

**CHICAGO PARK DISTRICT**

Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

# CHICAGO PARK DISTRICT

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets	23
Statement of Changes in Fiduciary Net Assets	24
Notes to Financial Statements	25
Required Supplementary Information (unaudited):	
Budgetary Comparison Schedule – General Fund	46
Notes to Budgetary Comparison Schedule	47
Schedule of Funding Progress	48
Notes to Schedule of Funding Progress	49



KPMG LLP  
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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, the business-type 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, 2003, 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 percent and 93 percent, respectively, of the assets and revenues (additions) 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Chicago Park District as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, 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 2 through 13, 46 through 47, and 48 through 49, 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 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**

May 31, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

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, 2003. 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, 2003, by \$590,900. Of this amount \$40,827 is unrestricted in governmental activities and may be used to meet obligations.
- The District's net assets increased by \$195,619 during the year.
- At December 31, 2003, the governmental funds reported combined fund balances of \$198,495.
- Governmental fund balances increased \$12,858 during the year largely because of the timing of property tax collections.
- On June 4, 2003 the District refunded the outstanding harbor revenue bonds and subsequently closed the Harbor Fund. All harbor activities are now accounted for under the General Fund.
- The District's long-term obligations increased \$32,844 primarily as a result of 1) the net increase in bonds payable of \$10,269, 2) an increase in the estimated liability for property tax claims of \$17,615, and 3) an increase in the estimated liability for workers compensation claims of \$8,628.

#### 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 14-15 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

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

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.

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 business-type activities of the District include the harbor operations.

#### **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 three categories: governmental funds, proprietary 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 16-19 of this report.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains only one type of proprietary fund. Enterprise fund financial statements are used to report the same functions presented as business type activities in the government-wide financial statements. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers, they are known as enterprise funds. The District utilizes one enterprise fund to account for its harbor system. During the year ended December 31, 2003, the District issued general obligation bonds to refund the outstanding revenue bonds on the harbor system. In conjunction with the refunding, the District closed the Harbor Fund as of June 4, 2003. The activities of the Harbor Fund after June 4, 2003 are included as part of the activities of the General Fund. The proprietary fund financial statements can be found on pages 20-22 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. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statements can be found on pages 23-24 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 25-45 of this report.

**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 46-49 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.

**CHICAGO PARK DISTRICT**  
Management's Discussion and Analysis  
Year ended December 31, 2003

The following is a summary of net assets (amounts expressed in thousands) as of December 31, 2003 and 2002:

	<b>December 31, 2003</b>		
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Current and other assets	\$ 591,321	—	591,321
Capital assets	1,378,118	—	1,378,118
Total assets	1,969,439	—	1,969,439
Long-term obligations	1,009,999	—	1,009,999
Other liabilities	368,540	—	368,540
Total liabilities	1,378,539	—	1,378,539
Net assets:			
Invested in capital assets net of related debt	345,031	—	345,031
Restricted	205,042	—	205,042
Unrestricted	40,827	—	40,827
Total net assets	\$ 590,900	—	590,900

	<b>December 31, 2002</b>		
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Current and other assets	\$ 570,321	14,217	584,538
Capital assets	905,397	88,404	993,801
Total assets	1,475,718	102,621	1,578,339
Long-term obligations	913,928	63,226	977,154
Other liabilities	206,131	227	206,358
Total liabilities	1,120,059	63,453	1,183,512
Net assets:			
Invested in capital assets net of related debt	209,425	26,055	235,480
Restricted	93,815	9,508	103,323
Unrestricted	52,419	4,059	56,478
Total net assets	\$ 355,659	39,622	395,281

At the end of the fiscal year, the District is able to report positive balances in net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. This same situation held true for the prior fiscal year.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

Year ended December 31, 2003

An additional portion of the District's governmental activities net assets (35%) represents resources that are subject to external restrictions on how they may be used. This is an increase from the previous year's external restrictions (26%). The remaining balance of *unrestricted net assets* (\$40,827) may be used to meet the District's ongoing obligations to citizens and creditors. This represents a decrease over 2002 of \$11,592.

There were no assets, liabilities, or net assets for the business-type activities as of December 31, 2003. This is a result of closing the Harbor Fund and transferring all net assets from business-type activities to the General Fund at June 4, 2003.

**Governmental activities.** There was an increase in net assets from governmental activities of \$235,241 during the current fiscal year. The increase is attributable to contributions of capital assets received including Soldier Field and lakefront revetment.

Following is a summary of changes in net assets (amounts expressed in thousands) for the years ended December 31, 2003 and 2002:

	<b>Year ended December 31, 2003</b>		
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 50,575	12,999	63,574
Operating grants and contributions	4,016	—	4,016
Capital grants and contributions	26,902	—	26,902
Total program revenues	<u>81,493</u>	<u>12,999</u>	<u>94,492</u>
General revenues:			
Property tax	247,354	—	247,354
Personal property replacement tax	26,878	—	26,878
Contributions	232,760	—	232,760
Investment earnings	2,200	229	2,429
Other	2,142	—	2,142
Total general revenues	<u>511,334</u>	<u>229</u>	<u>511,563</u>
Total revenues	<u>592,827</u>	<u>13,228</u>	<u>606,055</u>
<b>Expenses:</b>			
Park operations and maintenance	96,007	—	96,007
Recreation programs	133,573	—	133,573
Special services	66,711	—	66,711
General and administrative	55,253	—	55,253
Interest on long-term debt	54,201	—	54,201
Harbor	—	4,691	4,691
Total expenses	<u>405,745</u>	<u>4,691</u>	<u>410,436</u>
Change in net assets before transfers	187,082	8,537	195,619
Transfers	48,159	(48,159)	—
Change in net assets	<u>\$ 235,241</u>	<u>(39,622)</u>	<u>195,619</u>

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

Year ended December 31, 2003

	<b>Year ended December 31, 2002</b>		
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 35,655	29,913	65,568
Operating grants and contributions	3,266	—	3,266
Capital grants and contributions	5,046	—	5,046
<b>Total program revenues</b>	<b>43,967</b>	<b>29,913</b>	<b>73,880</b>
<b>General revenues:</b>			
Property tax	242,176	—	242,176
Personal property replacement tax	23,185	—	23,185
Contributions	220,293	—	220,293
Investment earnings	4,756	1,106	5,862
Other	987	—	987
<b>Total general revenues</b>	<b>491,397</b>	<b>1,106</b>	<b>492,503</b>
<b>Total revenues</b>	<b>535,364</b>	<b>31,019</b>	<b>566,383</b>
<b>Expenses:</b>			
Park operations and maintenance	134,081	—	134,081
Recreation programs	130,764	—	130,764
Special services	47,721	—	47,721
General and administrative	38,218	—	38,218
Interest on long-term debt	31,894	—	31,894
Parking	—	13,713	13,713
Harbor	—	11,545	11,545
<b>Total expenses</b>	<b>382,678</b>	<b>25,258</b>	<b>407,936</b>
Change in net assets before transfers	152,686	5,761	158,447
Transfers	5,761	(5,761)	—
<b>Change in net assets</b>	<b>\$ 158,447</b>	<b>—</b>	<b>158,447</b>

# CHICAGO PARK DISTRICT

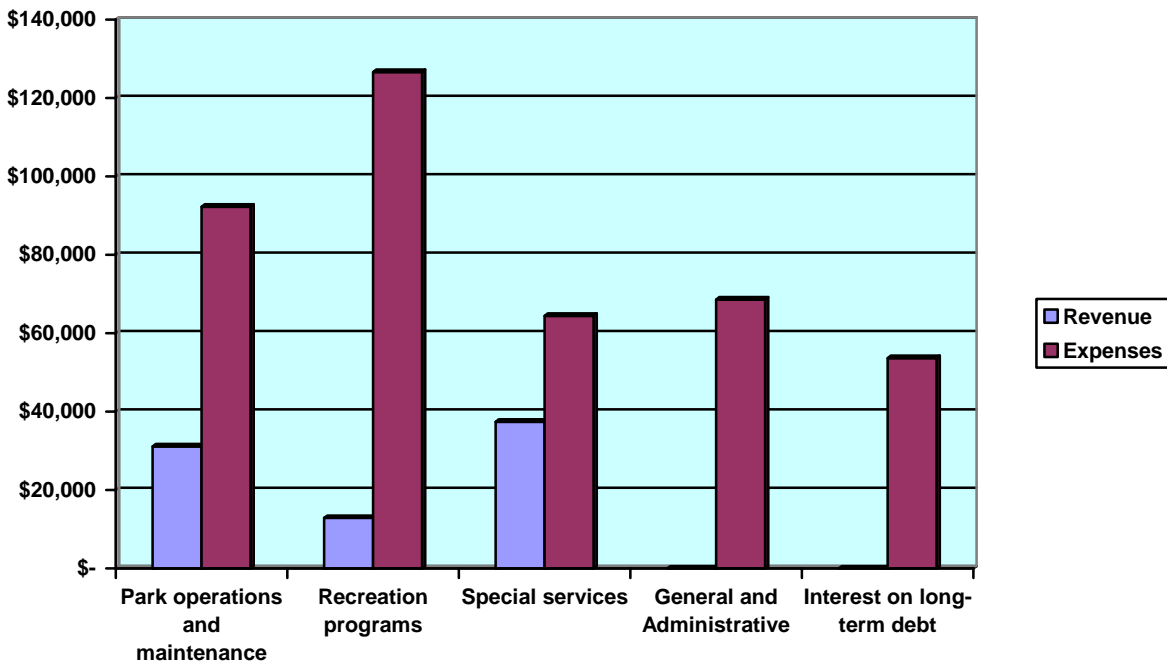
## Management's Discussion and Analysis

Year ended December 31, 2003

- Governmental activity program revenues increased 85.4% primarily as a result of increased grant revenue of \$22,606 and accounting for parking activities for a full year under the General Fund.
- Investment income decreased 53.8% in part due to lower interest rates and decreases in the market value of U.S. Government security and agency investments owned by the District during 2003.

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 86% of total governmental revenues as depicted in the second chart.

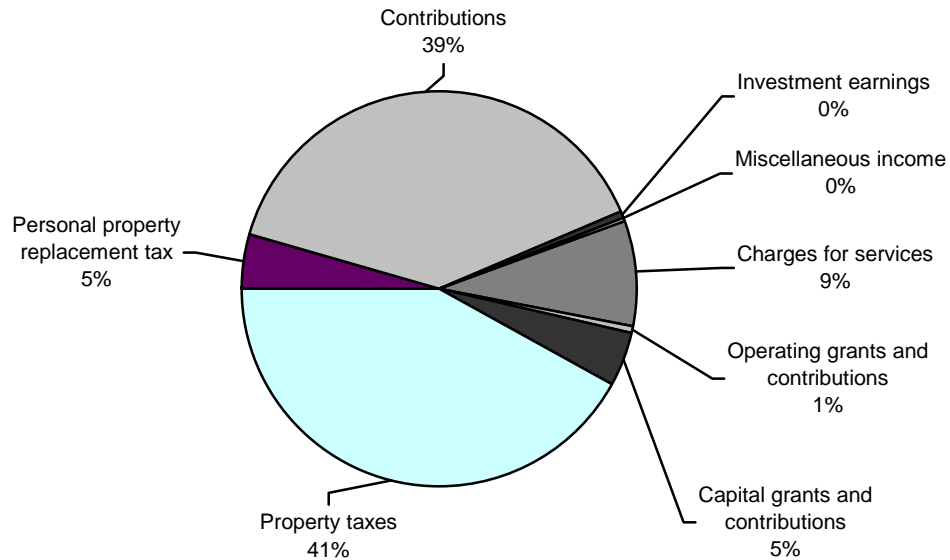
### Expense and Program Revenue – Governmental Activities



**CHICAGO PARK DISTRICT**  
Management's Discussion and Analysis  
Year ended December 31, 2003

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**Revenues by Source - Governmental Activities**



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**Business-type activities.** Business-type activities do not show an increase in the District's net assets because all net income was transferred into the General Fund, which is reflected in the governmental activities. Total transfers for the current year were \$48,159. Key elements of these transfers are as follows:

- Harbor revenue of \$12,998 decreased 18% over prior year revenue. This is a result of only five months operations being accounted for in the Harbor Fund before it was closed. The remainder of the years activities was accounted for in the General Fund. Expenses decreased \$7,395 over the prior year as a result of the closing of the Harbor Fund. Interest income was down 79% from the prior year, because of an overall decrease in the size of the investment portfolio and closing of Harbor Fund. The net income before transfers was \$8,537 up \$3,320 from the prior year.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

#### **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 \$198,495 an increase of \$12,858 over last year. Main reasons for this small increase are the expenditures for capital outlays in the Park Improvement Fund.

The General Fund is the primary operating fund of the District and reported an ending fund balance (deficit) of \$(48,656). The net change in fund deficit for 2003 was a reduction in the fund deficit \$9,071. During the year, expenditures exceeded revenue in the General Fund by \$3,246. Total other financing sources and uses resulted in \$12,317. Due to timing in the collections, property taxes (in compliance with GASB Statement No. 33) resulted in increase revenues of \$16,418. The planned closing of the Harbor Fund resulted in transfers of \$21,082 to the General Fund.

##### ***Proprietary Fund***

The District's only proprietary fund was the Harbor Fund. The fund provided the same information found in the government-wide financial statements, but in more detail. All unrestricted net assets of the Harbor Fund at June 4, 2003, were transferred to the General Fund. The Harbor fund at June 4, 2003 was closed. All harbor activities will be accounted for going forward in the General Fund.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's Board of Commissioners passed the annual appropriation ordinance for 2003 at the December 2002 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 2003 year-end General Fund budget appropriation was \$247 million. During 2003, projections showed that revenue received from the Park District's parking garages and other economically sensitive budgeted revenue such as concessions, investment income, and rentals would total \$6 million less than the budgeted amounts. This anticipated revenue shortfall prompted the Park District to review all projected revenues and expenditures to revise and ensure a balanced 2003 Operating Budget. To this end, the Park District stringently reviewed hiring of non-essential personnel positions. In addition, spending authority was reduced in spending classifications such as materials and supplies, small tools and equipment, contractual services, and special program expenses. It should be noted that this did not require modification of the original 2003 appropriation ordinance.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

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 increased collection of property taxes 60 days after the end of year 2003 in comparison to year 2002;
- Investment income – is a very economically sensitive revenue source. The District's original investment income budget was reduced substantially from the 2002 budget to reflect 2002 actuals. However, during 2003 interest rates continued to drop, and subsequently the returns on investments in the form of investment income decreased;
- Soldier Field – the unfavorable variance is a result of a decrease in event revenue in the year than what was originally budgeted;
- Recreational activities – the largest part of this decrease was due to the lack of a major exhibition event at the Garfield Conservatory;
- Parking fees – is also a very economically sensitive revenue source. The increasing cost of fuel combined with a continuing overall poor economy caused a substantial decrease in fees collected from parking; and
- Harbor fees – the Harbor Fund was closed on June 4, 2003. All harbor fees were originally budgeted in the Harbor Fund. All activity after the Harbor Fund closed was accounted for in the General Fund which caused a favorable variance.

#### *Expenditures*

- Personnel services – the unfavorable variance is a result of unemployment being higher than expected and unbudgeted health benefit expenditures for retirees;
- General and 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 – approximately \$10 million of contractual services was funded by a short-term debt obligation that had prior appropriation authority and is therefore not included as part of the 2003 revenue; however, the expense for these items was recorded in 2003, resulting in an unfavorable variance; and
- Liability – more judgments and settlements occurred in 2003 than were anticipated, resulting in an unfavorable variance.

#### **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, 2003, was \$1,378,118 (net of accumulated depreciation), up \$472,720 over last year.

**CHICAGO PARK DISTRICT**

Management's Discussion and Analysis

Year ended December 31, 2003

Major capital asset events during the year were:

- Construction of the lakefront revetment; construction in progress as of the close of the fiscal year had reached \$77,536.
- Construction of Soldier Field was substantially completed and an asset of \$597,392 was recorded.
- Closure of the Harbor Fund resulted in a transfer of assets (net of depreciation) of \$87,643.
- Various buildings and District additions and improvements were completed at a cost of \$33,354.

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

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total primary government</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Land	\$ 138,204	99,356	—	11,113	138,204	110,469
Construction in process	106,841	346,927	—	111,182	106,841	458,109
Infrastructure	273,314	262,397	—	—	273,314	262,397
Site improvements	55,947	48,151	—	—	55,947	48,151
Harbor and improvements	111,717	—	—	—	111,717	—
Stadium and improvements	597,392	—	—	—	597,392	—
Buildings and improvements	438,249	425,419	—	535	438,249	425,954
Equipment	32,438	30,934	—	—	32,438	30,934
Accumulated depreciation	<u>(375,984)</u>	<u>(307,786)</u>	<u>—</u>	<u>(34,426)</u>	<u>(375,984)</u>	<u>(342,212)</u>
Total	<u>\$ 1,378,118</u>	<u>905,398</u>	<u>—</u>	<u>88,404</u>	<u>1,378,118</u>	<u>993,802</u>

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

**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 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 \$80 million in capacity under this limit. At the end of 2003, the District had a total of \$975,935 in governmental funds outstanding long-term debt, which is 1.2% 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.

## CHICAGO PARK DISTRICT

### Management's Discussion and Analysis

Year ended December 31, 2003

#### Long Term Debt

In May 2003, the District refunded the outstanding harbor revenue bonds with lower interest bearing general obligation alternate revenue bonds that have a slightly longer maturity. In conjunction with the refunding, the District also used \$6 million of the bond proceeds to fund capital improvements for the harbor.

Also in May, the District issued approximately \$35 million of general obligation limited tax bonds to fund a portion of the 2003 capital improvement program. At the same time the District refunded approximately \$1.9 million of personal property replacement tax alternate revenue bonds and \$29 million of general obligation bond.

#### Long-term Debt as of December 31

	Governmental activities		Business-type activities		Total primary government	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 948,010	872,720	—	—	948,010	872,720
Revenue bonds	—	—	—	61,925	—	61,925
Capital lease debt PBC	27,925	29,970	—	—	27,925	29,970
Total	<u>\$ 975,935</u>	<u>902,690</u>	<u>—</u>	<u>61,925</u>	<u>975,935</u>	<u>964,615</u>

#### Short Term Debt and Tax Anticipation Warrants

In February 2003, the District issued approximately \$8.2 million of short-term taxable bonds for the purpose of funding a portion of the District's five-year capital improvement plan. The bonds were retired before year-end.

In June 2003, the District issued \$62 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 for all those with an interest in the government's finances. 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.

## CHICAGO PARK DISTRICT

### Statement of Net Assets

December 31, 2003

Assets	Governmental activities	Business- type activities	Total
Cash and cash equivalents (note 2)	\$ 5,920,868	—	5,920,868
Investments (note 2)	196,477,131	—	196,477,131
Receivables:			
Property taxes, net	242,063,305	—	242,063,305
Personal property replacement tax	4,722,696	—	4,722,696
Accounts	6,992,286	—	6,992,286
Accrued interest on investments	145,201	—	145,201
Other current assets	1,284,940	—	1,284,940
Unamortized cost of debt issuance	2,658,511	—	2,658,511
Prepaid contributions, net	105,536,160	—	105,536,160
Net pension asset	25,519,738	—	25,519,738
Capital assets (note 4):			
Not being depreciated	245,044,878	—	245,044,878
Being depreciated, net	1,133,072,658	—	1,133,072,658
Total assets	<u>1,969,438,372</u>	<u>—</u>	<u>1,969,438,372</u>
<b>Liabilities</b>			
Tax anticipation warrants (note 5)	62,000,000	—	62,000,000
Accounts payable and accrued expenses	31,101,654	—	31,101,654
Accrued payroll	3,961,392	—	3,961,392
Accrued interest	22,797,203	—	22,797,203
Due to other organizations	357,683	—	357,683
Retainage payable	2,284,505	—	2,284,505
Deposits	159,953	—	159,953
Deferred revenue:			
Program fees	487,366	—	487,366
Soldier Field	245,009,980	—	245,009,980
Other liabilities	380,174	—	380,174
Long-term obligations (note 6):			
Due within one year	49,928,875	—	49,928,875
Due in more than one year	960,069,660	—	960,069,660
Total liabilities	<u>1,378,538,445</u>	<u>—</u>	<u>1,378,538,445</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	345,031,194	—	345,031,194
Restricted for:			
Debt service	84,279,667	—	84,279,667
Contributions for other organizations	43,517,635	—	43,517,635
Working cash	77,244,592	—	77,244,592
Unrestricted	40,826,839	—	40,826,839
Total net assets	<u>\$ 590,899,927</u>	<u>—</u>	<u>590,899,927</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Activities

Year ended December 31, 2003

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Park operations and maintenance	\$ 96,007,208	4,250,303	—	26,902,278	(64,854,627)	—	(64,854,627)
Recreation programs	133,573,091	8,885,005	4,016,001	—	(120,672,085)	—	(120,672,085)
Special services	66,711,055	37,439,521	—	—	(29,271,534)	—	(29,271,534)
General and administrative	55,252,273	—	—	—	(55,252,273)	—	(55,252,273)
Interest on long-term debt	54,200,936	—	—	—	(54,200,936)	—	(54,200,936)
Total governmental activities	405,744,563	50,574,829	4,016,001	26,902,278	(324,251,455)	—	(324,251,455)
Business-type activities:							
Harbor	4,690,695	12,998,477	—	—	—	8,307,782	8,307,782
Total business-type activities	4,690,695	12,998,477	—	—	—	8,307,782	8,307,782
Total park district	\$ 410,435,258	63,573,306	4,016,001	26,902,278	(324,251,455)	8,307,782	(315,943,673)
General revenues:							
Property taxes					247,354,061	—	247,354,061
Personal property replacement tax					26,877,850	—	26,877,850
Capital contributions					232,760,299	—	232,760,299
Investment earnings					2,199,598	229,361	2,428,959
Miscellaneous income					2,141,527	—	2,141,527
Transfers					48,159,031	(48,159,031)	—
Total general revenues and transfers					559,492,366	(47,929,670)	511,562,696
Change in net assets					235,240,911	(39,621,888)	195,619,023
Net assets – beginning of year					355,659,016	39,621,888	395,280,904
Net assets – end of year					\$ 590,899,927	—	590,899,927

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Balance Sheet

Governmental Funds

December 31, 2003

Assets	<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>
Cash and cash equivalents (note 2)	\$ 3,764,608	—	2,156,260	—	—	5,920,868
Investments (note 2)	36,059,906	45,802,215	114,000,095	—	614,915	196,477,131
Receivables:						
Property taxes, net	178,648,461	58,348,283	—	—	5,066,561	242,063,305
Personal property replacement tax	663,879	4,058,817	—	—	—	4,722,696
Accounts	4,845,287	—	2,146,999	—	—	6,992,286
Accrued interest on investments	272	18,415	126,514	—	—	145,201
Due from other funds (note 3)	10,155,005	—	—	77,244,592	4,715,381	92,114,978
Other assets	1,284,940	—	—	—	—	1,284,940
<b>Total assets</b>	<b>\$ 235,422,358</b>	<b>108,227,730</b>	<b>118,429,868</b>	<b>77,244,592</b>	<b>10,396,857</b>	<b>549,721,405</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Tax anticipation warrants (note 5)	\$ 62,000,000	—	—	—	—	62,000,000
Accounts payable and accrued expenses	17,974,740	—	13,126,914	—	—	31,101,654
Accrued payroll	3,858,965	—	102,427	—	—	3,961,392
Due to other funds (note 3)	81,959,973	1,150,860	9,004,145	—	—	92,114,978
Due to other organizations	357,683	—	—	—	—	357,683
Retainage payable	—	—	2,284,505	—	—	2,284,505
Deposits	159,953	—	—	—	—	159,953
Deferred revenue:						
Program fees	487,366	—	—	—	—	487,366
Property taxes	116,899,035	38,170,206	—	—	3,309,424	158,378,665
Other liabilities	380,174	—	—	—	—	380,174
<b>Total liabilities</b>	<b>284,077,889</b>	<b>39,321,066</b>	<b>24,517,991</b>	<b>—</b>	<b>3,309,424</b>	<b>351,226,370</b>
Fund balances (deficit):						
Fund balances reserved for:						
Debt service	—	68,906,664	—	—	—	68,906,664
Contributions for other organizations	15,018,382	—	—	—	—	15,018,382
Capital projects	—	—	93,911,877	—	—	93,911,877
Working cash	—	—	—	77,244,592	—	77,244,592
Fund balances (deficit) unreserved:						
Designated	2,005,219	—	—	—	—	2,005,219
Undesignated	(65,679,132)	—	—	—	7,087,433	(58,591,699)
<b>Total fund balances (deficit)</b>	<b>(48,655,531)</b>	<b>68,906,664</b>	<b>93,911,877</b>	<b>77,244,592</b>	<b>7,087,433</b>	<b>198,495,035</b>
<b>Total liabilities and fund balances</b>	<b>\$ 235,422,358</b>	<b>108,227,730</b>	<b>118,429,868</b>	<b>77,244,592</b>	<b>10,396,857</b>	<b>549,721,405</b>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

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

December 31, 2003

Total fund balances – governmental funds	\$ 198,495,035
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	2,658,511
Prepaid contributions used in governmental activities are not financial resources and therefore are not in the funds (note 1 (h))	105,536,160
Net pension asset recorded in governmental activities is not a financial resource and therefore is not reported in the funds	25,519,738
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,378,117,536
Capital payments received for Soldier Field are not earned and therefore are deferred in the government-wide statement of net assets	(245,009,980)
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	158,378,665
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 (\$103,449,456) to be escrowed for payment of the old debt (\$90,845,000) as it comes due is paid out of governmental funds and reduces fund balance. The loss on the refundings of \$12,063,732 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, 2003 are:	
Accrued interest on bonds	(22,797,203)
General obligation bonds	(948,010,000)
Unamortized bond premium	(11,214,795)
Deferred amount on refunding	21,663,697
Capital lease debt of PBC	(27,925,000)
Compensated absences	(6,963,834)
Claims and judgments	(2,775,000)
Property tax claim payable	(19,510,880)
Workers compensation	(15,262,723)
Total long-term obligations	<u>(1,032,795,738)</u>
Net assets of governmental activities	<u><u>\$ 590,899,927</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, 2003

	<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	\$ 197,107,328	63,619,556	—	—	3,045,128	263,772,012
Personal property replacement tax	9,921,457	16,956,393	—	—	—	26,877,850
Investment income	638,775	203,324	1,350,450	7,049	—	2,199,598
Parking fees	16,418,071	—	—	—	—	16,418,071
Harbor fees	2,894,347	—	—	—	—	2,894,347
Concessions	1,815,552	—	—	—	—	1,815,552
Rental of Soldier Field	12,766,248	—	—	—	—	12,766,248
Rental of other property	2,084,261	—	—	—	—	2,084,261
Golf course fees	3,545,303	—	—	—	—	3,545,303
Recreational activities	8,885,005	—	—	—	—	8,885,005
Other user charges	2,166,042	—	—	—	—	2,166,042
Donations and grant income	4,016,001	—	26,902,278	—	—	30,918,279
Miscellaneous	2,141,526	—	—	—	—	2,141,526
Total revenues	<u>264,399,916</u>	<u>80,779,273</u>	<u>28,252,728</u>	<u>7,049</u>	<u>3,045,128</u>	<u>376,484,094</u>
Expenditures:						
Current:						
Park operations and maintenance	44,327,387	—	—	—	2,805,005	47,132,392
Recreation programs	136,074,194	—	—	—	—	136,074,194
Special services	59,862,358	—	—	—	—	59,862,358
General and administrative	24,687,320	2,494,280	2,902,022	—	75,734	30,159,356
Capital outlay	—	—	73,076,543	—	—	73,076,543
Debt service:						
Principal	—	24,145,000	—	—	—	24,145,000
Interest	1,611,645	45,223,090	—	—	—	46,834,735
Cost of issuance and other	1,083,168	1,500	942,486	—	—	2,027,154
Total expenditures	<u>267,646,072</u>	<u>71,863,870</u>	<u>76,921,051</u>	<u>—</u>	<u>2,880,739</u>	<u>419,311,732</u>
Excess (deficiency) of revenues over expenditures	<u>(3,246,156)</u>	<u>8,915,403</u>	<u>(48,668,323)</u>	<u>7,049</u>	<u>164,389</u>	<u>(42,827,638)</u>
Other financing sources (uses):						
Proceeds from bond refunding	62,565,000	—	31,020,000	—	—	93,585,000
Proceeds from bond issuance	—	—	34,625,000	—	—	34,625,000
Premium on long-term debt	5,521,716	—	3,823,771	—	—	9,345,487
Premium on TAW Issuance	498,480	—	—	—	—	498,480
Payments to refund bond escrow agent	(71,174,133)	—	(32,275,323)	—	—	(103,449,456)
Transfers in (note 3)	21,081,618	—	6,175,574	—	—	27,257,192
Transfers out (note 3)	(6,175,574)	—	—	—	—	(6,175,574)
Total other financing sources and uses, net	<u>12,317,107</u>	<u>—</u>	<u>43,369,022</u>	<u>—</u>	<u>—</u>	<u>55,686,129</u>
Net change in fund balances	9,070,951	8,915,403	(5,299,301)	7,049	164,389	12,858,491
Fund balances (deficit) – beginning of year	<u>(57,726,482)</u>	<u>59,991,261</u>	<u>99,211,178</u>	<u>77,237,543</u>	<u>6,923,044</u>	<u>185,636,544</u>
Fund balances (deficit) – end of year	\$ <u>(48,655,531)</u>	<u>68,906,664</u>	<u>93,911,877</u>	<u>77,244,592</u>	<u>7,087,433</u>	<u>198,495,035</u>

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, 2003

Net change in fund balances – total governmental funds	\$ 12,858,491
Amounts reported for governmental activities in the statement of activities are different because:	
The closing of the harbor fund resulted in a transfer of net capital assets, long-term debt and unamortized bond issuance costs to the governmental activities:	
Long-term debt	(60,025,000)
Capital assets	87,643,139
Unamortized bond issuance costs and premiums, net	(540,725)
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 (\$48,839,145) exceeded depreciation (\$33,317,715) in the current period.	
	16,521,430
The 2000 Harbor Facility Revenue Bonds were refunded through issuance of general obligation bonds. Park Improvement general obligation bonds were also issued. In governmental funds, bond proceeds are considered a source of financing but in the statement of net assets, the bonds are reported as a liability.	
	(128,210,000)
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.	
	(9,345,487)
Costs of issuance associated with refunding bonds are capitalized and amortized over the life of the bonds in the statement of net assets.	
	1,918,937
The payments made to the escrow agent for the refunding of the Harbor Facility Revenue and 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.	
	103,449,456
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.	
	24,145,000
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.	
	(16,417,951)
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	174,769,335
Lakefront revetment contribution	36,900,719
Other	21,090,245
Prepaid contributions are an expenditure in the governmental funds, but in the statement of net assets, are deferred and amortized. (note 1 (h)).	
	7,210,103
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	2,508,371
Amortization of deferred contribution	(6,858,730)
Amortization of bond issuance costs	(277,567)
Amortization of bond premiums	1,147,305
Amortization of deferred loss on refunding	(2,070,833)
Net increase in accrued interest	(6,555,369)
Decrease in compensated absences	500,928
Decrease in claims and judgments	1,122,000
Increase in property tax claim payable	(17,615,016)
Increase in workers compensation	(8,627,870)
Change in net assets of governmental activities	\$ 235,240,911

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Net Assets

Proprietary Fund

December 31, 2003

	<u>Harbor</u>
Current assets:	
Cash and cash equivalents	\$ —
Investments	—
Accrued interest on investments	—
Due from other funds	—
Total current assets	<u>—</u>
Noncurrent assets:	
Restricted cash and investments	—
Unamortized cost of debt issuance	—
Capital assets (note 4):	—
Not being depreciated	—
Being depreciated	—
Total noncurrent assets	<u>—</u>
Total assets	<u>—</u>
	<u>—</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	—
Revenue bonds payable (note 6)	—
Total current liabilities	<u>—</u>
Noncurrent liabilities – revenue bonds payable (note 6)	—
Total liabilities	<u>—</u>
	<u>—</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	
Restricted for debt service	
Unrestricted	
Total net assets	<u>\$ —</u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Fund

Year ended December 31, 2003

	<u>Harbor</u>
Operating revenues:	
Fees	\$ <u>12,998,477</u>
Operating expenses:	
Management, general, and administrative expenses	2,187,283
Depreciation expense	<u>761,218</u>
Total operating expenses	<u>2,948,501</u>
Operating income	<u>10,049,976</u>
Nonoperating revenues (expenses):	
Investment income	229,361
Interest expense	(1,752,358)
Amortization of bond issuance premium	28,526
Amortization of bond issuance costs	<u>(18,362)</u>
Total nonoperating revenues (expenses)	<u>(1,512,833)</u>
Net income before transfers	8,537,143
Transfers out	<u>(48,159,031)</u>
Change in net assets	(39,621,888)
Net assets – beginning of year	<u>39,621,888</u>
Net assets – end of year	\$ <u><u>—</u></u>

See accompanying notes to financial statements.

# CHICAGO PARK DISTRICT

## Statement of Cash Flows

### Proprietary Fund

Year ended December 31, 2003

	<u>Harbor</u>
Cash flows from operating activities:	
Receipts from customers	\$ 12,998,477
Payments to suppliers	(881,139)
Other receipts	—
Net cash provided by operating activities	<u>12,117,338</u>
Cash flows used in non-capital financing activities:	
Transfers to other funds	(9,077,868)
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(1,900,000)
Interest paid on capital debt	(1,752,358)
Net cash used in capital and related financing activities	<u>(3,652,358)</u>
Cash flows from investing activities:	
Purchase of investments	—
Interest and dividends received	229,361
Net cash provided by investing activities	<u>229,361</u>
Net decrease in cash and cash equivalents	(383,527)
Cash and cash equivalents – beginning of year	<u>383,527</u>
Cash and cash equivalents – end of year	<u><u>\$ —</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,049,976
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	761,218
Change in assets and liabilities:	
Investments	12,991,014
Accounts receivable, net	5,052
Due from other funds	884,836
Accounts payable and accrued expenses	(658,381)
Due to other funds	(11,916,377)
Net cash provided by operating activities	<u><u>\$ 12,117,338</u></u>

See accompanying notes to financial statements.

**CHICAGO PARK DISTRICT**  
Statement of Fiduciary Net Assets  
June 30, 2003

	<u><b>Pension trust Retirement Fund</b></u>
<b>Assets:</b>	
Cash and short-term investments:	
Cash	\$ 60,386
Short-term investments	19,064,481
Total cash and short-term investments	<u>19,124,867</u>
<b>Receivables:</b>	
Employer contributions	5,491,843
Employee contributions	268,131
Due from broker for securities sold	25,673,152
Accrued investment income	1,534,818
Note receivable	625,000
Miscellaneous receivable	1,630
Total receivables	<u>33,594,574</u>
<b>Investments, at fair value:</b>	
Bonds	227,826,401
Common and preferred stock	251,598,158
Pooled separate real estate accounts	23,692,581
Total investments	<u>503,117,140</u>
Invested securities lending collateral	59,041,846
Prepaid expenses	395,224
Total assets	<u>615,273,651</u>
<b>Liabilities:</b>	
Accounts payable	891,259
Accrued benefits payable	211,165
Securities lending collateral	59,041,846
Due to broker for securities purchased	15,584,410
Total liabilities	<u>75,728,680</u>
Net assets held in trust for pension benefits (an unaudited schedule of funding progress is presented on page 48)	<u>\$ 539,544,971</u>

See accompanying notes to financial statements.

## CHICAGO PARK DISTRICT

### Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2003

	<u>Pension trust Retirement Fund</u>
Additions:	
Contributions:	
Employer contributions	\$ 9,842,559
Employee contributions	9,533,018
Total contributions	<u>19,375,577</u>
Investment income:	
Net appreciation in fair value	3,196,879
Interest	12,426,961
Dividends	3,868,471
Investment return on pooled separate real estate accounts	2,599,582
Total investment income	<u>22,091,893</u>
Less investment expense	<u>1,861,912</u>
Net investment income	<u>20,229,981</u>
Security lending activities:	
Securities lending income	709,663
Borrower rebates	(592,260)
Bank fees	(49,429)
Total security lending activities	<u>67,974</u>
Total additions	<u>39,673,532</u>
Deductions:	
Benefits	47,460,349
Refunds	2,774,837
Administrative	1,169,531
Total deductions	<u>51,404,717</u>
Net decrease	<u>(11,731,185)</u>
Net assets held in trust for pension benefits – beginning of year	<u>551,276,156</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 539,544,971</u>

See accompanying notes to financial statements.

# CHICAGO PARK DISTRICT

Notes to Financial Statements

Year ended December 31, 2003

## (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

Year ended December 31, 2003

(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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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, proprietary, and fiduciary – are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General** – This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The services, which are administered by the District and accounted for in the General Fund, include recreational, parking, 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 has been recorded as interfund receivables and payables in the Working Cash Fund and General Fund, respectively.

## CHICAGO PARK DISTRICT

Notes to Financial Statements  
Year ended December 31, 2003

The District reports the following major proprietary fund:

**Harbor** – This fund accounts for activities of the Harbor Facilities, which includes all harbors, marinas, equipment, parking areas, and all other improvements for use in connection therewith. The Harbor Fund was closed in June 2003. The activities for the Harbor Facilities System are subsequently being accounted for in the General Fund.

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, proprietary, 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, 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 both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental

## CHICAGO PARK DISTRICT

Notes to Financial Statements  
Year ended December 31, 2003

Accounting Standards Board. The District also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

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

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

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

## CHICAGO PARK DISTRICT

### Notes to Financial Statements

Year ended December 31, 2003

- Bonds issued by any county, city, township, village, incorporated town, municipal corporation, or school district in Illinois.
- Tax anticipation warrants issued by any city, township, village, incorporated town, or fire protection district in Illinois.

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

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

(e) ***Other Assets***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets at the government wide level.

(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.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

**(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.

Capitalization thresholds and the estimated useful lives are as follows:

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

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

In the government-wide and proprietary 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.

**(k) 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.

## CHICAGO PARK DISTRICT

Notes to Financial Statements

Year ended December 31, 2003

(l) **Property Taxes**

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

In the government-wide financial statements, which are reported on the accrual basis, the District has included as revenue the entire amount of property taxes levied for 2003 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 2003, 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 2002 levy that were not recognized as revenue in fiscal year 2002 (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 \$18,212,055 at December 31, 2003.

(m) **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.

(n) **Net Assets**

In the government-wide and proprietary 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."

## CHICAGO PARK DISTRICT

Notes to Financial Statements  
Year ended December 31, 2003

(o) *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.

(p) *New Accounting Pronouncement*

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.

(q) *Reclassifications*

Certain amounts presented in the 2002 financial statements have been reclassified to conform to the 2003 presentation.

(2) **Deposits and Investments**

*Deposits*

At December 31, 2003, the carrying amount of the District's bank deposits (including certificates of deposit) for governmental and business-type activities were \$1,177,701 and the respective bank balances totaled \$1,675,082. Of the total bank balance, \$298,513 was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,290,312 in securities are held in the name of the financial institution and not that of the District. The remaining \$86,257 was uncollateralized.

At December 31, 2003, the carrying amount of bank deposits of fiduciary activities (Retirement Fund) was \$60,386 and the respective bank balances totaled \$63,546. The entire bank balance was insured through the FDIC.

*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.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
 Year ended December 31, 2003

*Governmental and Business-type Activities*

	Category			Carrying amount
	1	2	3	
Government securities	\$ —	—	57,987,118	57,987,118
Commercial paper	—	—	16,197,282	16,197,282
	<u>\$ —</u>	<u>—</u>	<u>74,184,400</u>	<u>74,184,400</u>
Noncategorized investments:				
Investment in Money Markets				66,369,321
Investment in Illinois First Funds				60,666,577
Total investments				<u>\$ 201,220,298</u>

*Fiduciary Activities*

	Category			Carrying amount
	1	2	3	
Government securities	\$ 57,613,606	—	—	57,613,606
Corporate bonds	170,212,795	—	—	170,212,795
Commercial paper	19,064,481	—	—	19,064,481
Common and preferred stock	215,681,091	—	—	215,681,091
	<u>\$ 462,571,973</u>	<u>—</u>	<u>—</u>	<u>462,571,973</u>
Noncategorized investments:				
Investment in real estate pools				23,692,581
Investment of assets in mutual funds and insurance contracts				35,917,067
Total investments				<u>\$ 522,181,621</u>

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.

***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, 2003, the Plan had loaned to borrowers, securities with a market value of \$59,041,846. At June 30, 2003, the Plan received from

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

borrowers cash collateral of \$46,056,952, and non-cash collateral of \$14,670,129. Securities lending net income for the year ended June 30, 2003 were \$67,974.

**(3) Interfund Balances and Activity**

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

The following balances at December 31, 2003 represent amounts due to/from other funds.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Park improvements	\$ 9,004,145
General	Bond debt service	1,150,860
Working cash	General	77,244,592
Nonmajor governmental fund	General	4,715,381
		<u>\$ 92,114,978</u>

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, 2003 were as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>	<u>Description/purpose</u>
General	Harbor	\$ 21,081,618	Net income is transferred to General Fund for operations.
Park Improvement	General	6,175,574	Transfer of bond proceeds for capital projects.
Governmental activities	Enterprise Fund – Harbor	27,077,413	Transfer of the excess of long-term liabilities over long-term assets to the governmental activities as a result of closing the Harbor Fund.
		<u>\$ 54,334,605</u>	

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

**(4) Capital Assets**

Capital asset activity for the year ended December 31, 2003 was as follows:

<b>Governmental Activities</b>	<b>Balance January 1, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2003</b>
Capital assets not being depreciated:				
Land and land improvements	\$ 99,355,807	38,848,495		138,204,302
Construction in progress	<u>346,927,076</u>	<u>368,124,477</u>	<u>608,210,977</u>	<u>106,840,576</u>
Total capital assets not being depreciated	<u>446,282,883</u>	<u>406,972,972</u>	<u>608,210,977</u>	<u>245,044,878</u>
Capital assets being depreciated:				
Infrastructure	262,397,345	10,916,751	—	273,314,096
Site improvements	48,151,363	7,795,394	—	55,946,757
Harbor and Harbor improvements	—	111,717,424	—	111,717,424
Stadium and stadium improvements	—	597,392,009	—	597,392,009
Buildings and building improvements	425,418,714	13,137,468	307,500	438,248,682
Equipment	<u>30,933,692</u>	<u>1,504,372</u>	<u>—</u>	<u>32,438,064</u>
Total capital assets being depreciated	<u>766,901,114</u>	<u>742,463,418</u>	<u>307,500</u>	<u>1,509,057,032</u>
Less accumulated depreciation:				
Infrastructure	133,727,140	5,425,939	—	139,153,079
Site improvements	22,282,336	2,176,849	—	24,459,185
Harbor and Harbor improvements	—	45,275,596	—	45,275,596
Stadium and stadium improvements	—	5,973,920	—	5,973,920
Buildings and building improvements	131,803,008	7,879,864	307,500	139,375,372
Equipment	<u>19,973,949</u>	<u>1,773,273</u>	<u>—</u>	<u>21,747,222</u>
Total accumulated depreciation	<u>307,786,433</u>	<u>68,505,441</u>	<u>307,500</u>	<u>375,984,374</u>
Total capital assets being depreciated, net	<u>459,114,681</u>	<u>673,957,977</u>	<u>—</u>	<u>1,133,072,658</u>
Governmental activity capital assets, net	<u>\$ 905,397,564</u>	<u>1,080,930,949</u>	<u>608,210,977</u>	<u>1,378,117,536</u>
Depreciation expense for governmental activities was charged to functions as follows:				
Park operations and maintenance				\$ 33,060,984
General and administrative				<u>256,731</u>
				<u>\$ 33,317,715</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

Year ended December 31, 2003

<b>Business-type activities</b>	<b>Balance January 1, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2003</b>
<i>Harbor</i>				
Capital assets not being depreciated:				
Land and land improvements	\$ 11,113,441	—	11,113,441	—
Capital assets being depreciated:				
Infrastructure	111,182,424	—	111,182,424	—
Equipment	535,000	—	535,000	—
Total capital assets being depreciated	111,717,424	—	111,717,424	—
Less accumulated depreciation:				
Infrastructure	33,891,508	761,218	34,652,726	—
Equipment	535,000	—	535,000	—
Total accumulated depreciation	34,426,508	761,218	35,187,726	—
Total capital assets being depreciated, net	77,290,916	(761,218)	76,529,698	—
Harbor capital assets, net	88,404,357	(761,218)	87,643,139	—
Business-type capital assets, net	\$ 88,404,357	(761,218)	87,643,139	—

**(5) Short-term Debt**

In July 2002, the District issued \$50,000,000 of Corporate Purpose Tax Anticipation Warrants bearing a coupon interest rate of 3% per annum and matured on May 1, 2003. Tax Anticipation Warrants were issued to provide operating funds to the District and were secured by a pledge against the current corporate tax levy.

In June 2003, the District issued \$62,000,000 of Corporate Purpose Tax Anticipation Warrants bearing a coupon interest rate of 1.75% per annum and maturing on May 1, 2004. Tax Anticipation Warrants were issued to provide operating funds to the District and are secured by a pledge against the current corporate tax levy. Taxes levied in one year become due and payable in two installments in the following year. The first installment is due March 1 and the second installment is due on the later of August 1 or 30 days after the mailing of the tax bills. Over the last ten years, the second installment collections have always been distributed after August 1.

On February 27, 2003, the District issued a General Obligation Limited Tax Park Bond, Series 2003-ST-Tax-Optional, in an amount of \$8,189,000 for the purpose of funding a portion of the District's Capital Improvement Plan. The Bond matured December 1, 2003 and bore an interest rate of 1.75% per annum.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

**(6) Long-term Obligations**

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

Changes in long-term obligations for the year ended December 31, 2003 were as follows:

Governmental activities	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003	Amounts due within one year
General obligation bonds:					
Capital improvement	\$ 774,885,000	128,210,000	49,335,000	853,760,000	26,550,000
Aquarium and museums	97,835,000	—	3,585,000	94,250,000	6,055,000
Unamortized premiums	3,016,612	9,345,488	1,147,305	11,214,795	—
Deferred amount on refunding	(11,670,798)	(12,063,732)	(2,070,833)	(21,663,697)	—
Total general obligation bonds	864,065,814	125,491,756	51,996,472	937,561,098	32,605,000
Harbor revenue bonds	—	60,025,000	60,025,000	—	—
Capital lease debt PBC	29,970,000	—	2,045,000	27,925,000	2,190,000
Compensated absences	7,464,762	2,561,683	3,062,611	6,963,834	1,347,197
Claims and judgments	3,897,000	1,226,293	2,348,293	2,775,000	1,067,462
Property tax claim payable	1,895,864	19,510,880	1,895,864	19,510,880	9,744,216
Workers' compensation	6,634,853	11,591,108	2,963,238	15,262,723	2,975,000
Total governmental activities	\$ 913,928,293	220,406,720	124,336,478	1,009,998,535	49,928,875
<b>Business-type activities</b>					
Harbor:					
Revenue bonds payable	\$ 61,925,000	—	61,925,000	—	—
Unamortized premiums	1,300,806	—	1,300,806	—	—
Total Harbor	63,225,806	—	63,225,806	—	—
Total business-type activities	\$ 63,225,806	—	63,225,806	—	—

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  
Year ended December 31, 2003

**(b) General Obligation Bonds**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2004	\$ 32,605,000	42,575,953	75,180,953
2005	39,255,000	46,655,760	85,910,760
2006	38,735,000	44,843,117	83,578,117
2007	42,885,000	42,800,770	85,685,770
2008	43,235,000	40,513,705	83,748,705
2009-2013	223,160,000	169,597,281	392,757,281
2014-2018	235,560,000	108,249,690	343,809,690
2019-2023	194,415,000	49,174,960	243,589,960
2024-2028	82,625,000	13,743,911	96,368,911
2029	15,535,000	397,291	15,932,291
	<u>\$ 948,010,000</u>	<u>558,552,438</u>	<u>1,506,562,438</u>

**(c) Capital Lease Debt – PBC**

The District has entered into various capital lease agreements with the Public Building Commission for park projects and for construction projects related to recreational and park facilities, including the Lincoln Park Zoo and Soldier Field, with a historical cost and accumulated depreciation of \$14,232,500 and \$1,850,225, respectively, (Soldier Field portion removed due to new renovation) at December 31, 2003. All of the agreements provide that taxes be levied to pay the annual rentals. Future minimum lease payments at December 31, 2003 are as follows:

	<u>Governmental Activities</u>
Year ended December 31:	
2004	\$ 4,200,476
2005	4,200,699
2006	4,198,788
2007	3,897,452
2008	3,904,479
2009-2012	15,621,344
Total minimum lease payments	36,023,238
Less amounts representing interest	8,098,238
Present value of future minimum lease payments	<u>\$ 27,925,000</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements

Year ended December 31, 2003

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

On June 4, 2003, General Obligation Unlimited Tax Project and Refunding Bonds, Series 2003C were issued to refund Harbor Facilities System Revenue Bonds issued in 2000. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt requirements of the (old) debt. The economic loss realized in this refunding is \$2,339,045 and the loss resulting from the refunding was as follows:

Cash flow requirements to service (old) debt	\$ 87,021,242
Less cash flow requirements for new debt	<u>(92,420,818)</u>
Net cost from refunding	<u>\$ (5,399,576)</u>

The District achieved the following benefits as a result of the refunding of the (old) debt: significant annual cash flow savings in years 2004 through 2021, elimination of the restrictive covenants contained in the trust indenture for the (old) debt, and the establishment of another alternative revenue source to support future general obligation borrowings.

On May 1, 2003, the District issued General Obligation Limited Tax Bonds, Series 2003A in an amount of \$36,550,000 and General Obligation Unlimited Tax Bonds, Series 2003B in an amount of \$29,095,000. The proceeds of the Series 2003A bonds were used to: (i) fund a portion of the District's 2003 Capital Improvement Program; (ii) provide for capitalized interest; (iii) advance refund \$1,875,000 of General Obligation Unlimited Tax Bonds, Series 1996 bearing interest at a rate of 6.25%; and (iv) pay certain costs of issuance. The proceeds of the Series 2003B bonds were used to: (i) currently refund \$28,945,000 of General Obligation Capital Improvement and Refunding Bonds, Series 1993 bearing interest ranging from 5.55% to 6.05%; and (ii) pay certain costs of issuance. The transaction resulted in net present value savings of \$2,189,342, which amounted to 7.10% of the refunded bonds.

Cash flow requirements to service (old) debt	\$ 39,794,060
Less cash flow requirements for new debt	<u>(37,652,816)</u>
Net savings from refunding	<u>\$ 2,141,244</u>

In prior years, the Park District defeased certain general obligation and revenue bonds by placing the proceeds of new GOs in an irrevocable trust to provide for all future debt service payments on the old GOs. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At December 31, 2003, \$206,735,000 of bonds outstanding is considered defeased, which includes debt defeased during this current year.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

**(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, 2003.

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

	<u>Amount</u>
Year ending December 31:	
2004	\$ 286,881
2005	286,881
2006	286,881
2007	286,881
2008	286,881
2009-2013	1,817,656
2014-2018	2,670,733
2019-2023	5,032,791
2024-2028	<u>10,870,173</u>
	<u>\$ 21,825,758</u>

**(b) Lessor**

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 \$4,560,000 for the year ended December 31, 2003.

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

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

	<b>Amount</b>
Year ending December 31:	
2004	\$ 5,700,000
2005	5,700,000
2006	5,700,000
2007	5,700,000
2008	5,700,000
2009-2013	28,500,000
2014-2018	28,500,000
2019-2023	28,500,000
2024-2028	28,500,000
2029-2033	28,500,000
	\$ 171,000,000

(c) *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 \$1,726,789 for the year ended December 31, 2003.

The District leases its copiers under a 36-month operating lease expiring September 2004.

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

	<b>Facility</b>	<b>Maintenance</b>	<b>Total</b>
Year ending December 31:			
2004	\$ 1,787,615	220,518	2,008,133
2005	1,845,843	—	1,845,843
2006	1,904,072	—	1,904,072
2007	1,962,300	—	1,962,300
2008	2,020,529	—	2,020,529
2009-2013	8,664,401	—	8,664,401
	\$ 18,184,760	220,518	18,405,278

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

**(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, 2003 consists of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,074
Current employees:	
Fully vested	1,165
Nonvested	2,014
Total	<u>6,253</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 June 30, 2003.

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  
Year ended December 31, 2003

(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, 2003, the District's annual required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age actuarial cost 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 2003 was as follows:

Annual required contribution	\$ 7,214,997
Interest on net pension asset	(1,840,910)
Adjustment to annual required contribution	<u>1,960,101</u>
Annual pension cost	7,334,188
Contributions made	<u>9,842,559</u>
Increase in net pension asset	2,508,371
Net pension asset at January 1, 2003	<u>23,011,367</u>
Net pension asset at December 31, 2003	<u>\$ 25,519,738</u>

**CHICAGO PARK DISTRICT**

Notes to Financial Statements  
Year ended December 31, 2003

***Three-year Trend Information***

	<b>Employer contribution</b>			<b>Net pension asset</b>
	<b>Annual pension cost</b>	<b>Percentage contributed</b>		
Year ended December 31:				
2003	\$ 7,334,188	134	\$	25,519,738
2002	6,389,081	155		23,011,367
2001	6,283,067	146		10,593,076

**(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, 2003 and 2002 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, 2003.

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

	<b>2003</b>	<b>2002</b>
Accrued self-insurance – beginning of year	\$ 10,531,853	9,701,836
Claims and other expenses incurred – during year	12,817,401	4,926,146
Claims paid – during year	(5,311,531)	(4,096,129)
Accrued self-insurance – end of year	\$ 18,037,723	10,531,853

## CHICAGO PARK DISTRICT

Notes to Financial Statements

Year ended December 31, 2003

### (10) Commitments and Contingencies

#### (a) *Construction Commitments*

The District has various outstanding construction projects at December 31, 2003.

#### (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.

#### (c) *Internal Revenue Service*

In 2002, the Department of The Treasury Internal Revenue Service informed the District that debt issued in April 1998 in the amount of \$46,610,000 had been selected for review. On January 28, 2004 the Department of The Treasury Internal Revenue Service and the District entered into a final agreement that closed the review. The review had no material outcome to the District and no negative effect on the bondholders.

### (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 reuse 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) Deficit Fund Balance

The General Fund has a deficit fund balance of \$(48,655,531) at December 31, 2003. The District intends to eliminate the deficit through future property tax levies and/or program revenues.

**CHICAGO PARK DISTRICT**  
Required Supplementary Information  
Budgetary Comparison Schedule (Unaudited)  
General Fund  
Year ended December 31, 2003

	Budgeted amounts		Actual	Variance with final budget – favorable (unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 171,718,701	171,718,701	197,107,328	25,388,627
Personal property replacement tax	9,746,544	9,746,544	9,921,457	174,913
Investment income	1,300,000	1,300,000	638,775	(661,225)
Parking fees	19,338,415	19,338,415	16,418,071	(2,920,344)
Harbor fees	—	—	2,894,347	2,894,347
Concessions	1,852,921	1,852,921	1,815,552	(37,369)
Rental of Soldier Field	14,130,945	14,130,945	12,766,248	(1,364,697)
Rental of other property	3,407,927	3,407,927	2,084,261	(1,323,666)
Golf course fees	500,000	500,000	3,545,303	3,045,303
Recreational activities	12,000,000	12,000,000	8,885,005	(3,114,995)
Other user charges	1,260,000	1,260,000	2,166,042	906,042
Donations and grant income	5,000,000	5,000,000	4,016,001	(983,999)
Miscellaneous	2,200,000	2,200,000	2,141,526	(58,474)
Total revenues	<u>242,455,453</u>	<u>242,455,453</u>	<u>264,399,916</u>	<u>21,944,463</u>
<b>Expenditures:</b>				
Personnel services	117,992,249	117,992,249	120,011,767	(2,019,518)
General and administrative	—	—	7,866,607	(7,866,607)
Pension	10,132,684	10,132,684	9,783,840	348,844
Workers compensation	2,381,330	2,381,330	2,963,238	(581,908)
Material and supplies	5,204,750	5,204,750	4,500,599	704,151
Machinery and equipment	1,360,285	1,360,285	1,087,029	273,256
Contractual services	56,338,428	64,510,928	64,819,325	(308,397)
Special and other:				
Zoological	5,584,000	5,584,000	5,584,000	—
Golf courses	—	—	3,045,303	(3,045,303)
Aquarium and museums	35,509,349	35,509,349	35,497,509	11,840
Liability	3,381,330	3,381,330	4,259,532	(878,202)
Regions and departments	6,974,287	6,974,287	5,532,506	1,441,781
Debt service:				
Interest	2,191,667	2,191,667	1,611,649	580,018
Cost of issuance and other	—	1,083,168	1,083,168	—
Total expenditures	<u>247,050,359</u>	<u>256,306,027</u>	<u>267,646,072</u>	<u>(11,340,045)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,594,906)</u>	<u>(13,850,574)</u>	<u>(3,246,156)</u>	<u>10,604,418</u>
<b>Other financing sources (uses):</b>				
Proceeds from bond refunding	—	62,565,000	62,565,000	—
Premium on long-term debt	—	5,521,716	5,521,716	—
Premium on TAW Issuance	—	498,480	498,480	—
Payments to refund bond escrow agent	—	(71,174,133)	(71,174,133)	—
Transfers in	4,594,906	21,081,618	21,081,618	—
Transfers out	—	(6,175,574)	(6,175,574)	—
Total other financing sources (uses)	<u>4,594,906</u>	<u>12,317,107</u>	<u>12,317,107</u>	<u>—</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>(1,533,467)</u>	<u>9,070,951</u>	<u>10,604,418</u>
Fund balances – beginning of year			(57,726,482)	
Fund balances – end of year			<u>\$ (48,655,531)</u>	

See accompanying independent auditors' report.

## CHICAGO PARK DISTRICT

### Required Supplementary Information

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

Year ended December 31, 2003

**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 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 2003 by approximately \$3 million in the General Fund when compared to the revenue and expenditure amounts presented using the modified accrual basis of accounting.

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 2003 by approximately \$7.8 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, 2003	\$ 624,210	701,209	76,999	89.0	%	\$ 102,330	75.3	%
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	
June 30, 1998	549,728	565,582	15,854	97.2		116,765	13.3	

See accompanying independent auditors' report.

**CHICAGO PARK DISTRICT**

Required Supplementary Information

Notes to Schedule of Funding Progress (Unaudited)

Valuation date	June 30, 2003
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.