

**CHICAGO PARK DISTRICT**

Financial Statements

December 31, 2004

(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, 2004, 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 95% 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 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, 2004, and the respective changes in financial position and net assets thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 12, 42 through 43, and 44 through 45, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and 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

July 27, 2005

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2004

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 fiscal year ended December 31, 2004. 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, 2004, by \$681,210. Of this amount \$14,348 is unrestricted in governmental activities and may be used to meet obligations.
- The District's net assets increased by \$90,310 during the year.
- At December 31, 2004, the governmental funds reported combined fund balances of \$144,839.
- Governmental fund balances decreased \$53,656 during the year largely because of the timing of property tax collections.
- The District's long-term obligations increased \$6,040 primarily as a result of 1) the net increase in bonds payable of \$5,391, 2) other long-term liabilities net to an increase of \$649.

#### 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

December 31, 2004

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 five individual governmental funds of which four 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, Park Improvements, and Working Cash 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 21-41 of this report.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2004

**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 42-45 of this report.

#### Government-wide Financial Analysis

**Net assets.** 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 reflects its investment in capital assets (land, infrastructure, buildings and improvements, and equipment), less any related debt used to acquire those assets that is 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.

The following is a summary of net assets (amounts expressed in thousands) as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
Current and other assets	\$ 614,059	591,321	22,738	3.8%
Capital assets	1,495,757	1,378,118	117,639	8.5
Total assets	<u>2,109,816</u>	<u>1,969,439</u>	<u>140,377</u>	<u>7.1</u>
Long-term obligations	1,016,039	1,009,999	6,040	0.6
Other liabilities	412,567	368,540	44,027	11.9
Total liabilities	<u>1,428,606</u>	<u>1,378,539</u>	<u>50,067</u>	<u>3.6</u>
Net assets:				
Invested in capital assets net of related debt	448,054	345,031	103,023	29.9
Restricted	218,808	205,042	13,766	6.7
Unrestricted	14,348	40,827	(26,479)	(64.9)
Total net assets	<u>\$ 681,210</u>	<u>590,900</u>	<u>90,310</u>	<u>15.3%</u>

At the end of the fiscal year, the District is able to report positive balances in net assets. This same situation held true for the prior fiscal year.

An additional portion of the District's governmental activities net assets (32%) for 2004 and (35%) for 2003 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,348) may be used to meet the District's ongoing obligations to citizens and creditors. This represents a decrease over 2003 of \$26,479.

**CHICAGO PARK DISTRICT**  
Management's Discussion and Analysis  
December 31, 2004

**Governmental Activities.** There was an increase in net assets from governmental activities of \$90,310 during the current fiscal year. The increase is attributable to contributions of capital assets received including Soldier Field, lakefront revetment, and Lincoln Park Zoo.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

December 31, 2004

Following is a summary of changes in net assets (amounts expressed in thousands) for the years ended December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 86,754	50,575	36,179	71.5%
Operating grants and contributions	4,642	4,016	626	15.6
Capital grants and contributions	<u>27,867</u>	<u>26,902</u>	<u>965</u>	<u>3.6</u>
Total program revenues	<u>119,263</u>	<u>81,493</u>	<u>37,770</u>	<u>46.3</u>
General revenues:				
Property tax	252,291	247,354	4,937	2.0
Personal property replacement tax	29,190	26,878	2,312	8.6
Contributions	62,907	232,760	(169,853)	(73.0)
Investment earnings	3,018	2,200	818	37.2
Other	<u>588</u>	<u>2,142</u>	<u>(1,554)</u>	<u>(72.5)</u>
Total general revenues	<u>347,994</u>	<u>511,334</u>	<u>(163,340)</u>	<u>(31.9)</u>
Total revenues	<u>467,257</u>	<u>592,827</u>	<u>(125,570)</u>	<u>(21.2)</u>
<b>Expenses:</b>				
Park operations and maintenance	104,942	96,007	8,935	9.3
Recreation programs	111,287	133,573	(22,286)	(16.7)
Special services	75,766	66,711	9,055	13.6
General and administrative	33,441	55,253	(21,812)	(39.5)
Interest on long-term debt	<u>51,511</u>	<u>54,201</u>	<u>(2,690)</u>	<u>(5.0)</u>
Total expenses	<u>376,947</u>	<u>405,745</u>	<u>(28,798)</u>	<u>(7.1)</u>
Change in net assets before transfers	90,310	187,082	(96,772)	(51.7)
Transfers	<u>—</u>	<u>48,159</u>	<u>(48,159)</u>	<u>(100.0)</u>
Change in net assets	<u>\$ 90,310</u>	<u>235,241</u>	<u>(144,931)</u>	<u>(61.6)%</u>

- Program revenues increased 46.3% primarily as a result of increased Soldier Field rental revenue of \$6,354 and accounting for Harbor revenue of \$17,189 for a full year under the General Fund.
- The 73.0% decrease in contributions is a result of Soldier Field stadium renovation substantially completed in 2003.
- Investment income increased 37.2% or \$818 in large part due to increases on unrealized gains market values of U.S. Government security and agency investments owned by the District during 2004.

## CHICAGO PARK DISTRICT

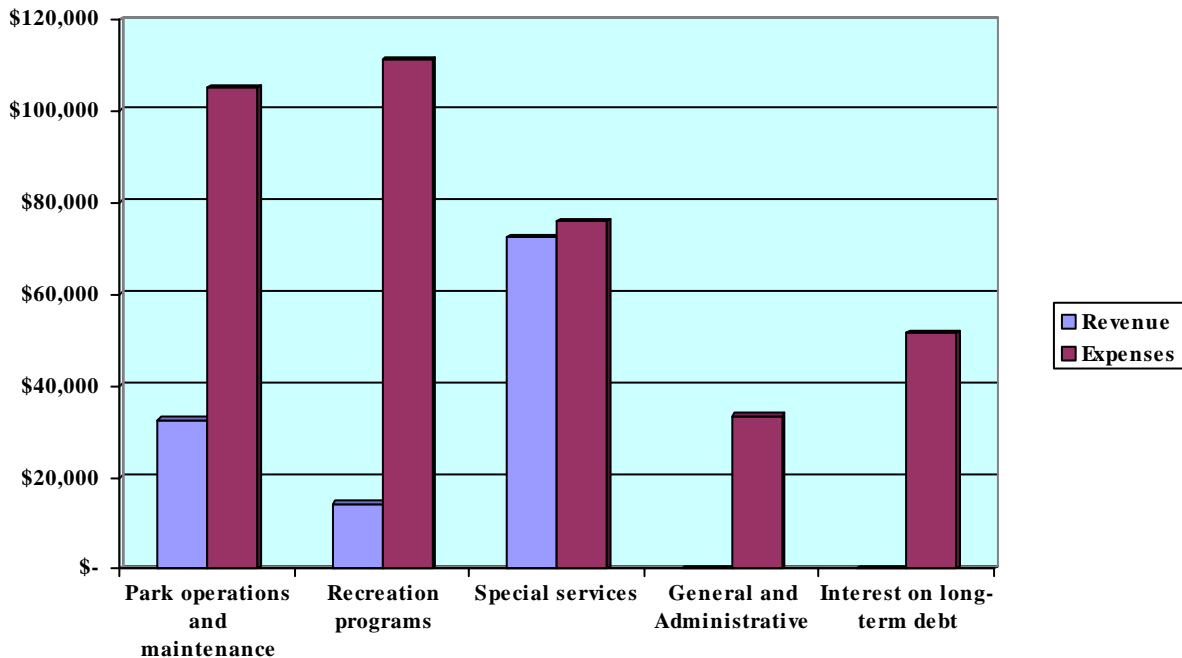
### Management's Discussion and Analysis

December 31, 2004

- Increases in park operations of 9.3% are a direct result of increased utility expenses.
- Recreational Program expense was reduced by 16.7%. The largest contributing expense reduction was in the area of personnel.
- The special services expense reflects a full year operation of Soldier Field mainly resulting in an increase in expenses of 13.6%.
- The recording of the property tax claim payable account in 2003 resulted in additional expense not recognized in 2004, which is reflected in the 39.5% expense decrease in General and Administrative.
- Transfers in 2003 represented net income and the excess of long-term liabilities over long-term assets into governmental activities as a result of closing the Harbor Fund. There were no Enterprise Fund activities in 2004.

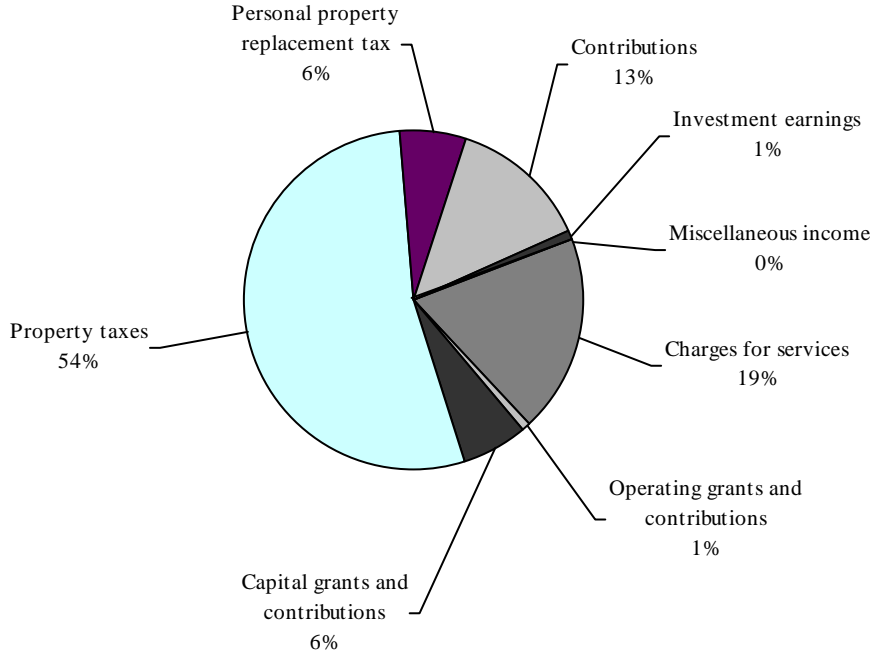
The first chart below depicts functions/programs revenue and expenses. It does not include general revenues such as property taxes, personal property replacement taxes, contributions, and investment earnings. General revenues for the District amount to 75% of total governmental revenues as depicted in the second chart.

#### Expense and Program Revenue – Governmental Activities



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 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 \$144,839, a decrease of \$53,656 over last year. One of the main contributing reasons for this decrease was the reduced collections of property taxes in the first sixty days of 2005.

The General Fund is the primary operating fund of the District and reported an ending fund balance of \$3,002. The net change in fund balance was a result of the Working Cash Fund being transferred into the General Fund. During the year, expenditures exceeded revenue in the General Fund by \$13,594. Total other financing sources and uses netted to \$65,251. Due to timing in the collections, property taxes (in compliance with GASB Statement No. 33) resulted in decrease revenues of \$25,313. The combining of the Working Cash Fund resulted in transfers of \$77,249 to the General Fund.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

December 31, 2004

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Commissioners passed the annual appropriation ordinance for 2004 at the December 2003 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 2004 year-end General Fund budget appropriation was approximately \$251 million. Overall, 2004 expenditure were such that modification of the original appropriation ordinance was not necessary.

The following is an explanation for the significant variances in the final budget to actual for the General Fund:

#### *Revenues*

- Property tax – the District records property tax revenue when it is considered measurable and available. The District considers revenues to be available if collected within 60 days of the end of the current fiscal year. The largest portion of the variance at year-end is a result of the decreased collection of property taxes 60 days after the end of year 2004 in comparison to year 2003.
- 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 \$2.5 million higher than budgeted for 2004.
- Parking revenues were approximately \$1.6 million higher than budgeted for 2004 as a result of higher parking space demand.

#### *Expenditures*

- Personnel Services reflected lower than budgeted amounts 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. The potential effect to the pension unfunded ratio is a decrease of approximately 6%. As a result of the amendment, the Park District has modified its retirement annuity computation payout to a 2.4% flat rate.
- General Administrative – property taxes are budgeted net of anticipated claims and refunds. However, property tax collections are recorded gross, and therefore the unbudgeted expense of claims and refunds shows an unfavorable variance.
- Contractual services had an unfavorable variance as a result of unexpected utility expenses.
- Museum contributions proportionally increased as a result of additional PPRT revenue.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

December 31, 2004

**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, 2004, was \$1,495,757 (net of accumulated depreciation), up \$117,639 over last year.

Major capital asset events during the year were:

- The District acquired additional land at a cost of \$16,209.
- Construction of the lakefront revetment; construction in progress as of the close of the fiscal year had reached \$90,007.
- Lincoln Park Zoo buildings not completed but included in construction in progress totaled \$37,328.
- Additional construction at Soldier Field was completed and increased assets by \$34,229.
- Hayes Natatorium was completed at a cost of \$8,400.
- Regenstein African Journey large mammal house had additional improvements of \$12,523.
- Various buildings and District additions and improvements were completed at a cost of \$14,700.

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

	<u>2004</u>	<u>2003</u>	<u>Increase (decrease)</u>	<u>Percent increase (decrease)</u>
Land	\$ 154,413	138,204	16,209	11.7%
Construction in process	143,389	106,841	36,548	34.2
Infrastructure	286,851	273,314	13,537	5.0
Site improvements	63,604	50,383	13,221	26.2
Harbor and improvements	115,208	111,717	3,491	3.1
Stadium and improvements	631,621	597,392	34,229	5.7
Buildings and improvements	473,872	443,813	30,059	6.8
Equipment	35,347	32,438	2,909	9.0
Accumulated depreciation	<u>(408,548)</u>	<u>(375,984)</u>	<u>(32,564)</u>	<u>8.7</u>
	<u>\$ 1,495,757</u>	<u>1,378,118</u>	<u>117,639</u>	<u>8.5%</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

December 31, 2004

### 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 2004, the District had a total of \$981,170 in governmental funds outstanding long-term debt, which is .5% more 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 October 2004, the District issued approximately \$35 million of general obligation limited tax bonds to fund a portion of the 2004 capital improvement program. At the same time the District refunded approximately \$45 million of general obligation limited tax park bonds and approximately \$78 million of general obligation unlimited tax park bonds.

	<b>December 31,</b>		<b>Increase</b>	<b>Percent</b>
	<b>2004</b>	<b>2003</b>	<b>(decrease)</b>	<b>increase</b>
				<b>(decrease)</b>
General obligation bonds	\$ 955,435	948,010	7,425	0.8%
Capital lease debt PBC	25,735	27,925	(2,190)	(7.8)
Total	\$ 981,170	975,935	5,235	0.5%

#### Tax Anticipation Warrants

In June 2004, the District issued \$74 million of Corporate Purpose Tax Anticipation Warrants with a ten-month maturity. 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, 2004

	<u>Governmental activities</u>
Assets:	
Cash and cash equivalents (note 2)	\$ 248,946
Investments (note 2)	217,042,670
Receivables:	
Property taxes, net	250,218,738
Personal property replacement tax	5,021,638
Accounts	6,737,084
Accrued interest on investments	239,886
Other current assets	1,409,436
Unamortized cost of debt issuance	4,262,021
Prepaid contributions, net	101,222,094
Net pension asset	27,655,948
Capital assets (note 4):	
Not being depreciated	297,802,462
Being depreciated, net	1,197,954,722
Total assets	<u>2,109,815,645</u>
Liabilities:	
Tax anticipation warrants (note 5)	74,485,000
Accounts payable and accrued expenses	53,784,231
Accrued payroll	3,545,305
Accrued interest	22,140,638
Due to other organizations	380,324
Retainage payable	1,239,843
Deposits	309,165
Deferred revenue:	
Program fees	479,346
Soldier Field	255,674,095
Other liabilities	529,433
Long-term obligations (note 6):	
Due within one year	64,247,333
Due in more than one year	951,791,374
Total liabilities	<u>1,428,606,087</u>
Net assets:	
Invested in capital assets, net of related debt	448,053,846
Restricted for:	
Debt service	94,507,961
Contributions for other organizations	47,054,887
Working cash	77,244,592
Unrestricted	14,348,272
Total net assets	<u>\$ 681,209,558</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Activities

Year ended December 31, 2004

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>			<u>Net (expense)</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>revenue and changes in net assets</u>
					<u>Governmental activities</u>
Governmental activities:					
Park operations and maintenance	\$ 104,942,197	4,653,781	—	27,867,096	(72,421,320)
Recreation programs	111,286,927	9,629,873	4,642,113	—	(97,014,941)
Special services	75,766,097	72,470,646	—	—	(3,295,451)
General and administrative	33,440,953	—	—	—	(33,440,953)
Interest on long-term debt	51,510,902	—	—	—	(51,510,902)
Total governmental activities	<u>\$ 376,947,076</u>	<u>86,754,300</u>	<u>4,642,113</u>	<u>27,867,096</u>	<u>(257,683,567)</u>
General revenues:					
Property taxes					252,290,502
Personal property replacement tax					29,189,781
Capital contributions					62,906,483
Investment earnings					3,018,066
Miscellaneous income					588,366
Total general revenues					<u>347,993,198</u>
Change in net assets					90,309,631
Net assets – beginning of year					<u>590,899,927</u>
Net assets – end of year					<u>\$ 681,209,558</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Balance Sheet

Governmental Funds

December 31, 2004

Assets	General	Bond Debt Service	Park Improvements	Working Cash	Other governmental fund	Total governmental funds
Cash and cash equivalents (note 2)	\$ 248,446	—	500	—	—	248,946
Investments (note 2)	61,837,376	57,035,786	94,264,869	—	3,904,639	217,042,670
Receivables:						
Property taxes, net	180,295,296	59,724,069	—	—	10,199,373	250,218,738
Personal property replacement tax	1,568,619	3,453,019	—	—	—	5,021,638
Accounts	5,086,423	—	1,650,661	—	—	6,737,084
Accrued interest on investments	—	37,083	202,803	—	—	239,886
Due from other funds (note 3)	8,297,295	—	—	—	—	8,297,295
Other assets	1,409,436	—	—	—	—	1,409,436
<b>Total assets</b>	<b>\$ 258,742,891</b>	<b>120,249,957</b>	<b>96,118,833</b>	<b>—</b>	<b>14,104,012</b>	<b>489,215,693</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Tax anticipation warrants (note 5)	\$ 74,485,000	—	—	—	—	74,485,000
Accounts payable and accrued expenses	32,294,711	—	19,047,434	—	2,442,086	53,784,231
Accrued payroll	3,452,758	—	92,547	—	—	3,545,305
Due to other funds (note 3)	—	—	8,297,295	—	—	8,297,295
Due to other organizations	380,324	—	—	—	—	380,324
Retainage payable	—	—	1,239,843	—	—	1,239,843
Deposits	309,165	—	—	—	—	309,165
Deferred revenue:						
Program fees	479,346	—	—	—	—	479,346
Property taxes	143,939,327	47,741,935	—	—	8,279,523	199,960,785
Other	—	—	1,365,884	—	—	1,365,884
Other liabilities	400,197	129,236	—	—	—	529,433
<b>Total liabilities</b>	<b>255,740,828</b>	<b>47,871,171</b>	<b>30,043,003</b>	<b>—</b>	<b>10,721,609</b>	<b>344,376,611</b>
Fund balances (deficit):						
Fund balances reserved for:						
Debt service	—	72,378,786	—	—	—	72,378,786
Contributions for other organizations	13,323,020	—	—	—	—	13,323,020
Capital projects	—	—	66,075,830	—	—	66,075,830
Working cash	77,248,579	—	—	—	—	77,248,579
Fund balances (deficit) unreserved:						
Undesignated	(87,569,536)	—	—	—	3,382,403	(84,187,133)
<b>Total fund balances</b>	<b>3,002,063</b>	<b>72,378,786</b>	<b>66,075,830</b>	<b>—</b>	<b>3,382,403</b>	<b>144,839,082</b>
<b>Total liabilities and fund balances</b>	<b>\$ 258,742,891</b>	<b>120,249,957</b>	<b>96,118,833</b>	<b>—</b>	<b>14,104,012</b>	<b>489,215,693</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, 2004

Total fund balances – governmental funds	\$	144,839,082
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		4,262,021
Prepaid contributions used in governmental activities are not financial resources and therefore are not in the funds (note 1 (h))		101,222,094
Net pension asset recorded in governmental activities is not a financial resource and therefore is not reported in the funds		27,655,948
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,495,757,184
Capital payments received for Soldier Field are not earned and therefore are deferred in the government-wide statement of net assets		(255,674,095)
Capital grant payments not received but earned and therefore are not deferred in the government-wide statement of net assets		1,365,884
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		199,960,785
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 (\$133,840,606) to be escrowed for payment of the old debt (\$122,795,000) as it comes due is paid out of governmental funds and reduces fund balance. The loss on the refundings of \$11,045,606 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, 2004 are:		
Accrued interest on bonds		(22,140,638)
General obligation bonds		(955,435,000)
Unamortized bond premium		(19,497,532)
Deferred amount on refunding		29,790,360
Capital lease debt of PBC		(25,735,000)
Compensated absences		(6,412,481)
Claims and judgments		(4,566,000)
Property tax claim payable		(19,165,899)
Workers compensation		(15,017,155)
Total long-term obligations		<u>(1,038,179,345)</u>
Net assets of governmental activities	\$	<u><u>681,209,558</u></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, 2004

	<u>General</u>	<u>Bond Debt Service</u>	<u>Park Improvements</u>	<u>Working Cash</u>	<u>Other governmental fund</u>	<u>Total governmental funds</u>
Revenues:						
Property taxes	\$ 153,796,110	51,664,314	—	—	5,247,958	210,708,382
Personal property replacement tax	5,828,625	23,361,156	—	—	—	29,189,781
Investment income	537,698	217,622	2,258,759	3,987	—	3,018,066
Parking fees	20,102,690	—	—	—	—	20,102,690
Harbor fees	17,189,183	—	—	—	—	17,189,183
Other privatized fees	1,494,997	—	—	—	—	1,494,997
Concessions	1,990,909	—	—	—	—	1,990,909
Rental of Soldier Field	19,119,882	—	—	—	—	19,119,882
Rental of other property	2,369,205	—	—	—	—	2,369,205
Golf course fees	3,756,637	—	—	—	—	3,756,637
Recreational activities	9,629,873	—	—	—	—	9,629,873
Other user charges	2,284,576	—	—	—	—	2,284,576
Donations and grant income	4,642,113	—	26,501,212	—	—	31,143,325
Miscellaneous	477,099	—	111,267	—	—	588,366
<b>Total revenues</b>	<b>243,219,597</b>	<b>75,243,092</b>	<b>28,871,238</b>	<b>3,987</b>	<b>5,247,958</b>	<b>352,585,872</b>
Expenditures:						
Current:						
Park operations and maintenance	56,073,970	—	—	—	8,816,547	64,890,517
Recreation programs	113,331,719	—	—	—	—	113,331,719
Special services	60,055,295	—	—	—	—	60,055,295
General and administrative	25,727,279	3,075,217	3,212,545	—	136,441	32,151,482
Capital outlay	—	—	87,432,909	—	—	87,432,909
Debt service:						
Principal	—	34,795,000	—	—	—	34,795,000
Interest	1,247,573	50,149,431	—	—	—	51,397,004
Cost of issuance and other	377,414	—	2,042,167	—	—	2,419,581
<b>Total expenditures</b>	<b>256,813,250</b>	<b>88,019,648</b>	<b>92,687,621</b>	<b>—</b>	<b>8,952,988</b>	<b>446,473,507</b>
Excess (deficiency) of revenues over expenditures	(13,593,653)	(12,776,556)	(63,816,383)	3,987	(3,705,030)	(93,887,635)
Other financing sources (uses):						
Proceeds from bond refunding	—	—	125,895,000	—	—	125,895,000
Proceeds from bond issuance	—	—	36,930,000	—	—	36,930,000
Premium on long-term debt	—	—	10,331,122	—	—	10,331,122
Premium on TAW issuance	916,166	—	—	—	—	916,166
Payments to refund bond escrow agent	—	—	(133,840,606)	—	—	(133,840,606)
Transfers in (note 3)	77,386,999	16,248,678	2,270,473	—	—	95,906,150
Transfers out (note 3)	(13,051,918)	—	(5,605,653)	(77,248,579)	—	(95,906,150)
<b>Total other financing sources and uses, net</b>	<b>65,251,247</b>	<b>16,248,678</b>	<b>35,980,336</b>	<b>(77,248,579)</b>	<b>—</b>	<b>40,231,682</b>
<b>Net change in fund balances</b>	<b>51,657,594</b>	<b>3,472,122</b>	<b>(27,836,047)</b>	<b>(77,244,592)</b>	<b>(3,705,030)</b>	<b>(53,655,953)</b>
Fund balances (deficit) – beginning of year	(48,655,531)	68,906,664	93,911,877	77,244,592	7,087,433	198,495,035
Fund balances – end of year	\$ 3,002,063	72,378,786	66,075,830	—	3,382,403	144,839,082

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, 2004

Net change in fund balances – total governmental funds	\$ (53,655,953)
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 capital outlays (\$67,816,496) exceeded depreciation (\$32,563,794) in the current period.	35,252,702
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.	(162,825,000)
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.	(10,331,122)
Costs of issuance associated with refunding bonds are capitalized and amortized over the life of the bonds in the statement of net assets.	2,042,167
The payments made 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.	133,840,606
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.	34,795,000
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.	41,582,120
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.	(10,664,115)
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.	1,365,884
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	34,229,095
Lakefront revetment contribution	11,679,544
Lincoln Park Zoo	17,658,586
Other	18,819,721
Prepaid contributions are an expenditure in the governmental funds, but in the statement of net assets, are deferred and amortized (note 1 (h)).	2,596,655
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	2,136,210
Amortization of deferred contribution	(6,910,721)
Amortization of bond issuance costs	(438,657)
Amortization of bond premiums	2,048,385
Amortization of deferred loss on refunding	(2,918,943)
Net decrease in accrued interest	656,565
Decrease in compensated absences	551,353
Increase in claims and judgments	(1,791,000)
Decrease in property tax claim payable	344,981
Decrease in workers compensation	245,568
Change in net assets of governmental activities	\$ 90,309,631

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**  
Statement of Fiduciary Net Assets  
June 30, 2004

	<u><b>Pension trust Retirement Fund</b></u>
<b>Assets:</b>	
Cash and short-term investments:	
Cash	\$ 63,168
Short-term investments	19,872,991
Total cash and short-term investments	<u>19,936,159</u>
<b>Receivables:</b>	
Employer contributions	5,421,992
Employee contributions	302,013
Due from broker for securities sold	24,955,178
Accrued investment income	1,507,969
Early retirement incentive program	414,348
Total receivables	<u>32,601,500</u>
<b>Investments, at fair value:</b>	
Bonds	237,252,136
Common and preferred stock	297,366,534
Pooled separate real estate accounts	23,981,315
Other	1,703,308
Total investments	<u>560,303,293</u>
Invested securities lending collateral	58,367,928
Prepaid expenses	42,496
Total assets	<u>671,251,376</u>
<b>Liabilities:</b>	
Accounts payable	579,245
Accrued benefits payable	235,426
Securities lending collateral	58,367,928
Due to broker for securities purchased	38,198,639
Total liabilities	<u>97,381,238</u>
Net assets held in trust for pension benefits (an unaudited schedule of funding progress is presented on page 44)	<u><u>\$ 573,870,138</u></u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2004

	<b>Pension trust</b>
	<b>Retirement Fund</b>
	<hr/>
Additions:	
Contributions:	
Employer contributions	\$ 9,840,681
Employee contributions	10,593,581
Total contributions	<hr/> 20,434,262 <hr/>
Investment income:	
Net appreciation in fair value	56,680,327
Interest	9,928,263
Dividends	3,016,260
Investment return on pooled separate real estate accounts	2,031,035
Total investment income	<hr/> 71,655,885 <hr/>
Less investment expense	1,981,245
Net investment income	<hr/> 69,674,640 <hr/>
Security lending activities:	
Securities lending income	626,727
Borrower rebates	(494,831)
Bank fees	(51,631)
Total security lending activities	<hr/> 80,265 <hr/>
Total additions	<hr/> 90,189,167 <hr/>
Deductions:	
Benefits	51,741,193
Refunds	2,923,613
Administrative	1,199,194
Total deductions	<hr/> 55,864,000 <hr/>
Net increase	34,325,167
Net assets held in trust for pension benefits – beginning of year	<hr/> 539,544,971 <hr/>
Net assets held in trust for pension benefits – end of year	\$ <u><u>573,870,138</u></u>

See accompanying notes to financial statements.

# CHICAGO PARK DISTRICT

## Notes to Financial Statements

December 31, 2004

### (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 accounting principles generally accepted in the United States of America (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	

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, 2004

(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.

**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.

**Working Cash** – This fund provides additional resources to meet the cash flow requirements of the District. In order to create the resources for this fund, the District issued a series of bonds totaling \$77 million prior to 1985. The proceeds from these bond issuances are regularly loaned to the General Fund to meet applicable cash flow requirements, as provided for by statute. This lending activity prior to 2004 has been recorded as interfund receivables and payables in the Working Cash Fund and General Fund, respectively. During 2004 the Working Cash Fund was closed and the assets and liabilities were transferred into the General Fund of the District. Interfund receivables and payables were eliminated with the transfer. The fund balance of the Working Cash Fund will be shown as a reserved fund amount under fund balance of the General Fund. Working cash is reserved through enabling legislation that established the balance.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2004

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. 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 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.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2004

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 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.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2004

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.

(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. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

(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***

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.

(j) ***Soldier Field Deferred Revenue***

Revenue contributed to the District which will benefit stadium operations over the life of the stadium lease.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital asset category</u>	<u>Capitalization threshold</u>	<u>Estimated useful life</u>
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

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

In the government-wide fund 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.

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2004

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 2004 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 2004, 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 2003 levy that were not recognized as revenue in fiscal year 2003 (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 \$23,635,461 at December 31, 2004.

**(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 fund 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**

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures* – an amendment of GASB Statement No. 3. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The District will implement Statement No. 40 beginning with the year ending December 31, 2005.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The District implemented Statement No. 42 beginning with the year ended December 31, 2004,

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 this Statement No 46 beginning with the year ended December 31, 2006.

**(2) Deposits and Investments**

**(a) Deposits**

At December 31, 2004, the carrying amount of the District's bank deposits (including certificates of deposit) were \$191,196 and the respective bank balances totaled \$791,942. Of the total bank balance, \$200,000 was insured through the Federal Depository Insurance Corporation (FDIC) and \$591,942 was collateralized with pooled securities held by the financial institutions' trust departments.

At June 30, 2004 (fiscal year of retirement fund), the carrying amount of bank deposits of fiduciary activities (Retirement Fund) was \$63,168 and the respective bank balances totaled \$88,038. The entire bank balance was insured through the FDIC.

**(b) Investments**

The District's investments, which include the investments held by the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, are categorized as either (1) insured or registered for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the District's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

*Governmental Activities*

	<u>Category</u>			<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>amount</u>
Government securities	\$ —	—	34,940,072	34,940,072
Commercial paper	—	—	7,164,827	7,164,827
	<u>\$ —</u>	<u>—</u>	<u>42,104,899</u>	<u>42,104,899</u>
Noncategorized investments:				
Investment in Money Markets Mutual Funds				62,558,307
Investment in Illinois First Funds				<u>112,379,464</u>
Total investments				<u>\$ 217,042,670</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

*Fiduciary Activities*

	Category			Carrying amount
	1	2	3	
Government securities	\$ 77,926,210	—	—	77,926,210
Corporate bonds	159,325,926	—	—	159,325,926
Commercial paper	19,872,991	—	—	19,872,991
Common and preferred stock	253,620,030	—	—	253,620,030
	\$ 510,745,157	—	—	510,745,157
Noncategorized investments:				
Investment in real estate pools				23,981,315
Investment of assets in mutual funds and insurance contracts				43,746,504
Investment in private equities				1,703,308
Total investments				\$ 580,176,284

Uncategorized investments are not subject to categorization because they are not securities. The relationship between the District and the investment agent is a direct contractual relationship, and a transferable instrument that evidences ownership or creditorship does not support the investments.

**(c) *Securities Lending***

Under the provisions of State statutes, the Retirement Fund lends securities (both equity and fixed income) to qualified and Plan-approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, The Northern Trust Company, manages the securities lending program, which includes the securities of the Plan 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 Plan unless the borrower defaults. However, the Plan 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, 2004, the Plan had loaned to borrowers, securities with a market value of \$66,035,976. At June 30, 2004, the Plan received from borrowers cash collateral of \$58,367,928, and non-cash collateral of \$8,854,935. Securities lending net income for the year ended June 30, 2004 was \$80,265.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

**(3) Interfund Balances and Activity**

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

The following balances at December 31, 2004 represent amounts due to/from other funds.

<b>Receivable fund</b>	<b>Payable fund</b>	<b>Amount</b>
General	Park improvements	\$ 8,297,295

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

**(b) Transfers to/from Other Funds**

Interfund transfers for the year ended December 31, 2004 were as follows:

<b>Transfer in</b>	<b>Transfer out</b>	<b>Amount</b>	<b>Description/purpose</b>
General	Working Cash Fund	\$ 77,248,579	The working cash fund was closed and the balance transferred to the General Fund.
General	Park Improvement	138,420	Escrow account closed and funds transferred to General Fund for operating activities.
Bond Debt Service	General	10,781,445	Transfer of parking and harbor revenue for debt service payments.
Bond Debt Service	Park Improvement	5,467,233	Transfer of capitalized interest accounts to service debt payments.
Park Improvement	General	2,270,473	Transfer for future harbor improvements.
		<u>\$ 95,906,150</u>	

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

**(4) Capital Assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 138,204,302	16,209,000	—	154,413,302
Construction in progress	<u>106,840,576</u>	<u>142,417,119</u>	<u>105,868,535</u>	<u>143,389,160</u>
Total capital assets not being depreciated	<u>245,044,878</u>	<u>158,626,119</u>	<u>105,868,535</u>	<u>297,802,462</u>
Capital assets being depreciated:				
Infrastructure	273,314,096	13,536,517	—	286,850,613
Site improvements	50,382,342	13,221,121	—	63,603,463
Harbor and Harbor improvements	111,717,424	3,490,578	—	115,208,002
Stadium and stadium improvements	597,392,009	34,229,095	—	631,621,104
Buildings and building improvements	443,813,097	30,059,314	—	473,872,411
Equipment	<u>32,438,064</u>	<u>2,909,233</u>	<u>—</u>	<u>35,347,297</u>
Total capital assets being depreciated	<u>1,509,057,032</u>	<u>97,445,858</u>	<u>—</u>	<u>1,606,502,890</u>
Less accumulated depreciation:				
Infrastructure	139,153,079	5,084,264	—	144,237,343
Site improvements	24,320,071	2,409,457	—	26,729,528
Harbor and Harbor improvements	45,275,596	2,253,823	—	47,529,419
Stadium and stadium improvements	5,973,920	12,290,131	—	18,264,051
Buildings and building improvements	139,514,486	8,576,599	—	148,091,085
Equipment	<u>21,747,222</u>	<u>1,949,520</u>	<u>—</u>	<u>23,696,742</u>
Total accumulated depreciation	<u>375,984,374</u>	<u>32,563,794</u>	<u>—</u>	<u>408,548,168</u>
Total capital assets being depreciated, net	<u>1,133,072,658</u>	<u>64,882,064</u>	<u>—</u>	<u>1,197,954,722</u>
Governmental activity capital assets, net	<u>\$ 1,378,117,536</u>	<u>223,508,183</u>	<u>105,868,535</u>	<u>1,495,757,184</u>
Depreciation expense for governmental activities was charged to functions as follows:				
Park operations and maintenance			\$ 32,307,063	
General and administrative			<u>256,731</u>	
			<u>\$ 32,563,794</u>	

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

**(5) Short-term Debt**

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 2003, the District issued \$62,000,000 of TAWs secured by a pledge against the 2004 corporate tax levy, bearing a coupon interest rate of 1.75% per annum, and maturing on May 1, 2004. 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.

**(6) Long-term Obligations**

*(a) Changes in Long-term Obligations*

Changes in long-term obligations for the year ended December 31, 2004 were as follows:

Governmental activities	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>	<u>Amounts due within one year</u>
General obligation bonds:					
Capital improvement	\$ 853,760,000	162,825,000	149,345,000	867,240,000	34,800,000
Aquarium and museums	94,250,000	—	6,055,000	88,195,000	6,355,000
Unamortized premiums	11,214,795	10,331,122	2,048,385	19,497,532	—
Deferred amount on refunding	<u>(21,663,697)</u>	<u>(11,045,606)</u>	<u>(2,918,943)</u>	<u>(29,790,360)</u>	<u>—</u>
Total general obligation bonds	937,561,098	162,110,516	154,529,442	945,142,172	41,155,000
Capital lease debt PBC	27,925,000	—	2,190,000	25,735,000	2,345,000
Compensated absences	6,963,834	5,569,123	6,120,476	6,412,481	5,620,709
Claims and judgments	2,775,000	3,820,458	2,029,458	4,566,000	2,104,000
Property tax claim payable	19,510,880	10,795,751	11,140,732	19,165,899	10,172,624
Workers' compensation	<u>15,262,723</u>	<u>2,555,872</u>	<u>2,801,440</u>	<u>15,017,155</u>	<u>2,850,000</u>
Total governmental activities	<u>\$ 1,009,998,535</u>	<u>184,851,720</u>	<u>178,811,548</u>	<u>1,016,038,707</u>	<u>64,247,333</u>

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, 2004

**(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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2005	\$ 41,155,000	44,693,038	85,848,038
2006	39,080,000	43,970,478	83,050,478
2007	43,240,000	43,741,106	86,981,106
2008	43,885,000	41,439,841	85,324,841
2009	41,170,000	39,357,225	80,527,225
2010-2014	233,520,000	163,773,998	397,293,998
2015-2019	231,625,000	103,078,008	334,703,008
2020-2024	177,655,000	47,702,213	225,357,213
2025-2029	104,105,000	13,817,060	117,922,060
	\$ 955,435,000	541,572,967	1,497,007,967

**(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 \$2,134,875, respectively, at December 31, 2004. All of the agreements provide that taxes be levied to pay the annual rentals. Future minimum lease payments at December 31, 2004 are as follows:

	<b>Governmental activities</b>
Year ended December 31:	
2005	\$ 4,200,699
2006	4,198,788
2007	3,897,452
2008	3,904,479
2009	3,903,129
2010-2012	11,718,215
Total minimum lease payments	31,822,762
Less amounts representing interest	6,087,762
Present value of future minimum lease payments	\$ 25,735,000

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

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

On October 5, 2004, the District issued General Obligation Limited Tax Project Bonds, Series 2004A (the Series 2004A bonds) in an amount of \$36,930,000, General Obligation Limited Tax Refunding Bonds, Series 2004B (the Series 2004B bonds) in the amount of \$45,935,000, and General Obligation Unlimited Tax Refunding Bonds, Series 2004C (Personal Property Tax Alternate Revenue Source) (the Series 2004C bonds) in amount of \$79,960,000.

The proceeds of the Series 2004A bonds were used to: (i) fund a portion of the District's Capital Improvement Program; (ii) provide for capitalized interest; and (iii) pay certain costs of issuance.

The proceeds of the Series 2004B bonds were used to: (i) advance refund \$44,475,000 of all or a portion of maturities of certain general obligation limited tax park bonds: \$14,730,000 of General Obligation Limited Tax Park Bonds, Series 1996 bearing interest ranging from 5.375% to 5.5%; \$20,965,000 General Obligation Limited Tax Park Bonds, Series 1997 bearing interest ranging from 5.1% to 5.4%; \$9,050,000 General Obligation Limited Tax Park Bonds, Series 2001A bearing interest of 5.75%; and (ii) pay certain costs of issuance. The transaction resulted in a net present value savings of \$2,122,010, which amounted to 4.74% of refunded bonds.

Cash flow requirements to service (old) debt	\$ 67,552,016
Less cash flow requirements for new debt	(64,788,180)
Net savings from refunding	\$ 2,763,836

The Series 2004C bonds were used to: (i) advance refund \$78,050,000 all or a portion of maturities of the General Obligation Unlimited Tax Park Bonds, Series 1996 (Personal Property Replacement Tax Alternate Revenue Source) bearing interest ranging from 5.3% to 5.6%; (ii) pay certain costs of issuance. The transaction resulted in a net present value savings of \$3,802,999, which amounted to 4.87% of the refunded bonds.

Cash flow requirements to service (old) debt	\$ 132,136,294
Less cash flow requirements for new debt	(126,842,390)
Net savings from refunding	\$ 5,293,904

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, 2004, \$307,680,000 of bonds outstanding is considered defeased, which includes debt defeased during this current year.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

**(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, 2004.

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

	<u>Amount</u>
Year ending December 31:	
2005	\$ 286,881
2006	286,881
2007	286,881
2008	286,881
2009	309,831
2010-2014	1,963,069
2015-2019	2,937,965
2020-2024	5,870,756
2025-2028	<u>9,309,702</u>
	<u>\$ 21,538,847</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, 2004.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

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

	<u>Amount</u>
Year ending December 31:	
2005	\$ 5,700,000
2006	5,700,000
2007	5,700,000
2008	5,700,000
2009	5,700,000
2010-2014	28,500,000
2015-2019	28,500,000
2020-2024	28,500,000
2025-2029	28,500,000
2030-2033	22,800,000
	<u>\$ 165,300,000</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 \$1,764,597 for the year ended December 31, 2004.

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

	<u>Facility</u>
Year ending December 31:	
2005	\$ 1,845,843
2006	1,904,072
2007	1,962,300
2008	2,020,529
2009	2,078,757
2010-2013	6,585,643
	<u>\$ 16,397,144</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, 2004.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

**(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, 2004 consists of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 3,240
Current employees:	
Fully vested	941
Nonvested	1,879
Total	<u>\$ 6,060</u>

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, 2004.

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, 2004

(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.

For the year ended June 30, 2004, the District's annual required contribution was determined as part of the June 30, 2003, 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 2004 was as follows:

Annual required contribution	\$ 7,572,287
Interest on net pension asset	(2,041,579)
Adjustment to annual required contribution	<u>2,173,763</u>
Annual pension cost	7,704,471
Contributions made	<u>9,840,681</u>
Increase in net pension asset	2,136,210
Net pension asset at January 1, 2004	<u>25,519,738</u>
Net pension asset at December 31, 2004	<u><u>\$ 27,655,948</u></u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

December 31, 2004

***Three-Year Trend Information***

	<u>Employer contribution</u>		<u>Net pension asset</u>
	<u>Annual pension cost</u>	<u>Percentage contributed</u>	
Year ended December 31:			
2004	\$ 7,704,471	128%	\$ 27,655,948
2003	7,334,188	134	25,519,738
2002	6,389,081	155	23,011,367

**(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, 2004 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, 2004.

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

	<u>2004</u>	<u>2003</u>
Accrued self-insurance – beginning of year	\$ 18,037,723	10,531,853
Claims and other expenses incurred – during year	6,320,116	12,817,401
Claims paid – during year	(4,774,684)	(5,311,531)
Accrued self-insurance – end of year	<u>\$ 19,583,155</u>	<u>18,037,723</u>

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

December 31, 2004

#### (10) Commitments and Contingencies

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

The District has various outstanding construction projects estimated at December 31, 2004 to be \$27,569,000.

##### (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 March 4, 2005, the District entered into an agreement with the Museum of Contemporary Art, an Illinois not-for-profit corporation, to purchase the land that the museum building is situated on at 220 East Chicago Avenue, Chicago, Illinois 60611. With the acquisition of the land the museum will be considered a related organization, but will not be considered a component unit of the District. The District provides funds to certain cultural institutions that are located on land owned by the District. These cultural institutions have formed an organization commonly referred to as "Museums in the Parks". Membership in Museums in the Parks entitles participants to certain benefits, both monetary and otherwise, accorded only to members.

In May 2005, the District issued \$72,270,000 of Corporate Purpose Tax Anticipation Warrants Series 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. Tax Anticipation Warrants are annually issued to provide operating funds to the District.

## **CHICAGO PARK DISTRICT**

### Notes to Financial Statements

December 31, 2004

In July 2005, the District issued General Obligation Limited Tax Bonds, Series 2005A (the Series 2005A bonds) in an amount of \$40,000,000, General Obligation Limited Tax Refunding Bonds, Series 2005B (the Series 2005B bonds) in an amount of \$31,890,000, and General Obligation Unlimited Tax Refunding Bonds, Series 2005C (the Series 2005C bonds) in an amount of \$12,290,000. The proceeds of the Series 2005A bonds will be used to: (i) fund a portion of the District's current five-year Capital Improvement Program; (ii) provide for all or a portion of the interest through January 1, 2007; and (iii) pay costs of issuance for the Series 2005A bonds. The proceeds of the Series 2005B bonds will be used to: (i) redeem all or a portion of certain maturities of certain general obligation limited tax park bonds: General Obligation Limited Tax Park Bonds, Series 1999A; General Obligation Limited Tax Park Bonds, Series 2001A; and (ii) pay costs of issuance of the Series 2005B bonds. The proceeds of the Series 2005C bonds will be used to: (i) redeem all or a portion of certain maturities of certain general obligation unlimited tax park bonds: General Obligation Park Bonds, Series 1995; General Obligation Unlimited Tax Refunding Bonds, Series 1997; and (ii) pay costs of issuance of the Series 2005C bonds.

**CHICAGO PARK DISTRICT**  
Required Supplementary Information  
Budgetary Comparison Schedule (Unaudited)  
General Fund  
Year ended December 31, 2004

	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variance with final budget – favorable (unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 171,281,682	171,281,682	153,796,110	(17,485,572)
Personal property replacement tax	3,373,697	3,373,697	5,828,625	2,454,928
Investment income	750,000	750,000	537,698	(212,302)
Parking fees	18,457,884	18,457,884	20,102,690	1,644,806
Harbor fees	17,000,000	17,000,000	17,189,183	189,183
Entertainment facilities	1,693,508	1,693,508	1,494,997	(198,511)
Concessions	1,900,000	1,900,000	1,990,909	90,909
Rental of Soldier Field	20,812,692	20,812,692	19,119,882	(1,692,810)
Rental of other property	3,900,000	3,900,000	2,369,205	(1,530,795)
Golf course fees	500,000	500,000	3,756,637	3,256,637
Recreational activities	11,306,492	11,306,492	9,629,873	(1,676,619)
Other user charges	1,598,585	1,598,585	2,284,576	685,991
Donations and grant income	5,877,915	5,877,915	4,642,113	(1,235,802)
Miscellaneous	3,300,000	3,300,000	477,099	(2,822,901)
Total revenues	<u>261,752,455</u>	<u>261,752,455</u>	<u>243,219,597</u>	<u>(18,532,858)</u>
<b>Expenditures:</b>				
Personnel services	122,684,358	122,684,358	116,828,047	5,856,311
General and administrative	—	—	8,429,075	(8,429,075)
Pension	9,830,705	9,830,705	4,691,817	5,138,888
Workers compensation	2,341,175	2,341,175	2,459,273	(118,098)
Material and supplies	5,208,480	5,208,480	4,240,233	968,247
Machinery and equipment	1,309,132	1,309,132	238,168	1,070,964
Contractual services	64,263,966	64,263,966	66,350,848	(2,086,882)
Special and other:				
Zoological	5,584,000	5,584,000	5,584,000	—
Golf courses	—	—	3,256,637	(3,256,637)
Aquarium and museums	32,403,866	32,403,866	34,310,597	(1,906,731)
Liability	4,961,403	4,961,403	4,269,056	692,347
Regions and departments	4,931,027	4,931,027	4,530,512	400,515
Debt service:				
Interest	2,291,667	2,291,667	1,247,573	1,044,094
Cost of issuance and other	—	—	377,414	(377,414)
Total expenditures	<u>255,809,779</u>	<u>255,809,779</u>	<u>256,813,250</u>	<u>(1,003,471)</u>
Excess (deficiency) of revenues over expenditures	<u>5,942,676</u>	<u>5,942,676</u>	<u>(13,593,653)</u>	<u>(19,536,329)</u>
<b>Other financing sources (uses):</b>				
Premium on TAW Issuance	—	—	916,166	916,166
Transfers in	—	—	77,386,999	77,386,999
Transfers out	(10,963,931)	(10,963,931)	(13,051,918)	(2,087,987)
Total other financing sources (uses)	<u>(10,963,931)</u>	<u>(10,963,931)</u>	<u>65,251,247</u>	<u>76,215,178</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (5,021,255)</u>	<u>(5,021,255)</u>	<u>51,657,594</u>	<u>56,678,849</u>
Fund balances (deficit)– beginning of year			(48,655,531)	
Fund balances – end of year			<u>\$ 3,002,063</u>	

See accompanying independent auditors' report.

## CHICAGO PARK DISTRICT

### Required Supplementary Information

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

December 31, 2004

**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 2004 by approximately \$3.3 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.

The second difference between the modified accrual and the budgetary basis of accounting is the accounting for Property Tax collections, which 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 2004 by approximately \$8.4 million in the General Fund when compared to the revenue and expenditure amounts presented using the modified accrual basis of accounting.

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

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age (b)	Unfunded actuarial accrued liability (UAAL) (b-a)	AAL funding ratio (a/b)	Annual covered payroll	UAAL as a percent of annual covered payroll (b-a/c)
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
June 30, 1999	592,284	610,528	18,244	97.0	94,255	19.4

See accompanying independent auditors' report.

**CHICAGO PARK DISTRICT**

Required Supplementary Information

Notes to Schedule of Funding Progress (Unaudited)

Valuation date	June 30, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization approach	Closed
Remaining amortization period	30 years
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.0% per year
Projected salary increases *	5.0% per year
Inflation rate	3% per year

\* Includes inflation at cost-of-living adjustments

See accompanying independent auditors' report.