	159,538
Regions and departments	4,306,121	4,534,317	4,101,635	432,682
Debt service:				
Interest	2,917,989	2,917,989	1,917,989	1,000,000
Cost of issuance and other	—	—	358,831	(358,831)
Total expenditures	<u>277,261,635</u>	<u>270,407,149</u>	<u>265,796,563</u>	<u>4,610,586</u>
Excess of revenues over expenditures	<u>8,337,054</u>	<u>16,828,577</u>	<u>35,173,374</u>	<u>18,344,797</u>
<b>Other financing sources (uses):</b>				
Premium on TAW Issuance	—	—	727,036	727,036
Transfers out	(10,635,658)	(10,635,658)	(10,560,617)	75,041
Total other financing sources (uses), net	<u>(10,635,658)</u>	<u>(10,635,658)</u>	<u>(9,833,581)</u>	<u>802,077</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,298,604)</u>	<u>6,192,919</u>	<u>25,339,793</u>	<u>19,146,874</u>
Fund balance— beginning of year			<u>3,002,063</u>	
Fund balance – end of year			<u>\$ 28,341,856</u>	

See accompanying independent auditors' report.

## CHICAGO PARK DISTRICT

### Required Supplementary Information

#### Notes to Budgetary Comparison Schedule (Unaudited)

December 31, 2005

**Budgets** – The Budget Director submits to the General Superintendent and board of commissioners, a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

The board of commissioners must conduct at least one public budget review meeting to discuss the proposed budget and obtain taxpayer comments on the proposed annual budget.

Budgets are adopted on a modified accrual basis for revenues, except property taxes, which are recognized as revenues when levied, and personal property replacement taxes represent those amounts estimated to be collected during the subsequent calendar year, and a modified accrual basis for expenditures. Annual appropriated budgets are adopted for the General Fund, the Public Building Commission of Chicago operations and maintenance Special Revenue Fund, and the Bond Debt Service Fund. Generally, expenditures from Park Improvement Funds are made for projects approved in the District's Capital Improvement Program.

Budgeted expenditures (including encumbrances) may not legally exceed appropriations. The board of commissioners must approve authority for expenditures in excess of appropriated amounts.

The Budgetary Comparison Schedule presents comparisons of the appropriated budget with actual on a budgetary basis for the general fund. There are two principal differences between the modified accrual and the budgetary basis of accounting. First, the accounting for golf operations, which have been contracted to Kemper Golf Management Chicago, Inc., is presented as gross revenue/expenditures on the modified accrual basis and as net revenue/expenditures on the budgetary basis. The impact of this treatment is to reduce budgetary revenue and expenditures for 2005 by approximately \$3 million in the General Fund when compared to the revenue and expenditure amounts presented using the modified accrual basis of accounting.

Recreational activities show an unfavorable balance partly because there was an administrative policy decision to reevaluate the distribution of proposed fee increases that resulted in several modifications to the District's fee structure.

**CHICAGO PARK DISTRICT**  
 Required Supplementary Information  
 Schedule of Funding Progress (Unaudited)  
 Dollar amounts in thousands

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) – entry age (b)</b>	<b>Unfunded actuarial accrued liability (UAAL) (b-a)</b>	<b>AAL funding ratio (a/b)</b>	<b>Annual covered payroll</b>	<b>UAAL as a percent of annual covered payroll (b-a/c)</b>
June 30, 2005	\$ 587,774	734,361	146,587	80.0%	\$ 95,707	153.2%
June 30, 2004	610,294	738,579	128,285	82.6	87,871	146.0
June 30, 2003	624,210	701,209	76,999	89.0	102,330	75.2
June 30, 2002	637,750	678,208	40,458	94.0	103,787	39.0
June 30, 2001	651,344	673,430	22,086	96.7	105,740	20.9
June 30, 2000	627,938	655,967	28,029	95.7	101,268	27.7

See accompanying independent auditors' report.

**CHICAGO PARK DISTRICT**  
Required Supplementary Information  
Notes to Schedule of Funding Progress (Unaudited)

Valuation date	June 30, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Asset valuation method	5 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.0% per year
Projected salary increases *	4.5% per year
Inflation rate	4% per year

\* Includes inflation at cost-of-living adjustments

See accompanying independent auditors' report.