
CITY OF CHICAGO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005



Richard M. Daley, Mayor

Dana R. Levenson, Chief Financial Officer
Steven J. Lux, Acting City Comptroller





OFFICE OF THE MAYOR

CITY OF CHICAGO

RICHARD M. DALEY

MAYOR

To the Citizens of Chicago and the Financial Community:

As Mayor of the City of Chicago, I am proud to present the Comprehensive Annual Financial Report (CAFR) of the City of Chicago for the fiscal year 2005.

As a measure of the City's financial health, the CAFR indicates a steadily improving picture as we continue to impose financial and managerial discipline on all aspects of the City's operations.

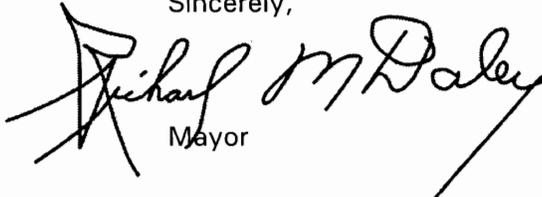
Over the past year, we have worked hard to provide the best possible value to the taxpayers of our city, while consistently striving to make Chicago the most livable big city in the nation. The City of Chicago has continued to reduce costs through strong financial management and utilizing innovative financial transactions such as the long-term lease of the Chicago Skyway to increase our revenues. This unique transaction was the first of its kind in the United States and has helped the City increase its bond rating and set aside reserves for the future. These strategies have also provided the City with the funds to invest in our neighborhoods and improve the quality of life for the citizens by building new sidewalks, alleys and street lights as well as new parks, libraries, senior centers and police and fire stations. Violent crime has dropped to its lowest level in 14 years and homicides are at a 40-year low. Innovative leadership, improved training and the use of ground-breaking technology to fight crime have all contributed to this success.

Chicago's diverse economy continues to grow, creating more jobs and opportunity throughout the City. Home values continue to increase in Chicago, even though other parts of the country are beginning to experience a slowdown. We are also working to make Chicago the most environmentally friendly city in the nation with an ever-increasing number of green initiatives. Our public schools are also improving. In order to keep kids learning the entire year, we are exploring ways to provide more summer learning opportunities for as many of our students as we can. These opportunities are in addition to our Kid Start and After Schools Matters programs, both of which provide recreational and learning opportunities after school and during the summer.

The City of Chicago continues to move forward by improving education, fighting crime, maintaining fiscal prudence, and increasing opportunities in all of our neighborhoods. Working together, we will continue to provide strong financial management for the City of Chicago.

Thank you for your interest in the City of Chicago's Comprehensive Annual Financial Report.

Sincerely,



Mayor

**CITY OF CHICAGO
THE CITY COUNCIL
As of December 31, 2005
RICHARD M. DALEY, Mayor**

1st Ward	MANUEL FLORES
2nd Ward	MADELINE L. HAITHCOCK
3rd Ward	DOROTHY J. TILLMAN
4th Ward	TONI PRECKWINKLE
5th Ward	LESLIE A. HAIRSTON
6th Ward	FREDDRENNA M. LYLE
7th Ward	WILLIAM M. BEAVERS
8th Ward	TODD H. STROGER
9th Ward	ANTHONY BEALE
10th Ward	JOHN A. POPE
11th Ward	JAMES A. BALCER
12th Ward	GEORGE A. CARDENAS
13th Ward	FRANK J. OLIVO
14th Ward	EDWARD M. BURKE
15th Ward	THEODORE THOMAS
16th Ward	SHIRLEY A. COLEMAN
17th Ward	LATASHA R. THOMAS
18th Ward	THOMAS W. MURPHY
19th Ward	VIRGINIA A. RUGAI
20th Ward	ARENDA TROUTMAN
21st Ward	HOWARD BROOKINS, JR.
22nd Ward	RICARDO MUNOZ
23rd Ward	MICHAEL R. ZALEWSKI
24th Ward	MICHAEL D. CHANDLER
25th Ward	DANIEL S. SOLIS
26th Ward	BILLY OCASIO
27th Ward	WALTER BURNETT, JR.
28th Ward	ED H. SMITH
29th Ward	ISAAC S. CAROTHERS
30th Ward	ARIEL E. REBOYRAS
31st Ward	REGNER "RAY" SUAREZ
32nd Ward	THEODORE MATLAK
33rd Ward	RICHARD F. MELL
34th Ward	CARRIE M. AUSTIN
35th Ward	REY COLON
36th Ward	WILLIAM J.P. BANKS
37th Ward	EMMA MITTS
38th Ward	THOMAS R. ALLEN
39th Ward	MARGARET LAURINO
40th Ward	PATRICK J. O'CONNOR
41st Ward	BRIAN G. DOHERTY
42nd Ward	BURTON F. NATARUS
43rd Ward	VI DALEY
44th Ward	THOMAS M. TUNNEY
45th Ward	PATRICK J. LEVAR
46th Ward	HELEN SHILLER
47th Ward	EUGENE C. SCHULTER
48th Ward	MARY ANN SMITH
49th Ward	JOE A. MOORE
50th Ward	BERNARD L. STONE

**2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF CHICAGO**

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PART I

INTRODUCTORY SECTION





City of Chicago
Richard M. Daley, Mayor

Dana Robert Levenson
Chief Financial Officer

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Chicago, Illinois 60602
(312) 744-8674
(312) 744-0014 (FAX)

<http://www.cityofchicago.org>

June 23, 2006

To the Honorable Mayor Richard M. Daley,
Members of the City Council, and Citizens of the City of Chicago:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Chicago (City) for the year ended December 31, 2005. State Law requires that all governmental units publish within six months of the close of each fiscal year, financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a licensed public accountant.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City's management. The purpose of the CAFR is to provide complete and accurate financial information which complies with the reporting requirements of the Municipal Code of Chicago ("Code"). The City's financial management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP.

The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management. An evaluation of the internal control structure during the City's annual independent audit conducted by Deloitte & Touche, LLP disclosed no material weaknesses.

The Code also requires the City's basic financial statements to be audited by independent certified public accountants selected by the Committee of Finance of the City Council. This requirement has been met, and the unqualified audit opinion, rendered by Deloitte & Touche LLP, is included in the financial section of this report. The audit was conducted as a subcontractor arrangement between Deloitte & Touche LLP and a consortium of Chicago-based minority- and women-owned certified public accounting firms.

In addition to meeting the requirements set forth in the Code, an additional audit designed to meet the requirements of the federal Single Audit Act Amendment of 1996 and related OMB Circular A-133, Audits of State and Local Governments is performed annually.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.



Profile of the Government. The City, incorporated in 1837, currently occupies a land area of approximately 228 square miles and serves a population of approximately 2,896,000. The City of Chicago is a “home rule” unit of local government under State of Illinois law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members. Each representing one of the City’s 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The City provides public safety, street maintenance and sanitation, transportation infrastructure, water, sewer, health, cultural, aviation and human services. In addition to general government activities, the City has certain entities which are fiscally dependent on the City and perform services primarily for City employees such as the Municipal Employees’ Annuity and Benefit Fund, Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund, Policemen’s Annuity and Benefit Fund and Firemen’s Annuity and Benefit Fund. These component units are included in the City’s reporting entity.

Additional services are provided by the following related organizations: the Chicago Public Schools, Chicago Park District, Chicago Transit Authority, City Colleges of Chicago and the Chicago Housing Authority.

Annual budgets are adopted for the general fund and certain special revenue funds. Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year. The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing. Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance. Additional information on the budgetary process can be found in Note 3 in the notes to financial statements.

Factors Affecting Financial Condition. The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. Home values are strong and the economic impact from tourism and trade shows remains positive. The Chicago Business District is expanding with a healthy mix of commercial, residential and cultural activity. The housing market is an \$8 billion industry in Chicago, and new construction contributes positively to the economy by building wealth in communities through employment in construction, material, and equipment purchases.

Chicago is a premier city attracting business and leisure travelers alike. Once again, the City of Chicago was top choice for corporate executives contemplating relocating or expanding their facilities. Approximately 13.7 million people travel to Chicago on business every year, which is more than any other U.S. destination.

There are many local attractions, museums, festivals and professional sports teams, including the World Champion Chicago White Sox, that help to strengthen the area economy and provide jobs.

The Tax Increment Financing (TIF) program continues to be a valuable job creation and economic development program in the city. Two additional TIF districts were created in 2005 bringing the total to 140. In addition, three more Planned Manufacturing Districts (PMDs), which now total 14 were created. PMDs preserve suitable work environments for Chicago's industry and Chicago serves as a national model for industrial retention.

Long-term Financial Planning. The concession sale of the Chicago Skyway which closed in January 2005 was an innovative financing transaction. The Chicago Skyway is a 7.8 mile toll way that was owned and operated by the City since 1958. The concession sale allows a private company to operate the Skyway for a period of 99 years. Proceeds from the long-term lease concession of the Chicago Skyway have been used to defease and/or repurchase the outstanding Skyway Bonds, to provide for the repayment of other City debt, provide for a long and mid-term reserve fund and to provide funds for important neighborhood and human infrastructure programs. The long-term reserve fund will provide reserves sufficient to assure the City's continued financial strength and stability.

Since completing the Skyway transaction the City has continued to look for innovative ways to create new sources of revenue. The City will continue to evaluate its assets to see if they meet the criteria for sales or leases. The City is also considering selling the naming rights for various assets to meet its long term financing needs without adding extra burdens to taxpayers.

Cash Management. To maximize interest income, the City aggregates and invests cash and investments of all funds except the City's pension and certain other funds required to be held in separate accounts in accordance with bond indentures. Interest earnings on the aggregated funds are allocated annually to participating funds. As part of the investment decision-making process, annual cash flow projections and monthly variance reports are used by management.

Risk Management. The City maintains a self-insurance program for substantially all of its governmental operations except O'Hare and Midway Airports operations and construction of projects, which are insured privately.

Pension Plans and Other Post-employment Benefits. Eligible City employees participate in one of four single-employer defined benefit pension plans. These plans are the Municipal Employees', the Laborers' and Retirement Board Employees', the Policemen's and Firemen's Annuity and Benefit Funds. The City makes payments to the pension trust funds in accordance with state law. The City's contribution is derived from the property tax levy and the personal property replacement tax. In 1998, the state law was amended to reduce the City multiplier for the Laborers' and Municipal Pension Funds in subsequent years. As a result of the City's funding policies, the pension plans have funded the following percentages of the present value of the projected benefits earned by employees: Municipal employees' 68 percent, the Laborers' and Retirement Board Employees' 94 percent, the Policemen's Annuity and Benefit Fund 51 percent and the Firemen's Annuity and Benefit Fund 42 percent. There is a two-year lag between the City's reported pension cost and personnel services expenditures to which they relate because state law mandates that City contributions be made two years in arrears.

Under state law certain health benefits are available to employees who retire from the City based upon their participation in the City plans. Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for post-employment benefits. Health benefits include basic benefits for the annuitant and supplemental benefits for medicare eligible annuitants. In 2005, there were approximately 24,500 annuitants and their dependents enrolled in the plan.

Awards and Acknowledgments. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chicago for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been prepared without the dedication and effective help of the staff of the Department of Finance. We wish to express our appreciation to those who contributed to the preparation of this report.

Respectfully submitted,



Dana R. Levenson
Chief Financial Officer



Steven J. Lux
Acting City Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chicago,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



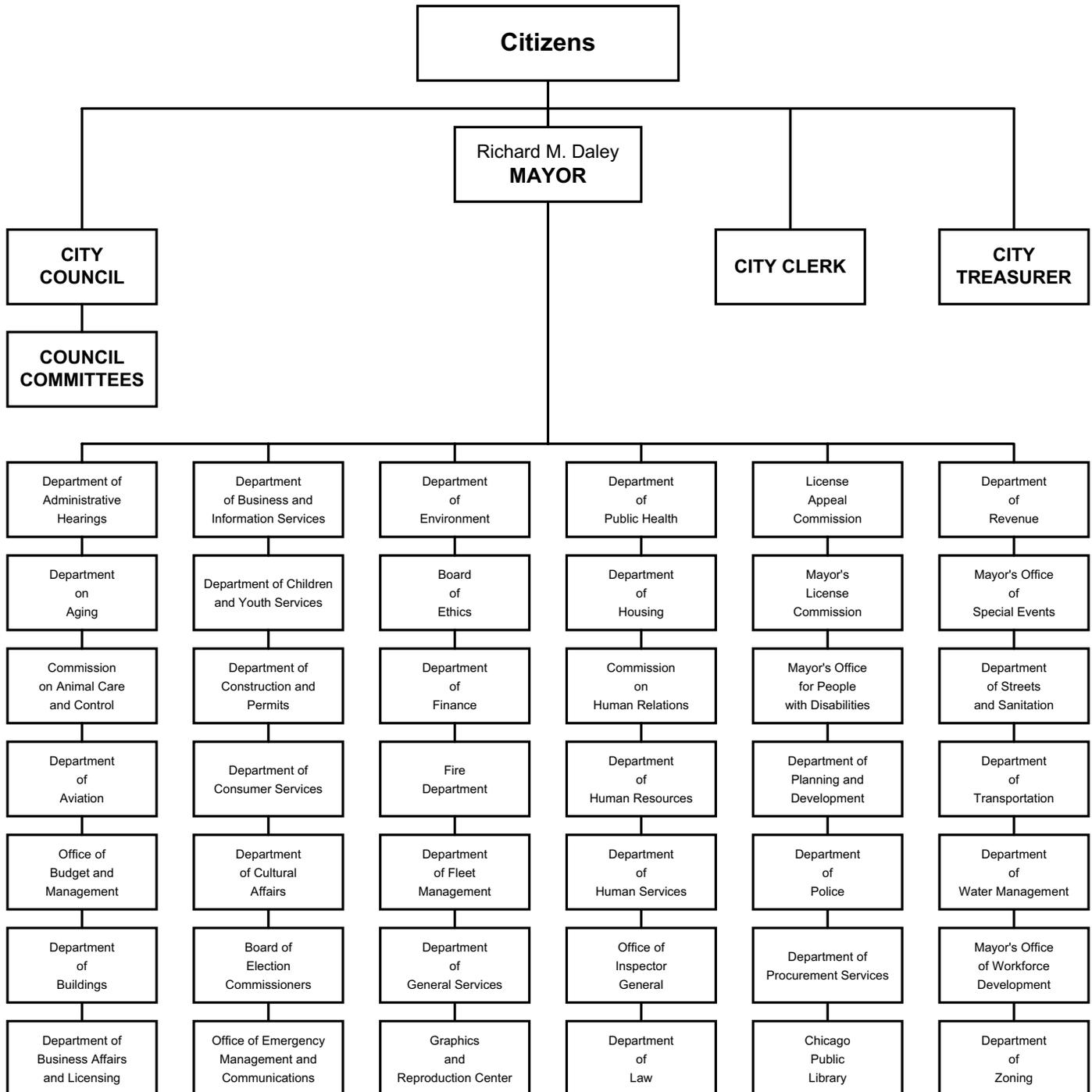
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

**CITY OF CHICAGO
ORGANIZATION CHART
AS OF 12/31/2005**



PART II
FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT,
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
THE FINANCIAL STATEMENTS**



INDEPENDENT AUDITORS' REPORT

To the Honorable Richard M. Daley, Mayor,
and Members of the City Council
City of Chicago, Illinois

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 City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based on the reports 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, such financial statements present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 16 to 28 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. 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.

Our audit was conducted for the purpose of forming an opinion on the City's respective financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of City's management. The combining and individual fund statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

June 21, 2006

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage the readers to consider the information presented here in conjunction with information that we have furnished in our letter of transmittal, contained within this report.

Fiscal 2005 Financial Highlights

- Assets of the City, in the government-wide financial statements, exceeded its liabilities at the close of the most recent fiscal year by \$2,711.5 million (*net assets*). Of this amount, \$3,201.4 million is an unrestricted deficit, while \$2,393.6 million is invested in capital assets, net of related debt and \$3,519.3 million is restricted for specific purposes.
- The City's total assets increased by \$2,886.2 million. The increase relates to \$438.8 million increase in capital assets as a result of the City's capital improvement program and \$2,539.9 million increase in unrestricted and restricted cash and cash equivalents and investments as a result of debt financing used to support the capital plan and the upfront lease payment from the long-term lease of the Skyway.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2005 were \$8,410.1 million, an increase of \$2,845.2 million (51.1 percent) from 2004.
- The General Fund, also in the fund financial statements, ended 2005 with a total Fund Balance of \$110.8 million. Total Fund Balance increased from 2004 primarily because Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by \$40.7 million. Fund Balance at December 31, 2005 of \$53.2 million was reserved for commitments. Unreserved Fund Balance was \$57.6 million at December 31, 2005, compared to a balance of \$42.2 million at the end of 2004.
- The City's general obligation bonds and notes outstanding decreased by \$41.5 million during the current fiscal year. The key factor in this decrease was the defeasance of general obligation bonds utilizing monies from the long-term lease of the Skyway.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. 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 by most businesses. They 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 include two statements:

The *statement of net assets* presents information on all of the City'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 whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The *statement of activities* presents information showing how the government's net assets changed during each 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

vacation). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, employee pensions, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, tollway and airport services.

The government-wide financial statements present information about the City as a primary government, which includes the Chicago Public Library and the City related funds of the Public Building Commission. The government-wide financial statements can be found immediately following this management's discussion and analysis.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 the comparison between *governmental funds and governmental activities*.

The City maintains 19 individual governmental funds. Information for the five funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The five major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriation budget for its general and certain special revenue funds on a non-GAAP budgetary basis. A budgetary comparison statement has been provided for the General Fund, the only major fund with an appropriation budget, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds. 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 including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, tollway and two airports operations. Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund financial statements.

Additional Information. The combining statements, which include nonmajor funds, for governmental funds and trust and agency funds are presented immediately following the notes to the financial statements

Financial Analysis of the City as a Whole

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,711.5 million at December 31, 2005.

By far the largest portion of the City's net assets, \$2,393.6 million reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

**City of Chicago, Illinois
Summary Statement of Net Assets
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,278.0	\$ 4,349.8	\$ 4,581.0	\$ 3,061.7	\$ 9,859.0	\$ 7,411.5
Capital assets	6,337.3	6,259.6	7,768.6	7,407.5	14,105.9	13,667.1
Total assets	11,615.3	10,609.4	12,349.6	10,469.2	23,964.9	21,078.6
Long-term liabilities						
outstanding	9,187.0	8,803.4	10,489.1	7,445.9	19,676.1	16,249.3
Other liabilities	878.9	1,042.4	698.4	652.0	1,577.3	1,694.4
Total Liabilities	10,065.9	9,845.8	11,187.5	8,097.9	21,253.4	17,943.7
Net assets:						
Invested in capital assets, net of related debt	514.3	814.0	1,879.3	1,610.8	2,393.6	2,424.8
Restricted	2,632.7	1,346.8	886.6	877.7	3,519.3	2,224.5
Unrestricted	(1,597.6)	(1,397.2)	(1,603.8)	(117.2)	(3,201.4)	(1,514.4)
Total net assets	\$ 1,549.4	\$ 763.6	\$ 1,162.1	\$ 2,371.3	\$ 2,711.5	\$ 3,134.9

An additional portion of the City's net assets (\$3,519.3 million) represent resources that are subject to external restrictions on how they may be used.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Governmental Activities. Net assets of the City's governmental activities increased \$785.8 million (102.8 percent) to \$1,549.4 million. However, a significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net assets showed a \$1,597.6 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property and casualty claims (\$549.4 million), and Policemen's and Firemen's net pension obligation (\$1,664.1 million). The City will include these amounts in future years' budgets as they come due.

Virtually half of the City's revenue comes from taxes. Total taxes increased by 8.8 percent. Total taxes include a increase in property taxes of \$2.7 million (0.4 percent) relating to the timing of collections. Other taxes increased by \$219.1 million (12.0 percent) primarily attributable to transaction and sales taxes increasing \$46.6 million and \$45.6 million, respectively, based on the City's active real estate market and an increase in the sales tax rate effective July 1, 2005. Federal/State grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2005 were \$5,311.1 million. This reflects an increase of \$281.5 million (5.6 percent) over 2004. General government was the largest component of current expenses, accounting for 34.7 percent of total expenses. General government expenses increased \$200.2 million (12.2 percent) over 2004 because of an increase in related personnel costs as a result of the settlement of labor contracts.

The cost of all governmental activities was \$5,311.1 million.

- The amount that taxpayers paid for these activities through City taxes was only \$2,739.8 million.
 - ◆ Some of the cost was paid by those who directly benefited from the programs (\$572.7 million), or
 - ◆ By other governments and organizations that subsidized certain programs with grants and contributions (\$771.3 million).

The City paid for the "public benefit" portion with \$777.1 million with other revenues such as state aid, interest and miscellaneous income.

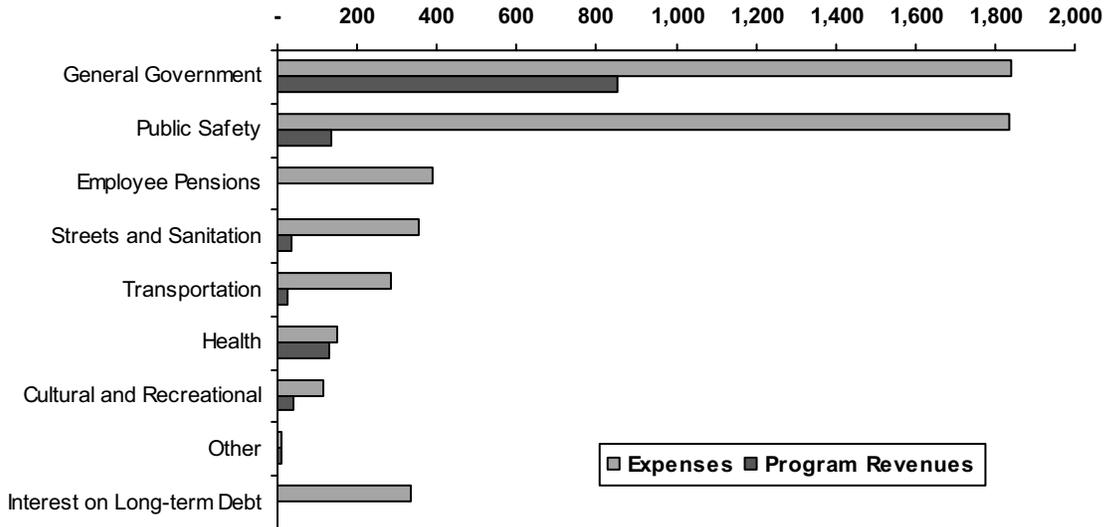
Although total net assets of business-types activities were \$1,162.1 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

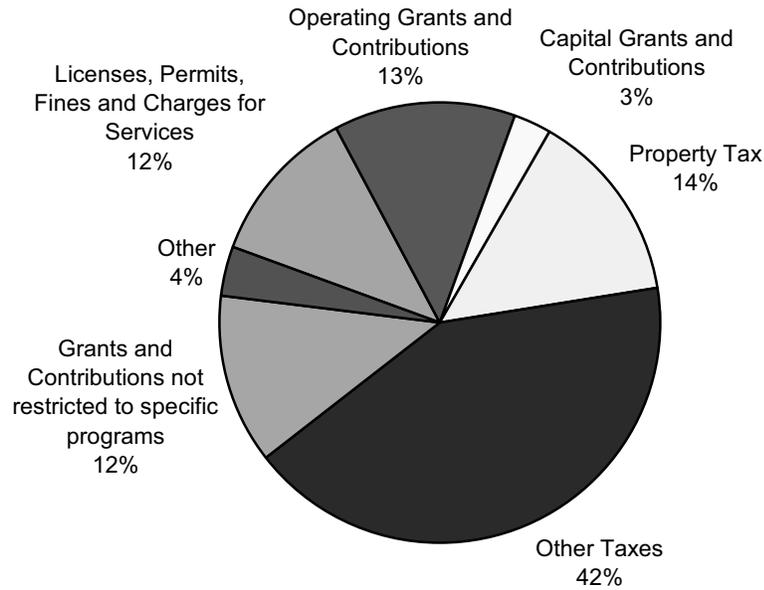
**City of Chicago, Illinois
Changes in Net Assets
Years Ended December 31,
(in millions of dollars)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	\$ 572.7	\$ 564.5	\$ 1,114.8	\$ 1,041.9	\$ 1,687.5	\$ 1,606.4
Operating Grants and Contributions	637.7	649.1	-	-	637.7	649.1
Capital Grants and Contributions	133.7	173.5	228.5	210.9	362.2	384.4
General Revenues:						
Property Taxes	696.1	693.4	-	-	696.1	693.4
Other Taxes	2,043.6	1,824.5	-	-	2,043.6	1,824.5
Grants and Contributions not						
Restricted to Specific Programs	606.5	523.0	-	-	606.5	523.0
Other	170.5	162.8	23.2	32.7	193.7	195.5
Total Revenues	<u>4,860.8</u>	<u>4,590.8</u>	<u>1,366.5</u>	<u>1,285.5</u>	<u>6,227.3</u>	<u>5,876.3</u>
Expenses:						
General Government	1,842.3	1,642.1	-	-	1,842.3	1,642.1
Public Safety	1,834.0	1,853.9	-	-	1,834.0	1,853.9
Employee Pensions	388.1	299.8	-	-	388.1	299.8
Streets and Sanitation	354.0	334.9	-	-	354.0	334.9
Transportation	285.6	275.5	-	-	285.6	275.5
Health	147.4	164.8	-	-	147.4	164.8
Cultural and Recreational	114.5	95.9	-	-	114.5	95.9
Other	9.9	10.6	-	-	9.9	10.6
Interest on Long-term Debt	335.3	352.1	-	-	335.3	352.1
Water	-	-	326.4	297.9	326.4	297.9
Sewer	-	-	132.7	135.0	132.7	135.0
Midway International Airport	-	-	171.0	138.4	171.0	138.4
Chicago-O'Hare International Airport	-	-	692.6	645.4	692.6	645.4
Chicago Skyway	-	-	16.9	42.4	16.9	42.4
Total Expenses	<u>5,311.1</u>	<u>5,029.6</u>	<u>1,339.6</u>	<u>1,259.1</u>	<u>6,650.7</u>	<u>6,288.7</u>
Change in Net Assets Before Transfers	(450.3)	(438.8)	26.9	26.4	(423.4)	(412.4)
Transfers	1,236.1	96.0	(1,236.1)	(96.0)	-	-
Change in Net Assets	785.8	(342.8)	(1,209.2)	(69.6)	(423.4)	(412.4)
Net Assets, Beginning of Year	763.6	1,106.4	2,371.3	2,440.9	3,134.9	3,547.3
Net Assets, End of Year	<u>\$ 1,549.4</u>	<u>\$ 763.6</u>	<u>\$ 1,162.1</u>	<u>\$ 2,371.3</u>	<u>\$ 2,711.5</u>	<u>\$ 3,134.9</u>

Expenses and Program Revenues - Governmental Activities
 (in millions of dollars)



Revenues by Source - Governmental Activities

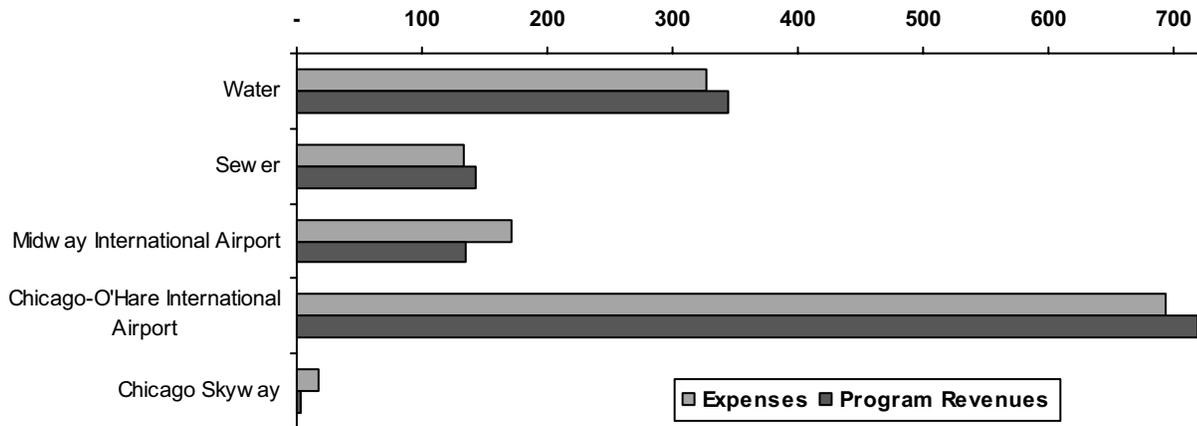


**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

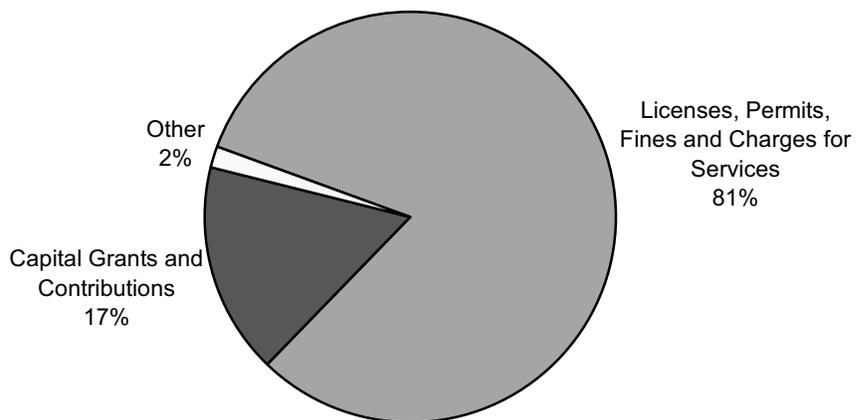
Business-type Activities. Operating revenues of the City's business-type activities increased by \$72.9 million in 2005 due primarily to increases in charges for services. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's revenues for 2005 increased by 5.1 percent from 2004 due to an increase in water rates and an increase in water usage. Operating expenses in 2005 increased by 10.1 percent primarily due to an increase in personnel cost and related fringe benefits.
- The Sewer Fund's revenues decreased 1.0 percent during fiscal year 2005, as the result of a decrease in suburban customers, offset by the 2005 rate increases. Repairs and maintenance for 2005 increased as a result of an increase in personnel costs. Depreciation and amortization increased primarily due to an increase in capital assets.
- Midway International Airport Fund's operating revenues for 2005 increased by \$6.6 million compared to prior year operating revenues. This increase is principally due to increased landing fees and other rental charges. Operating expenses before depreciation and amortization decreased by \$6.7 million primarily due to decreased repairs and maintenance.
- Chicago-O'Hare International Airport Fund's operating revenues for 2005 increased by \$90.3 million (20.4 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses before depreciation and amortization increased by \$34.1 million as a result of an increase in contracted services.
- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of \$1.83 billion of which \$446.3 million was used to advance refund all of the outstanding Skyway bonds. The advance refunding resulted in a nonoperating loss of \$58.3 million. The City transferred \$1.24 billion to governmental activities in 2005.

Expenses and Program Revenues - Business-type Activities
 (in millions of dollars)



Revenues by Source - Business-type Activities



**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *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.

At December 31, 2005, the City's governmental funds reported combined ending fund balances of \$3,093.9 million, an increase of \$1,237.2 million in comparison with the prior year. Over half of this total amount (\$1,689.8 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$158.2 million), 2) to pay debt service (\$688.9 million) and 3) to provide a long-term reserve (\$500 million) and 4) for a variety of other restricted purposes (\$57.0 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$57.6 million with a total fund balance of \$110.8 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.1 percent of total General Fund expenditures, while total fund balance represents 4.0 percent of that same amount.

The fund balance of the City's General Fund increased by \$37.6 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by \$40.7 million.

The Federal, State and Local Grants Fund has a total fund balance of \$15.2 million, \$39.4 million of which is reserved for the resale property, while there is an unreserved, undesignated deficit of \$24.2 million.

The Bond, Note Redemption and Interest Fund has a total fund balance of \$444.1 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Bond, Note Redemption and Interest Fund was \$307.6 million primarily resulting from a sale and leaseback of the City's portion of a rapid transit line.

The Community Development and Improvement Projects Fund has a total fund balance of \$774.7 million, of which \$58.5 million is reserved for encumbrances and the remaining \$716.2 million is unreserved, undesignated. The decrease in fund balance during the current year in the Community Development and Improvement Projects Fund was \$159.9 million.

The Reserve Fund has a total fund balance of \$774.3 million, of which \$500.0 million is reserved as a long-term trust. The remaining is designated for future appropriations.

Changes in fund balance. The City's governmental fund revenues (excluding other financing sources) increased by 9.1 percent or \$424.5 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Midway International Airport Funds at the end of the year amounted to a deficit of \$1,603.8 million. The total decrease in unrestricted net assets related to the \$1,879.3 million of net assets invested in capital assets, net of related debt and the \$886.6 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation and a transfer out of business-type activities of \$1,236.1 million to governmental activities. Other factors

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2005 Original General Fund Budget is \$2,791.1 million. This budget reflects an increase of \$185.7 million (7.1 percent) over the 2004 Budget. The City's 2005 General Fund Budget includes a 0.25 percent increase in the City Sales Tax and a 0.50 percent increase in the Hotel Tax effective July 1, 2005, and increases in Cigarette and Liquor Taxes effective January 1, 2005. The City's 2005 General Fund Budget was approved by the City Council on December 15, 2004.

The General Fund revenues and expenditures in 2005 ended the current fiscal year with an available unreserved fund balance of \$57.6 million, which is a \$15.4 million increase over 2004.

The General Fund revenues on a budgetary basis were \$1.3 million greater than the final budget as a result of higher than expected sales, income, and transaction taxes. These revenues were offset by unfavorable results from various tax revenues. Expenditures were \$14.6 million less than budgeted as a result of favorable variances in general government, health, streets and sanitation, and transportation offset by unfavorable variance in public safety. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of December 31, 2005 amount to \$14,105.9 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

Major capital asset events during the current fiscal year included the following:

- Purchase of Administrative Hearings building on West Superior Street.
- South Lake Shore Drive mainline reconstruction project is in process.
- Three new libraries opened in 2005:
 - Logan Square Library on West Fullerton Avenue;
 - John Toman Library on South Pulaski Road; and
 - West Pullman/Washington Heights Library on West 119th Street.
- Three new police stations were completed for the 10th, 15th and 17th Police Districts.
- Three new fire houses were completed for the 38th, 84th and 88th Engine Companies.
- The 2005 Water Main Replacement Program completed 35 miles of water mains at a replacement cost of \$34.2 million. A new Chlorine Building was also completed.
- The 2005 Sewer Main Replacement Program completed 7 miles of sewer mains and 12 miles of relining of existing sewer mains at a cost of \$34.6 million.
- Midway International Airport expended \$64.3 million on capital activities principally due to the Terminal Development Program construction activities consisting of terminal improvements, airside apron pavement, parking and roadway improvements as well as land acquisition.
- Chicago-O'Hare International Airport completed projects totaling \$348.2 million. This included \$72.9 million for land acquisition and the balance of \$275.3 for terminal improvements, security enhancement, snow dump improvements, runway, roadway, and parking improvements.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

**City of Chicago, Illinois
Capital Assets (net of depreciation)
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,229.9	\$ 1,224.8	\$ 353.4	\$ 280.5	\$ 1,583.3	\$ 1,505.3
Works of Art and Historical Collections	10.3	9.6	-	-	10.3	9.6
Construction in Progress	95.5	197.4	756.8	540.0	852.3	737.4
Buildings and Other Improvements	1,189.7	1,077.1	6,411.2	6,331.1	7,600.9	7,408.2
Machinery and Equipment	240.7	253.9	247.2	255.9	487.9	509.8
Infrastructure	<u>3,571.2</u>	<u>3,496.8</u>	<u>-</u>	<u>-</u>	<u>3,571.2</u>	<u>3,496.8</u>
Total	<u>\$ 6,337.3</u>	<u>\$ 6,259.6</u>	<u>\$ 7,768.6</u>	<u>\$ 7,407.5</u>	<u>\$ 14,105.9</u>	<u>\$ 13,667.1</u>

Information on the City's capital assets can be found in Note #7 of this report.

Debt. At the end of the current fiscal year, the City had \$5,247.0 million in General Obligation Bonds and Notes and \$346.9 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$159.7 million in Motor Fuel Tax Revenue Bonds; \$370.9 million of Sales Tax Revenue Bonds; \$411.2 million in Tax Increment Financing Bonds; \$10.9 million in Installment Purchase Agreements; and \$8,748.3 million in Enterprise Fund Bonds and long-term obligations.

**City of Chicago, Illinois
General Obligation and Revenue Bonds
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation	\$ 5,593.9	\$ 5,635.4	\$ -	\$ -	\$ 5,593.9	\$ 5,635.4
Installment Purchase Agreement	10.9	12.4	-	-	10.9	12.4
Tax Increment Revenue Bonds	411.2	473.8	-	-	411.2	473.8
	<u>530.6</u>	<u>543.4</u>	<u>8,748.3</u>	<u>7,615.4</u>	<u>9,278.9</u>	<u>8,158.8</u>
Total	<u>\$ 6,546.6</u>	<u>\$ 6,665.0</u>	<u>\$ 8,748.3</u>	<u>\$ 7,615.4</u>	<u>\$ 15,294.9</u>	<u>\$ 14,280.4</u>

During 2005, the City issued the following:

General Obligation Bonds and Notes:

- General Obligation Bonds, Refunding Series 2005A (\$441.1 million)
- General Obligation Bonds, Project and Refunding Taxable Series 2005B and C (\$339.3 million)
- General Obligation Bonds, Refunding Series 2005D (\$222.8 million)
- General Obligation Bonds, Project Series 2005E (\$114.7 million)
- General Obligation Tender Notes Series 2005 (\$66.2 million)
- General Obligation Commercial Paper Notes (\$48.9 million)

Tax Increment Allocation and Revenue Bonds and Notes:

- Various Tax Increment Allocation Notes, Taxable Series 2004, totaling (\$1.5 million)
- Sales Tax Revenue Bonds, Refunding Series 2005, totaling (\$142.8 million)

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International Airport General Airport Third Lien Revenue Bonds, Project and Refunding Series 2005A, B, C & D (\$1,500.0 million)
- O'Hare Commercial Paper Notes (\$388.3 million)
- Water Commercial Paper Notes (\$23.3 million)

At December 31, 2005 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation:			
City	A1	AA-	AA
Revenue Bonds:			
O'Hare Airport:			
First Lien	A1	A+	AA-
Second Lien	A1	A	AA-
Third Lien	A2	A-	A
First Lien PFC	A1	A+	A+
Second Lien PFC	A2	A	A
Midway Airport:			
First Lien	A2	A	A+
Second Lien	A3	A-	A
Water:			
First Lien	Aa3	AA-	AA+
Second Lien	A1	A+	AA
Wastewater:			
First Lien	n/a	n/a	n/a
Second Lien	A3	A-	AA-
Skyway	n/a	n/a	A-

In 2005 all three rating agencies upgraded the City's bond ratings and/or revised the City's financial outlook to "positive." Information on the City's long-term debt can be found in Note #10 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's economy showed a slight recovery as economically sensitive taxes increased in 2005. The City's real estate market continued to show strong activity as real estate transaction taxes exceeded the 2005 budget by 27.3 percent and increased \$45.6 million as compared to 2004. The median sales price for single family dwellings rose 11.5 percent to \$238,125 from \$213,650 in 2004 and condominiums rose 10.4 percent to a median price of \$175,000.

Chicago remains a center of tourism and conventions with hotel occupancy increasing to a rate of 72.2 percent in 2005. Hotel projects completed in 2005 included the Four Points by Sheraton Hotel with 226 rooms. Despite decreases in travel due to the economy, Chicago had a full calendar of conventions in 2005.

The City's unemployment rate of 7.0 percent in 2005 decreased from 7.2 percent in 2004; another sign of the rebounding economy.

On December 14, 2005, the City Council approved the City's 2006 General Fund Budget in the amount of \$2,950.0 million which includes a planned \$96.4 million utilization of Skyway lease proceeds. This budget reflects an increase over the 2005 General Fund budget of \$158.9 million (5.7 percent). The only new or increased tax in the budget is a 20 cent increase in cigarette tax. The 2006 budget contains no increase in the property tax for the third year in a row.

**CITY OF CHICAGO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of 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 City of Chicago Comptroller's Office.

Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
December 31, 2005
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,067,430	\$ 333,669	\$ 1,401,099
Investments	1,208,782	62,564	1,271,346
Cash and Investments with Escrow Agent	344,759	-	344,759
Receivables (Net of Allowances):			
Property Tax	1,040,761	-	1,040,761
Accounts	592,570	182,616	775,186
Internal Balances	10,135	(10,135)	-
Inventories	17,578	12,656	30,234
Restricted Assets:			
Cash and Cash Equivalents	-	2,290,261	2,290,261
Investments	490,458	1,249,934	1,740,392
Other Assets	505,551	459,428	964,979
Capital Assets:			
Land, Improvements, Art, and Construction in Progress	1,335,697	1,110,213	2,445,910
Other Capital Assets, net of Accumulated Depreciation	5,001,574	6,658,373	11,659,947
Total Capital Assets	<u>6,337,271</u>	<u>7,768,586</u>	<u>14,105,857</u>
Total Assets	<u>\$ 11,615,295</u>	<u>\$ 12,349,579</u>	<u>\$ 23,964,874</u>
LIABILITIES			
Voucher Warrants Payable	\$ 374,814	\$ 262,344	\$ 637,158
Short-term Debt	747	-	747
Accrued Interest	87,256	143,221	230,477
Accrued and Other Liabilities	367,726	117,239	484,965
Unearned Revenue	48,304	175,606	223,910
Long-term Liabilities:			
Due Within One Year	292,737	503,864	796,601
Due in More Than One Year	8,894,270	9,985,240	18,879,510
Total Liabilities	<u>10,065,854</u>	<u>11,187,514</u>	<u>21,253,368</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	514,271	1,879,343	2,393,614
Restricted for:			
Capital Projects	20,449	222,121	242,570
Long-term Reserve	774,272	-	774,272
Debt Service	1,245,374	50,951	1,296,325
Federal, State and Local Grants	15,178	-	15,178
Other Purposes	577,531	613,416	1,190,947
Unrestricted (Deficit)	<u>(1,597,634)</u>	<u>(1,603,766)</u>	<u>(3,201,400)</u>
Total Net Assets	<u>\$ 1,549,441</u>	<u>\$ 1,162,065</u>	<u>\$ 2,711,506</u>

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	\$ 1,842,353	\$ 363,196
Public Safety	1,834,008	120,853
Employee Pensions	388,053	-
Streets and Sanitation	353,976	36,980
Transportation	285,598	23,260
Health	147,376	4,165
Cultural and Recreational	114,504	24,288
Other	9,892	1
Interest on Long-term Debt	335,373	-
Total Governmental Activities	<u>5,311,133</u>	<u>572,743</u>
Business-type Activities:		
Water	326,444	344,267
Sewer	132,727	143,522
Midway Airport	170,959	92,228
Chicago O'Hare International Airport	692,575	532,877
Chicago Skyway	16,915	1,896
Total Business-type Activities	<u>1,339,620</u>	<u>1,114,790</u>
Total Primary Government	<u>\$ 6,650,753</u>	<u>\$ 1,687,533</u>

See notes to basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 472,536	\$ 16,513	\$ (990,108)	\$ -	\$ (990,108)
15,756	-	(1,697,399)	-	(1,697,399)
-	-	(388,053)	-	(388,053)
-	-	(316,996)	-	(316,996)
-	117,160	(145,178)	-	(145,178)
125,907	-	(17,304)	-	(17,304)
14,765	-	(75,451)	-	(75,451)
8,690	-	(1,201)	-	(1,201)
-	-	(335,373)	-	(335,373)
<u>637,654</u>	<u>133,673</u>	<u>(3,967,063)</u>	<u>-</u>	<u>(3,967,063)</u>
-	-	-	17,823	17,823
-	-	-	10,795	10,795
-	42,520	-	(36,211)	(36,211)
-	185,429	-	25,731	25,731
-	518	-	(14,501)	(14,501)
<u>-</u>	<u>228,467</u>	<u>-</u>	<u>3,637</u>	<u>3,637</u>
<u>\$ 637,654</u>	<u>\$ 362,140</u>	<u>(3,967,063)</u>	<u>3,637</u>	<u>(3,963,426)</u>
General Revenues				
Taxes:				
Property Tax		696,085	-	696,085
Utility Tax		539,325	-	539,325
Sales Tax		248,807	-	248,807
Transportation Tax		337,993	-	337,993
Transaction Tax		325,227	-	325,227
Special Area Tax		386,537	-	386,537
Other Taxes		205,811	-	205,811
Grants and Contributions not Restricted to				
Specific Programs		606,509	-	606,509
Unrestricted Investment Earnings		80,728	57,916	138,644
Miscellaneous		89,825	(34,720)	55,105
Total General Revenues		<u>3,516,847</u>	<u>23,196</u>	<u>3,540,043</u>
Transfers		1,236,099	(1,236,099)	-
Change in Net Assets		785,883	(1,209,266)	(423,383)
Net Assets - Beginning		763,558	2,371,331	3,134,889
Net Assets - Ending		<u>\$ 1,549,441</u>	<u>\$ 1,162,065</u>	<u>\$ 2,711,506</u>

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants
ASSETS		
Cash and Cash Equivalents	\$ 6	\$ 6,922
Investments	5,149	33,279
Cash and Investments with Escrow Agent	-	667
Receivables (Net of Allowances):		
Property Tax	-	-
Accounts	188,918	28,216
Due From Other Funds	136,274	90,777
Due From Other Governments	180,181	122,788
Inventories	17,578	-
Restricted Investments	-	-
Other Assets	-	39,412
Total Assets	\$ 528,106	\$ 322,061
LIABILITIES AND FUND BALANCE		
Liabilities:		
Voucher Warrants Payable	\$ 120,383	\$ 114,977
Bonds, Notes and Other Obligations Payable - Current	-	-
Accrued Interest	-	-
Due To Other Funds	217,062	140,351
Accrued and Other Liabilities	68,468	4,754
Claims Payable	9,871	-
Deferred Revenue	1,503	46,801
Total Liabilities	417,287	306,883
Fund Balance:		
Reserved for Encumbrances	35,593	-
Reserved for Resale Property	-	39,412
Reserved for Inventory	17,578	-
Reserved for Debt Service	-	-
Reserved for Long-term Trust Fund	-	-
Unreserved, Designated for Future Appropriations	-	-
Unreserved, Undesignated	57,648	(24,234)
Total Fund Balance	110,819	15,178
Total Liabilities and Fund Balance	\$ 528,106	\$ 322,061

See notes to basic financial statements.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ 7,102	\$ 290,654	\$ 152,079	\$ 610,667	\$ 1,067,430
271,637	13,971	673,242	211,504	1,208,782
-	179,990	-	164,102	344,759
-	376,747	-	664,014	1,040,761
5,075	590	5,045	21,940	249,784
-	73,038	19,113	107,841	427,043
-	1,193	-	38,624	342,786
-	-	-	-	17,578
490,458	-	-	-	490,458
-	-	-	-	39,412
<u>\$ 774,272</u>	<u>\$ 936,183</u>	<u>\$ 849,479</u>	<u>\$ 1,818,692</u>	<u>\$ 5,228,793</u>
\$ -	\$ -	\$ 41,448	\$ 81,037	\$ 357,845
-	73,402	-	3,520	76,922
-	81,477	-	4,154	85,631
-	7,619	33,247	108,750	507,029
-	-	54	65,906	139,182
-	-	-	-	9,871
-	329,586	-	580,507	958,397
<u>-</u>	<u>492,084</u>	<u>74,749</u>	<u>843,874</u>	<u>2,134,877</u>
-	-	58,526	64,102	158,221
-	-	-	-	39,412
-	-	-	-	17,578
-	444,099	-	244,788	688,887
500,000	-	-	-	500,000
274,272	-	-	-	274,272
-	-	716,204	665,928	1,415,546
<u>774,272</u>	<u>444,099</u>	<u>774,730</u>	<u>974,818</u>	<u>3,093,916</u>
<u>\$ 774,272</u>	<u>\$ 936,183</u>	<u>\$ 849,479</u>	<u>\$ 1,818,692</u>	<u>\$ 5,228,793</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,337,271
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,321,144
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,202,890)
Net assets of governmental activities	<u>\$ 1,549,441</u>

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Reserve
Revenues:			
Property Tax	\$ -	\$ -	\$ -
Utility Tax	492,109	-	-
Sales Tax	471,069	-	-
Transportation Tax	152,037	-	-
State Income Tax	307,462	-	-
Transaction Tax	325,227	-	-
Special Area Tax	-	-	-
Other Taxes	191,777	-	-
Federal/State Grants	2,066	804,406	-
Internal Service	250,231	-	-
Licenses and Permits	120,904	-	-
Fines	194,488	-	-
Investment Income	5,900	-	17,516
Charges for Services	90,964	-	-
Miscellaneous	59,879	-	-
Total Revenues	2,664,113	804,406	17,516
Expenditures:			
Current:			
General Government	884,040	496,496	-
Health	36,631	122,907	-
Public Safety	1,546,359	15,756	-
Streets and Sanitation	229,414	-	-
Transportation	32,108	123,255	-
Cultural and Recreational	-	14,765	-
Employee Pensions	-	-	-
Other	3,313	5,690	-
Capital Outlay	-	16,513	-
Debt Service:			
Principal Retirement	4,975	-	-
Interest and Other Fiscal Charges	2,730	-	-
Total Expenditures	2,739,570	795,382	-
Revenues Over (Under) Expenditures ..	(75,457)	9,024	17,516

Continued on following pages.

Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 428,876	\$ -	\$ 310,543	\$ 739,419
15,541	-	31,675	539,325
25,710	-	2,449	499,228
19,583	-	166,373	337,993
-	-	46,560	354,022
-	-	-	325,227
-	-	346,580	346,580
13	-	14,021	205,811
-	-	-	806,472
-	-	23,285	273,516
-	-	-	120,904
-	-	16,362	210,850
7,735	24,882	24,695	80,728
-	-	40,175	131,139
669	6,649	29,896	97,093
<u>498,127</u>	<u>31,531</u>	<u>1,052,614</u>	<u>5,068,307</u>
-	-	239,771	1,620,307
-	-	7,042	166,580
-	-	49,808	1,611,923
-	-	110,346	339,760
-	-	66,014	221,377
-	-	80,388	95,153
-	-	388,053	388,053
-	-	379	9,382
-	354,765	81,006	452,284
387,308	-	151,130	543,413
263,746	-	35,186	301,662
<u>651,054</u>	<u>354,765</u>	<u>1,209,123</u>	<u>5,749,894</u>
<u>(152,927)</u>	<u>(323,234)</u>	<u>(156,509)</u>	<u>(681,587)</u>

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	<u>General</u>	<u>Federal, State and Local Grants</u>	<u>Reserve</u>
Other Financing Sources (Uses):			
Issuance of Debt, Including Premium	\$ 15,050	\$ -	\$ -
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	118,244	-	825,000
Transfers Out	<u>(17,100)</u>	<u>(8,001)</u>	<u>(68,244)</u>
Total Other Financing Sources (Uses)	<u>116,194</u>	<u>(8,001)</u>	<u>756,756</u>
Net Changes in Fund Balance	40,737	1,023	774,272
Fund Balance, Beginning of Year	73,227	14,155	-
Change in Inventory	<u>(3,145)</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 110,819</u>	<u>\$ 15,178</u>	<u>\$ 774,272</u>

See notes to basic financial statements.

Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,513,417	\$ 160,679	\$ 182,750	\$ 1,871,896
(1,051,917)	-	(134,148)	(1,186,065)
-	2,627	523,986	1,469,857
(1,000)	-	(139,413)	(233,758)
<u>460,500</u>	<u>163,306</u>	<u>433,175</u>	<u>1,921,930</u>
307,573	(159,928)	276,666	1,240,343
136,526	934,658	698,152	1,856,718
-	-	-	(3,145)
<u>\$ 444,099</u>	<u>\$ 774,730</u>	<u>\$ 974,818</u>	<u>\$ 3,093,916</u>

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,240,343
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	83,366
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(3,377)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	(170,461)
Certain 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	<u>(363,988)</u>
Change in the net assets of governmental activities	<u>\$ 785,883</u>

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	\$ 500,020	\$ 500,020	\$ 492,109	\$ (7,911)
Sales Tax	199,400	199,400	220,648	21,248
Transportation Tax	152,900	152,900	152,037	(863)
Transaction Tax	268,219	268,219	325,227	57,008
Recreation Tax	110,250	110,250	115,216	4,966
Business Tax	68,300	68,300	73,324	5,024
State Income Tax	253,900	253,900	307,462	53,562
State Sales Tax	246,000	246,000	250,421	4,421
State Auto Rental	3,400	3,400	3,237	(163)
Federal/State Grants	4,000	4,000	2,066	(1,934)
Internal Service	275,977	275,977	250,231	(25,746)
Licenses and Permits	114,210	114,210	120,904	6,694
Fines	189,055	189,055	194,488	5,433
Investment Income	3,500	3,500	5,900	2,400
Charges for Services	83,030	83,030	67,180	(15,850)
Municipal Utilities	25,200	25,200	23,180	(2,020)
Leases, Rentals and Sales	40,000	40,000	34,548	(5,452)
Miscellaneous	31,450	31,450	25,935	(5,515)
Issuance of Debt, Net of				
Original Discount	15,050	15,050	15,050	-
Budgeted Prior Years' Surplus				
and Reappropriations	51,771	51,771	-	(51,771)
Transfers In/Out	155,450	160,450	118,244	(42,206)
Total Revenues	2,791,082	2,796,082	2,797,407	1,325
Expenditures:				
Current:				
General Government	932,535	937,535	929,631	7,904
Health	39,816	39,816	36,798	3,018
Public Safety	1,532,537	1,532,537	1,546,078	(13,541)
Streets and Sanitation	238,114	238,114	229,437	8,677
Transportation	39,863	39,863	31,868	7,995
Debt Service:				
Principal Retirement	4,975	4,975	4,975	-
Interest and Other Fiscal Charges	3,242	3,242	2,735	507
Total Expenditures	2,791,082	2,796,082	2,781,522	14,560
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,885</u>	<u>\$ 15,885</u>

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Midway Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 52,866	\$ 12,918	\$ 53,281	\$ 190,329	\$ 24,275	\$ 333,669
Investments	9,410	4,212	15,232	27,457	6,253	62,564
Accounts Receivable (Net of Allowances)	66,338	30,328	7,111	43,290	179	147,246
Due from Other Funds	12,530	31,825	3,625	17,339	813	66,132
Due from Other Governments	-	-	58	33,667	-	33,725
Inventories	10,945	1,711	-	-	-	12,656
Total Current Assets	152,089	80,994	79,307	312,082	31,520	655,992
RESTRICTED ASSETS:						
Cash and Cash Equivalents	47,742	55,324	211,578	1,971,701	3,916	2,290,261
Investments	103,466	69,765	201,958	874,745	-	1,249,934
Total Restricted Assets	151,208	125,089	413,536	2,846,446	3,916	3,540,195
OTHER ASSETS	8,872	6,865	63,728	369,635	10,328	459,428
PROPERTY, PLANT AND EQUIPMENT:						
Land	5,083	560	100,903	234,279	12,609	353,434
Structures, Equipment and Improvements	2,326,884	1,299,755	1,044,383	4,295,043	486,821	9,452,886
Accumulated Depreciation	(596,471)	(285,062)	(145,300)	(1,637,338)	(130,342)	(2,794,513)
Construction Work in Progress	98,049	8,474	114,906	535,350	-	756,779
Total Property, Plant and Equipment	1,833,545	1,023,727	1,114,892	3,427,334	369,088	7,768,586
Total Assets	\$ 2,145,714	\$ 1,236,675	\$ 1,671,463	\$ 6,955,497	\$ 414,852	\$ 12,424,201

See notes to basic financial statements.

Business-type Activities - Enterprise Funds						
Major Funds						
	Water	Sewer	Midway Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
LIABILITIES						
CURRENT LIABILITIES:						
Voucher Warrants Payable	\$ 42,048	\$ 16,312	\$ 14,728	\$ 60,512	\$ 386	\$ 133,986
Due to Other Funds	38,174	1,077	4,932	9,852	20,587	74,622
Accrued and Other Liabilities	55,292	21,289	-	16,900	161	93,642
Deferred Revenue	11,739	8,567	25,142	130,158	-	175,606
Total Current Liabilities	147,253	47,245	44,802	217,422	21,134	477,856
Current Liabilities Payable From Restricted Assets	35,649	26,632	65,832	665,615	5,312	799,040
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	1,020,154	707,885	1,252,477	5,193,209	-	8,173,725
Long-term Lease Obligation	-	-	-	-	1,811,515	1,811,515
Total Noncurrent Liabilities	1,020,154	707,885	1,252,477	5,193,209	1,811,515	9,985,240
Total Liabilities	1,203,056	781,762	1,363,111	6,076,246	1,837,961	11,262,136
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	819,025	411,008	73,843	211,908	363,559	1,879,343
Restricted Net Assets:						
Debt Service	-	-	1,369	49,582	-	50,951
Capital Projects	76,233	297	35,941	105,733	3,917	222,121
Passenger Facility Charges	-	-	37,023	264,924	-	301,947
Contractual Use Agreement	-	-	42,492	88,544	-	131,036
Other	-	-	82,706	97,726	1	180,433
Unrestricted Net Assets	47,400	43,608	34,978	60,834	(1,790,586)	(1,603,766)
Total Net Assets	\$ 942,658	\$ 454,913	\$ 308,352	\$ 879,251	\$ (1,423,109)	\$ 1,162,065

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Midway Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services	\$ 333,685	\$ 141,314	\$ 32,847	\$ 297,829	\$ 1,890	\$ 807,565
Rent	-	-	59,381	235,048	-	294,429
Other	10,582	2,208	-	-	6	12,796
Total Operating Revenues	344,267	143,522	92,228	532,877	1,896	1,114,790
Operating Expenses:						
Personal Services	106,233	5,454	32,259	134,026	521	278,493
Contractual Services	54,632	3,587	11,274	52,141	763	122,397
Repairs and Maintenance	2,260	52,947	31,690	73,903	151	160,951
Commodities and Materials	10,584	-	-	-	-	10,584
Depreciation and Amortization	37,466	18,683	35,677	141,920	13,971	247,717
General Fund Reimbursements	37,946	26,823	-	-	-	64,769
Other	34,225	-	13,004	91,895	-	139,124
Total Operating Expenses	283,346	107,494	123,904	493,885	15,406	1,024,035
Operating Income (Loss)	60,921	36,028	(31,676)	38,992	(13,510)	90,755
Nonoperating Revenues (Expenses):						
Investment Income	2,559	802	7,866	45,865	824	57,916
Interest Expense	(43,098)	(25,233)	(47,055)	(198,690)	(1,509)	(315,585)
Passenger Facility Charges	-	-	24,437	142,954	-	167,391
Other	3,185	(15)	777	116	(38,783)	(34,720)
Total Nonoperating Revenues (Expenses)	(37,354)	(24,446)	(13,975)	(9,755)	(39,468)	(124,998)
Transfers Out	-	-	-	-	(1,236,099)	(1,236,099)
Capital Grants	-	-	18,083	42,475	518	61,076
Net Income (Loss)	23,567	11,582	(27,568)	71,712	(1,288,559)	(1,209,266)
Net Assets (Deficit) - Beginning of Year	919,091	443,331	335,920	807,539	(134,550)	2,371,331
Net Assets (Deficit) - End of Year	\$ 942,658	\$ 454,913	\$ 308,352	\$ 879,251	\$ (1,423,109)	\$ 1,162,065

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Midway Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	\$ 341,711	\$ 143,988	\$ 99,899	\$ 538,928	\$ 2,431	\$ 1,126,957
Payments to Vendors	(45,279)	(13,663)	(48,759)	(144,006)	(2,230)	(253,937)
Payments to Employees	(123,677)	(38,512)	(29,973)	(150,658)	(409)	(343,229)
Transactions with Other City Funds	(43,586)	(43,336)	(6,052)	(33,849)	(1,018)	(127,841)
Cash Flows from Operating Activities	129,169	48,477	15,115	210,415	(1,226)	401,950
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	23,312	-	-	1,949,491	-	1,972,803
Proceeds from Long-Term Lease	-	-	-	-	1,811,494	1,811,494
Acquisition and Construction of Capital Assets						
Capital Grant Receipts	-	-	39,480	22,903	518	62,901
Bond Issuance Costs	-	-	-	(29,901)	-	(29,901)
Payment to Refund Bonds	-	-	-	(269,949)	-	(269,949)
Principal Paid on Bonds	(19,026)	(10,330)	(7,425)	(60,355)	(446,324)	(543,460)
Interest Paid	(41,254)	(33,071)	(58,575)	(215,010)	(12,981)	(360,891)
Passenger Facility Charges	-	-	23,893	139,146	-	163,039
Noise Mitigation Program	-	-	(7,570)	(10,730)	-	(18,300)
Intergovernmental Loan	-	-	-	-	(1,315,300)	(1,315,300)
Cash Flows from Capital and Related Financing Activities	(145,501)	(82,137)	(83,262)	1,220,566	7,961	917,627
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	(195)	27,703	14,709	(93,256)	(4,795)	(55,834)
Investment Interest	5,757	2,485	13,932	53,770	870	76,814
Cash Flows from Investing Activities	5,562	30,188	28,641	(39,486)	(3,925)	20,980
Net Increase (Decrease) in Cash and Cash Equivalents	(10,770)	(3,472)	(39,506)	1,391,495	2,810	1,340,557
Cash and Cash Equivalents, Beginning of Year	111,378	71,714	304,365	770,535	25,381	1,283,373
Cash and Cash Equivalents, End of Year	\$ 100,608	\$ 68,242	\$ 264,859	\$ 2,162,030	\$ 28,191	\$ 2,623,930

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Midway Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 60,921	\$ 36,028	\$ (31,676)	\$ 38,992	\$ (13,510)	\$ 90,755
Adjustments to Reconcile:						
Depreciation and Amortization	37,466	18,683	35,677	141,920	13,971	247,717
Provision for Uncollectible Accounts	2,736	-	463	1,235	-	4,434
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(2,979)	(43)	141	(151)	535	(2,497)
(Increase) Decrease in Due From Other Funds ...	(2,214)	(15,539)	(2,419)	563	(509)	(20,118)
Increase (Decrease) in Voucher Warrants						
Payable and Due to Other Funds	32,547	5,266	6,242	21,431	(1,062)	64,424
Increase (Decrease) in Deferred Revenue and Other Liabilities	2,217	4,012	6,687	6,425	(1,687)	17,654
(Increase) Decrease in Inventories and Other Assets	(1,525)	70	-	-	1,036	(419)
Cash Flows from Operating Activities	<u>\$ 129,169</u>	<u>\$ 48,477</u>	<u>\$ 15,115</u>	<u>\$ 210,415</u>	<u>\$ (1,226)</u>	<u>\$ 401,950</u>

Supplemental Disclosure of

Noncash Items:

Capital asset additions in 2005

included in accounts payable

and accrued and other liabilities

	<u>\$ 12,007</u>	<u>\$ 6,116</u>	<u>\$ 12,300</u>	<u>\$ 93,500</u>	<u>\$ 5,527</u>	<u>\$ 129,450</u>
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See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$ 264,963	\$ 125,132
Investments	12,806,169	38,358
Cash and Investments with		
Escrow Agent	-	20,451
Property Tax Receivable	-	18,201
Accounts Receivable, Net	557,023	8,176
Due From City	42,233	68,229
Invested Securities Lending Collateral	1,435,878	-
Total Assets	<u>\$ 15,106,266</u>	<u>\$ 278,547</u>
LIABILITIES		
Voucher Warrants Payable	\$ 424,943	\$ 49,897
Due To City	-	21,986
Accrued and Other Liabilities	-	206,664
Securities Lending Collateral	1,435,878	-
Total Liabilities	<u>1,860,821</u>	<u>278,547</u>
NET ASSETS		
Reserved for Employee		
Benefit Plans	13,245,445	-
Total Net Assets	<u>\$ 13,245,445</u>	<u>\$ -</u>

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	<u>Total</u>
ADDITIONS	
Contributions:	
Employees	\$ 263,606
City	<u>423,147</u>
Total Contributions	<u>686,753</u>
Investment Income:	
Net Appreciation in	
Fair Value of Investments	659,921
Interest, Dividends and Other	276,916
Investment Expense	<u>(45,161)</u>
Net Investment Income	<u>891,676</u>
Securities Lending Transactions:	
Securities Lending Income	45,079
Securities Lending Expense	<u>(42,429)</u>
Net Securities Lending Transactions	<u>2,650</u>
Total Additions	<u>1,581,079</u>
DEDUCTIONS	
Benefits and Refunds of Deductions	1,274,251
Administrative and General	<u>13,482</u>
Total Deductions	<u>1,287,733</u>
Net Increase in Net Assets	<u>293,346</u>
Net Assets Held in Trust for	
Pension Benefits:	
Beginning of Year	<u>12,952,099</u>
End of Year	<u><u>\$ 13,245,445</u></u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB). For the year ended December 31, 2005, the City adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

- a) **Reporting Entity** - The City includes the Chicago Public Library and the City-related funds of the Public Building Commission. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

The City's financial statements blend the following legally separate component units because they are fiscally dependent on the City and perform services primarily for City employees:

The Municipal Employees' Annuity and Benefit Fund of Chicago is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

The Policemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

The Firemen's Annuity and Benefit Fund of Chicago is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

Financial statements for each of the pension plans may be obtained at the respective fund's office.

Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no fiscal dependency exists between the City and these organizations. The Chicago Park District, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

- b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

- c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is deferred unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Reserve Fund accounts for a Mid-term and Long-term Reserve. The Mid-term is subject to appropriation; whereas the Long-term's principal is legally restricted. These reserves were created as a result of the Skyway Lease Transaction.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property and finance construction and supporting services for various redevelopment projects.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water treatment facilities and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Midway International Airport Fund records operations of Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger service. Midway Airport is conveniently located 10 miles from downtown Chicago. The Chicago Department of Aviation celebrated the completion of the historic Midway Airport Terminal Development Program in 2004, an eight year program that transformed Chicago's southwest side airport. Throughout the redevelopment of Midway, the airport experienced record-breaking growth, and today remains one of the fastest growing airports in the nation.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 155 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 21 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of \$1.83 billion.

Additionally, the City reports the following fiduciary fund types:

Pension Trust Funds report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

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 GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods and services, or privileges provided, or fines, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and skyway funds are charges to customers for sales and services. The airport funds principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The preparation of financial statements in conformity with GAAP requires management to make certain 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. Accordingly, actual results could differ from those estimates.

d) Assets, liabilities, and net assets or equity

- i) **Cash, Cash Equivalents and Investments** generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

The Code permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City's four retirement plans are established by State law and administered by independent pension boards. Each independent pension board has authority to invest the assets of its respective plan subject to State law.

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities that are pledged to secure these agreements have a market value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity date in excess of two years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

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

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

- ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

- iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and are offset by a reservation of fund balance to indicate that they do not represent expendable available financial resources.
- iv) **Assets Held for Resale** includes land and buildings of \$39.4 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.
- v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Skyway Lease Transaction legally requires the Long-term reserve's principal to be restricted.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

- vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than \$5,000 (not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense incurred by the City during

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

the current fiscal year was \$617.2 million. Of this amount, \$63.6 million was included as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Utility plant.....	25 - 100 years
Utility structures and improvements.....	50 - 100 years
Buildings and improvements.....	5 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads.....	5 - 40 years
Bridge infrastructure.....	10 - 50 years
Lighting infrastructure.....	25 years
Street infrastructure.....	10 - 25 years
Transit infrastructure.....	10 - 40 years
Equipment (vehicle, office, and computer)	4 - 33 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

- vii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Third-party administrators who maintain the investment portfolio administer the Plan. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide, proprietary and fiduciary fund financial statements.

- viii) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.
- ix) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these arrangements, no amounts are recorded in the financial statements. All interest rate swaps and swaptions are approved by City Council.

In the fund financial statements, governmental funds 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 received and discounts given on debt issued are reported with debt proceeds as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Long-term lease obligation represents the amount to be recognized as revenue on a straight line basis over the life of the Skyway lease.

- x) **Fund equity** in the government-wide statements is classified as net assets and displayed in three components:
 - (1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - (2) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) are legally restricted through constitutional provisions or enabling legislation. Restricted net assets for governmental activities represent restrictions associated with the nonmajor special revenue funds. Restricted net assets for business activities are provided in Exhibit #7, Statement of Net Assets, Proprietary Funds.
 - (3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- xi) **Unreserved, Undesignated** in the Governmental Fund statements, under Nonmajor Other Governmental Funds, is comprised of two components, \$550.0 million of Special Revenue Funds and \$115.9 million of Capital Project Funds.

2) Reconciliation of Government-wide and Fund Financial Statements

- a) **Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.**
 - i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this \$1,321.1 million are as follows (dollars in thousands):

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

Deferred revenue - property tax.....	\$ 910,093
Other assets - pension excess.....	428,020
Accounts payable - infrastructure retainage.....	<u>(16,969)</u>
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities.....	<u>\$ 1,321,144</u>

ii) Another element of that reconciliation explains that “Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$9,202.9 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable.....	\$ 6,663,721
Pension obligation.....	1,664,112
Lease obligation.....	309,813
Claims and judgments.....	<u>549,361</u>
Total Long-term liabilities.....	9,187,007
Bonds, notes and other obligations payable current.....	(74,880)
Other assets - issuance costs.....	(40,750)
Accrued interest.....	2,961
Accrued and other liabilities - pension accrual.....	27,000
Accrued and other liabilities - compensated absences.....	<u>101,552</u>
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities.....	<u>\$ 9,202,890</u>

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$83.4 million are as follows (dollars in thousands):

Capitalized asset expenditures.....	\$	403,700
Depreciation expense.....		(319,824)
Loss - disposal of equipment.....		<u>(510)</u>
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities.....	\$	<u>83,366</u>

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets." The details of this \$170.5 million are as follows (dollars in thousands):

Proceeds of debt, net of original discounts.....	\$	(1,871,896)
Payment of refunded bond escrow agent.....		1,178,797
Principal retirement.....		543,413
Payment of cost of issuance.....		13,621
Interest expense.....		<u>(34,396)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities.....	\$	<u>(170,461)</u>

iii) A third element of that reconciliation states that "Certain 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." The details of this \$364.0 million are as follows (dollars in thousands):

Claims and judgments.....	\$	(42,178)
Pension benefit liability.....		(297,581)
Vacation.....		(19,138)
Lease obligations.....		(1,946)
Inventory.....		<u>(3,145)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities.....	\$	<u>(363,988)</u>

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

3) Stewardship, Compliance and Accountability

- a) **Annual Appropriation Budgets** are established for the General and certain Special Revenue Funds which are nonmajor, on a non-GAAP, budgetary basis:
 - i) Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.
 - ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.
 - iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.
 - iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.
 - v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

- b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2005 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis.....	\$ 2,664,113
Add:	
Transfers In.....	118,244
Proceeds of Debt, Net.....	15,050
	<hr/>
Revenues, Budgetary Basis.....	<u>\$ 2,797,407</u>
Expenditures, GAAP Basis.....	\$ 2,739,570
Add:	
Transfers Out.....	17,100
Encumbered in 2005.....	35,593
Deduct:	
Payments on Prior Years' Encumbrances.....	(7,428)
Provision for Doubtful Accounts.....	(3,313)
	<hr/>
Expenditures, Budgetary Basis.....	<u>\$ 2,781,522</u>

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

- c) **Individual Funds over Budget** include the Special Events, Tourism and Festivals Fund (\$10.8 million), and Health and Welfare Fund (\$2.2 million).
- d) **Individual Fund Deficits** include the Vehicle Tax Fund, the Special Events, Tourism and Festivals Fund, which are Special Revenue Funds and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of \$8.8 million, \$0.3 million, and \$1,423.1 million, respectively, which management anticipates will be funded through operations.

4) Restricted and Unrestricted Cash, Cash Equivalents and Investments

- a) **Investments** As of December 31, 2005, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)					Fair Value
	Less Than 1	1-5	6-10	More Than 10	Unknown	
City Funds						
U.S. Treasuries.....	\$ 105,860	\$ 1,874	\$ 835	\$ 24,426	\$ -	\$ 132,995
U.S. Agencies.....	3,358,723	860,073	244,804	249,916	-	4,713,516
Commercial Paper.....	33,257	-	-	-	-	33,257
Corporate Bonds.....	67,683	861	1,938	6,469	-	76,951
Corporate Equities.....	5,163	-	-	-	-	5,163
Certificates of Deposit and Other Short-term	2,128,379	-	-	-	-	2,128,379
Total City Funds.....	<u>\$ 5,699,065</u>	<u>\$ 862,808</u>	<u>\$ 247,577</u>	<u>\$ 280,811</u>	<u>\$ -</u>	<u>\$ 7,090,261</u>
Pension Trust Funds						
U.S. and Foreign						
Government Agencies.....	\$ 696,926	\$ 240,024	\$ 95,414	\$ 550,223	\$ 339,855	\$ 1,922,442
Commercial Paper.....	1,455	-	-	-	-	1,455
Corporate Bonds.....	803,542	337,122	173,409	421,422	446,337	2,181,832
Corporate Equities.....	7,751,073	-	-	-	-	7,751,073
Pooled Funds.....	164,580	-	-	-	-	164,580
Real Estate.....	37,458	-	-	-	-	37,458
Investments Held by Master						
Custodian under Securities Loans....	263,154	-	-	-	-	263,154
Securities Received from						
Securities Lending.....	1,435,878	-	-	-	-	1,435,878
Venture Capital.....	281,452	-	-	-	-	281,452
Certificates of Deposit and Other Short-term	457,729	-	-	-	-	457,729
Total Pension Trust Funds.....	<u>\$ 11,893,247</u>	<u>\$ 577,146</u>	<u>\$ 268,823</u>	<u>\$ 971,645</u>	<u>\$ 786,192</u>	<u>\$ 14,497,053</u>
Total.....	<u>\$ 17,592,312</u>	<u>\$ 1,439,954</u>	<u>\$ 516,400</u>	<u>\$ 1,252,456</u>	<u>\$ 786,192</u>	<u>\$ 21,587,314</u>

- i) **Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City,

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED

shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within two years from the date of purchase.

- ii) *Credit Risk* The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 110 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (dollars in thousands):

<u>Quality Rating</u>	<u>City</u>	<u>Pension Plans</u>
Aaa/AAA.....	\$ 6,305,275	\$ 812,589
Aa/AA.....	-	53,698
A/A.....	8,527	176,156
Baa/BBB.....	-	220,997
Ba/BB.....	-	40,142
B/B.....	-	20,306
Caa/CCC.....	-	4,836
Not Rated.....	672,073	1,447,642
Not Applicable.....	104,386	-
Total Funds.....	<u>\$ 7,090,261</u>	<u>\$ 2,776,366</u>

- iii) *Custodial Credit Risk – Cash and Certificates of Deposit* This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City's deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 110 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. Cash and certificates of deposit with the City's various municipal depositories were \$151.5 million and \$104.0 million respectively at December 31, 2005 and the related bank balance (including certificates of deposit) was \$169.6 million. Of the bank balance, \$168.4 million or 99.3 percent was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.
- iv) *Custodial Credit Risk – Investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate bonds of \$2,258.8 million the City has no custodial credit risk exposure because the related securities are insured, registered and held by the City.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

- v) *Foreign Currency Risk* In the case of the Pension Trust Funds, is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds exposure to foreign currency risk (dollars in thousands):

Foreign Currency Risk	
Australian dollar.....	\$ 7,934
Brazilian real.....	5,792
British pound.....	103,190
Canadian dollar.....	14,844
Chilean peso.....	1,432
Chinese yuan.....	448
Columbian peso.....	87
Danish krone.....	2,856
European euro.....	167,219
Hong Kong dollar.....	11,348
Hungarian forint.....	1,476
Indian rupee.....	2,007
Indonesian rupiah.....	413
Japanese yen.....	102,231
Malaysian ringgit.....	1,828
Mexican peso.....	8,895
New Israeli shekep.....	856
New Taiwan dollar.....	3,383
New Zealand dollar.....	6,071
Norwegian krone.....	3,650
Polish zloty.....	320
Singapore dollar.....	9,605
South African rand.....	6,978
South Korean won.....	12,942
Swedish krona.....	8,843
Swiss franc.....	38,718
Taiwan dollar.....	1,064
Thailand baht.....	1,943
Turkish lira.....	1,070
Total Pension Trust Funds.....	\$ 527,443

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

vi) The following schedule summarizes the cash and investments reported in the basic financial statements (dollars in millions):

Per Note 4:	
Investments - City.....	\$ 7,090,261
Investments - Pension Funds.....	<u>14,497,053</u>
	<u>\$ 21,587,314</u>
Per Financial Statements:	
Restricted Investments.....	\$ 1,740,392
Unrestricted Investments.....	1,271,346
Investments with Fiduciary Funds.....	12,844,527
Investments with Escrow Agent.....	365,210
Invested Securities Lending Collateral.....	1,435,878
Investments included as cash and cash equivalents on the Statements of Net Assets.....	<u>3,929,961</u>
	<u>\$ 21,587,314</u>

5) Property Tax

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 16.0 percent for certain residential, commercial, and industrial property to 38.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State (to which the Equalization Factor is not applied) to arrive at the base amount (Assessment Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is one-half of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization and also reflects any changes from the prior year.

The City Council has adopted an ordinance beginning in 1994, limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index, all as defined in the ordinance. The ordinance provides a safe

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Increases in the debt service portion of each levy may, however, reduce amounts available within such levy to finance operations.

6) Interfund Balances and Transfers

- a) The following balances at December 31, 2005 represent due from/to balances among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
General.....	\$ 136,274	\$ 217,062
Federal, State and Local Grants.....	90,777	140,351
Reserve.....	-	-
Bond, Note Redemption and Interest.....	73,038	7,619
Community Development and Improvement Projects....	19,113	33,247
Nonmajor governmental funds.....	107,841	108,750
	<hr/>	<hr/>
Total Governmental activities.....	427,043	507,029
Business-type activities:		
Water.....	12,530	38,174
Sewer.....	31,825	1,077
Chicago Midway International Airport.....	3,625	4,932
Chicago-O'Hare International Airport.....	17,339	9,852
Chicago Skyway.....	813	20,587
	<hr/>	<hr/>
Total Business-type activities.....	66,132	74,622
Fiduciary activities:		
Pension Trust.....	42,233	-
Agency.....	68,229	21,986
	<hr/>	<hr/>
Total Fiduciary activities.....	110,462	21,986
	<hr/>	<hr/>
Total.....	<u>\$ 603,637</u>	<u>\$ 603,637</u>

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

b) The following balances at December 31, 2005 represent interfund transfers among all funds (dollars in thousands):

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental activities:		
General.....	\$ 118,244	\$ 17,100
Federal, State and Local Grants.....	-	8,001
Reserve.....	825,000	68,244
Bond, Note Redemption and Interest.....	-	1,000
Community Development and Improvement Projects....	2,627	-
Nonmajor governmental funds.....	<u>523,986</u>	<u>139,413</u>
Total Governmental activities.....	1,469,857	233,758
Business-type activities:		
Chicago Skyway.....	<u>-</u>	<u>1,236,099</u>
Total Business-type activities.....	<u>-</u>	<u>1,236,099</u>
Total.....	<u>\$ 1,469,857</u>	<u>\$ 1,469,857</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

7) Capital Assets

a) **Capital Assets** activity for the year ended December 31, 2005 was as follows (dollars in thousands):

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance December 31, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,224,789	\$ 5,168	\$ (34)	\$ 1,229,923
Works of Art and Historical Collections.....	9,588	682	-	10,270
Construction in Progress.....	197,389	298,804	(400,689)	95,504
Total capital assets, not being depreciated.....	<u>1,431,766</u>	<u>304,654</u>	<u>(400,723)</u>	<u>1,335,697</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	1,469,416	155,160	(697)	1,623,879
Machinery and Equipment.....	811,229	58,633	(8,381)	861,481
Infrastructure.....	5,248,515	283,225	(2,957)	5,528,783
Total capital assets, being depreciated.....	<u>7,529,160</u>	<u>497,018</u>	<u>(12,035)</u>	<u>8,014,143</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	392,272	42,556	(680)	434,148
Machinery and Equipment.....	557,392	71,319	(7,888)	620,823
Infrastructure.....	1,751,649	205,949	-	1,957,598
Total accumulated depreciation.....	<u>2,701,313</u>	<u>319,824</u>	<u>(8,568)</u>	<u>3,012,569</u>
Total capital assets, being depreciated, net.....	<u>4,827,847</u>	<u>177,194</u>	<u>(3,467)</u>	<u>5,001,574</u>
Total governmental activities.....	<u>\$ 6,259,613</u>	<u>\$ 481,848</u>	<u>\$ (404,190)</u>	<u>\$ 6,337,271</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$ 280,495	\$ 72,939	\$ -	\$ 353,434
Construction in Progress.....	539,995	424,151	(207,367)	756,779
Total capital assets, not being depreciated.....	<u>820,490</u>	<u>497,090</u>	<u>(207,367)</u>	<u>1,110,213</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	8,701,352	249,421	33,356	8,984,129
Machinery and Equipment.....	463,290	7,116	(1,649)	468,757
Total capital assets, being depreciated.....	<u>9,164,642</u>	<u>256,537</u>	<u>31,707</u>	<u>9,452,886</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	2,370,248	202,931	(265)	2,572,914
Machinery and Equipment.....	207,403	15,795	(1,599)	221,599
Total accumulated depreciation.....	<u>2,577,651</u>	<u>218,726</u>	<u>(1,864)</u>	<u>2,794,513</u>
Total capital assets, being depreciated, net.....	<u>6,586,991</u>	<u>37,811</u>	<u>33,571</u>	<u>6,658,373</u>
Total business-type activities.....	<u>\$ 7,407,481</u>	<u>\$ 534,901</u>	<u>\$ (173,796)</u>	<u>\$ 7,768,586</u>
Total Capital Assets.....	<u>\$ 13,667,094</u>	<u>\$ 1,016,749</u>	<u>\$ (577,986)</u>	<u>\$ 14,105,857</u>

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:	
General government.....	\$ 52,426
Public safety.....	27,290
Streets and sanitation.....	9,560
Transportation.....	209,144
Health.....	1,319
Cultural and recreational.....	20,085
	<hr/>
Total depreciation expense - governmental activities.....	<u>\$ 319,824</u>
Business-type activities:	
Water.....	\$ 33,881
Sewer.....	18,391
Chicago Midway International Airport.....	31,701
Chicago-O'Hare International Airport.....	120,887
Chicago Skyway.....	13,866
	<hr/>
Total depreciation expense - business-type activities.....	<u>\$ 218,726</u>

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$21.1 million for the year ended December 31, 2005. The future minimum lease payments for these leases are as follows (dollars in thousands):

2006.....	\$ 17,745
2007.....	14,740
2008.....	13,797
2009.....	13,146
2010.....	12,884
2011 - 2015.....	44,730
	<hr/>
Total Future Rental Expense.....	<u>\$ 117,042</u>

b) **Capital Leases**

During 2003 the City entered into lease and lease back agreements with third parties pertaining to 911 Center Qualified Technological Equipment (QTE), with a book value of \$143.3 million at December 31, 2003. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

During 2005 the City entered into sale and lease back agreements with third parties pertaining to the City owned portion of a rapid transit line with a book value of \$430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

The future minimum payments for these leases are as follows (dollars in thousands):

Year Ending December 31,	<u>Total</u>
2006.....	\$ 45,410
2007.....	45,411
2008.....	48,689
2009.....	37,838
2010.....	10,303
2011 - 2015.....	50,051
2016 - 2020.....	42,983
2021 - 2025.....	87,018
2026 - 2030.....	2,000
2031 - 2035.....	<u>165,164</u>
 Total Minimum Future Lease Payments.....	 534,867
Less Interest.....	<u>225,054</u>
 Present Value of Minimum Future Lease Payments.....	 <u>\$ 309,813</u>

c) Long-term Lease Obligation

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the operating lease. The City received an upfront payment of \$1.83 billion; a portion of the payment (\$446.3) advance refunded all of the outstanding Skyway bonds. This City initially recognized a deferred liability of \$1.83 billion that will be amortized and recognized as revenue over the 99-year term of the operating lease. In 2005, the City recognized \$18.5 million of revenue related to this transaction and will recognize \$18.5 million for each subsequent year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Assets and will be depreciated, as applicable, over their useful lives.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

d) Lease Receivables

Most of the O'Hare land, buildings and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancellable operating leases as of December 31, 2005 (dollars in thousands):

2006.....	\$	53,793
2007.....		32,892
2008.....		31,817
2009.....		30,759
2010.....		18,831
2011 - 2015.....		91,196
2016 - 2020.....		58,620
2021 - 2025.....		8,302
2026 - 2030.....		9,591
2031 - 2033.....		5,738
		<u>5,738</u>
Total Minimum Future Rental Income.....	\$	<u>341,539</u>

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to \$288.7 million, including contingent rentals of \$58.8 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancellable operating leases as of December 31, 2005 (dollars in thousands):

2006.....	\$	19,753
2007.....		11,412
2008.....		11,290
2009.....		10,759
2010.....		10,616
2011 - 2015.....		19,181
		<u>19,181</u>
Total Minimum Future Rental Income.....	\$	<u>83,011</u>

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to \$55.6 million, including contingent rentals of \$23.1 million.

9) Short-term Debt

Matured bonds represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2005, there was no activity; the balance remained at \$0.7 million.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

10) Long-term Obligations

a) **Long-term Debt** activity for the year ended December 31, 2005 was as follows (dollars in thousands):

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt.....	\$ 5,635,369	\$ 1,231,825	\$ 1,273,278	\$ 5,593,916	\$ 93,426
Installment purchase agreement.....	12,400	-	1,500	10,900	1,700
Tax increment.....	473,824	1,500	64,094	411,230	53,315
Revenue.....	543,380	142,825	155,605	530,600	11,800
	<u>6,664,973</u>	<u>1,376,150</u>	<u>1,494,477</u>	<u>6,546,646</u>	<u>160,241</u>
Less unamortized debt refunding transactions.....	25,504	73,556	3,365	95,695	-
Add unamortized premium.....	33,772	64,938	4,116	94,594	-
Add accretion of capital appreciation bonds.....	128,213	31,785	7,246	152,752	10,560
Less converted portion of conversion bonds.....	42,585	-	8,009	34,576	-
Total bonds, notes and certificates payable.....	<u>6,758,869</u>	<u>1,399,317</u>	<u>1,494,465</u>	<u>6,663,721</u>	<u>170,801</u>
Other liabilities					
Pension obligations.....	1,505,149	158,963	-	1,664,112	-
Lease obligations.....	32,263	432,754	155,204	309,813	45,410
Claims and judgments.....	507,183	111,605	69,427	549,361	76,526
Total other liabilities.....	<u>2,044,595</u>	<u>703,322</u>	<u>224,631</u>	<u>2,523,286</u>	<u>121,936</u>
Total governmental activities.....	<u>\$ 8,803,464</u>	<u>\$ 2,102,639</u>	<u>\$ 1,719,096</u>	<u>\$ 9,187,007</u>	<u>\$ 292,737</u>
Business-type activities:					
Revenue bonds and notes payable:					
Water.....	\$ 1,037,099	\$ 23,312	\$ 14,666	\$ 1,045,745	\$ 14,656
Sewer.....	757,793	-	10,330	747,463	15,500
Chicago-O'Hare International Airport.....	4,110,043	1,888,343	322,795	5,675,591	462,076
Chicago Midway International Airport.....	1,286,880	-	7,425	1,279,455	7,340
Chicago Skyway.....	423,600	-	423,600	-	-
	<u>7,615,415</u>	<u>1,911,655</u>	<u>778,816</u>	<u>8,748,254</u>	<u>499,572</u>
Less unamortized debt refunding transactions.....	199,754	4,136	27,153	176,737	-
Less unamortized discount (premium).....	19,449	3,650	74,791	(51,692)	-
Add accretion of capital appreciation bonds.....	49,758	8,981	4,359	54,380	4,292
Total business-type activities.....	<u>\$ 7,445,970</u>	<u>\$ 1,912,850</u>	<u>\$ 681,231</u>	<u>\$ 8,677,589</u>	<u>\$ 503,864</u>
Total long-term obligations.....	<u>\$ 16,249,434</u>	<u>\$ 4,015,489</u>	<u>\$ 2,400,327</u>	<u>\$ 17,864,596</u>	<u>\$ 796,601</u>

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

b) Issuance of New Debt

i) General Obligation Notes

The General Obligation Tender Notes, Series 2005 (\$66.2 million) were sold in February 2005 at an initial short-term intermediate rate of 2.3 percent through December 8, 2005. The notes mature no later than February 2, 2007. The Series 2005 notes were issued to meet cash flow requirements of the City's Library and City Relief Funds; the notes are payable from tax collections in the following year or from any other resources legally available to the City. Principal payments for the notes do not require the current appropriation and expenditure of Governmental Fund financial resources.

At the discretion of the City, the notes may bear interest at a weekly, short-term intermediate or fixed rate. Interest on notes in the short-term intermediate mode is payable on the first business day immediately following the short-term intermediate rate period. Interest on the notes in the weekly mode is payable on the first business day of each month. Interest on notes in the fixed mode is payable on each January 31 and July 31.

The City has appointed a remarketing agent for the notes in the weekly and short-term intermediate modes. The remarketing agent will use its best efforts to resell the notes at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the notes until the remarketing agent is able to resell the Series 2005 notes.

The letter of credit securing the Series 2005 notes totals \$67.3 million and terminates on the earliest of February 5, 2007 or upon redemption of the notes. Advances under the letter of credit (none at December 31, 2005) are due on the earliest of February 5, 2008 or one year after the redemption of the notes. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate or the sum of the federal funds rate plus one-half percent per annum (Base Rate). Thereafter until due and payable, advances bear interest at the Base Rate plus two percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus three percent and interest shall be payable upon demand. The maximum rate of interest cannot exceed 15.0 percent. The letter of credit was issued by a third-party financial institution that is expected to be financially capable of honoring its agreements.

During 2005, the City drew \$48.9 million in commercial paper notes for certain capital and operating uses.

ii) General Obligation Bonds

General Obligation Refunding Bonds Series 2005A (\$441.1 million) were sold at a premium in March 2005. The bonds have interest rates ranging from 2.5 percent to 5.0 percent and maturity dates from January 1, 2007 to January 1, 2028. Net proceeds of \$473.2 million were used to advance refund certain maturities of general obligation bonds. The advance refunding of the bonds decreased the City's total debt service payments by \$32.4 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$24.5 million.

General Obligation Refunding Bonds Series 2005B and Taxable Series 2005C (\$339.3 million) were sold at a premium in August 2005. The bonds have interest rates ranging from 3.5 percent to 5.0 percent and maturity dates from January 1, 2006 to January 1, 2032. General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2005D (\$222.8 million) were sold in August 2005 at an initial rate of 2.62 percent through August 24, 2005 and have maturity dates ranging from January 1, 2031 to January 1, 2040. Net proceeds of the Series 2005B-D Bonds will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, school districts, the State of Illinois or the United States of America; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancing economic development within the City by making direct grants or loans to and providing security for obligations of, not-for-profit or for-profit organizations doing business or seeking to do business in the City; the funding of litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; contributions to the Policemen's Annuity and Benefit Fund, the Firemen's Annuity and Benefit Fund, the Municipal Employee's Annuity and Benefit Fund, and the Laborers' and Retirement Board Employee's Annuity and Benefit Fund; and providing for facilities, services, and equipment to protect and enhance public safety (\$122.4 million); and to advance refund certain maturities of general obligation bonds and commercial paper outstanding (\$447.0 million); and to fund capitalized interest (\$3.4 million). The advance refunding of the bonds decreased the City's total debt service payments by \$57.6 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$39.5 million.

At the discretion of the City, the Series 2005D bonds may bear interest at a daily, weekly, flexible, adjustable long rate or fixed rate. Interest on bonds in the daily or weekly mode is payable on the first business day of each month. Interest on bonds in the flexible or adjustable long rate mode is payable on each rate change date. Interest on bonds in the fixed mode is payable on July 1 and January 1.

The City has appointed a remarketing agent for the Series 2005D bonds in other than the fixed rate mode. The remarketing agent will use its best efforts to resell the bonds at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the bonds, the City has obtained a reimbursement and standby bond purchase agreement which may be drawn upon for the purchase of the bonds until the remarketing agent is able to resell the Series 2005D bonds.

The standby bond purchase agreement securing the Series 2005D bonds totals \$222.8 million and terminates on August 17, 2015. Bonds purchased by the provider shall bear interest from the purchase date through the 90th day at the greater of the prime rate or the sum of the federal funds rate plus one-half percent per annum (Base Rate). Thereafter, until the 180th day, the bonds will bear interest at the Base Rate plus one percent. Thereafter, until due and payable, the bonds will bear interest at the Base Rate plus two percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus three percent per annum. The maximum rate of interest cannot exceed 15.0 percent per annum. The standby bond purchase agreement was issued by a third party financial institution that is expected to be financially capable of honoring its agreements.

In connection with the issuance of the Series 2005D bonds, the City entered into two interest rate swap agreements to obtain a fixed interest rate.

General Obligation Direct Access Bonds, Series 2005 (\$114.7 million) were sold from September thru December, 2005. The bonds have interest rates ranging from 2.876 percent to 4.5 percent and maturity dates ranging from January 1, 2007 to January 1, 2030. Net proceeds of \$112.0 million will be used to finance infrastructure improvements, transportation improvements, acquisition of real property, constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities, providing for facilities, services and equipment to protect and enhance public safety and other uses permitted by the Ordinance.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED

iii) **Sales Tax Revenue Bonds**

Sales Tax Revenue Refunding Bonds, Series 2005 (\$142.8 million) were sold at a premium in June 2005. The bonds have interest rates ranging from 3.25 percent to 5.0 percent and maturity dates from January 1, 2007 to January 1, 2027. Net proceeds of \$153.9 million with \$3.5 million of debt service funds were used to refund certain maturities of sales tax revenue bonds. The advance refunding of the bonds decreased the City's total debt service payments by \$7.8 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$7.4 million.

iv) **Tax Increment Allocation Bonds and Notes**

As part of the City's Tax Increment Financing Neighborhood Improvement Program, the City entered into Tax Increment Allocation Revenue Notes (Chicago/Central Park Redevelopment Project Area and Englewood Neighborhood Redevelopment Project Area) in 2004. The City drew the remaining \$.75 million from each note in July 2005.

v) **Enterprise Fund Revenue Bonds and Notes**

Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2005A-B (\$1,200.0 million) were sold at a premium in December 2005. The bonds have interest rates ranging from 5.0 percent to 5.25 percent and maturity dates ranging from January 1, 2014 to January 1, 2033. Net proceeds of \$1,236.0 million and \$14.7 million of other funds will be used to fund a portion of the costs of the O'Hare Modernization Program Phase I projects (\$483.5 million), redeem outstanding commercial paper (\$301.3 million), fund capitalized interest and debt service reserve requirements (\$195.9 million), and current refund certain maturities of the Revenue Refunding Bonds, Series 1993A and Second Lien Revenue Bonds, Series 1993C (\$270.0 million). The refunding decreased the City's total debt service payments by \$29.0 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$13.5 million.

Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2005C-D (\$300.0 million) were sold in December 2005 at an initial rate of 3.45 percent and maturity dates ranging from January 1, 2033 to January 1, 2035. Net proceeds of \$295.3 million will be used to fund a portion of the costs of the O'Hare Modernization Program Phase I projects (\$157.2 million), redeem outstanding commercial paper (\$90.0 million), and fund capitalized interest (\$48.1 million).

At the discretion of the City, the Series 2005C-D bonds may bear interest at a daily, weekly, long term or auction rate. Interest on bonds is payable on each rate change date, except for when the bonds are in a weekly mode, then interest is payable monthly in arrears on the first business day of each month.

The standby bond purchase agreements securing the Series 2005C-D bonds totals \$303.4 million and terminates on December 22, 2012. Bonds purchased by the providers shall bear interest from the purchase date through the 90th day at the greater of the prime rate or the sum of the federal funds rate plus one-half percent per annum (Base Rate). Thereafter, the bonds will bear interest at the Base Rate plus one and a quarter percent. Upon the occurrence of an event of default, the interest rate per annum shall equal to the Base Rate plus three percent per annum. The maximum rate of interest cannot exceed 18.0 percent per annum. The standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

Chicago O'Hare International Airport Commercial Paper Notes, Series C (Taxable) (\$600.0 million maximum aggregated authorized) outstanding at December 31, 2005 were \$389.7 million having interest rates ranging from 2.82 percent to 4.25 percent with maturity dates ranging from January 3, 2006 through January 18, 2006. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit (\$667.5 million) provides for the timely payment of principal and interest on the notes until July 20, 2010. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED

reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2005, there were no outstanding letter of credit advances

Water System Commercial Paper Notes 2004 Program, Series A (Tax-Exempt) and Series B (Taxable) (\$200 million maximum aggregate authorized) were issued October 28, 2004 in the amount of \$25.4 million with an interest rate of 1.83 percent. At December 31, 2005, \$48.7 million is outstanding with an interest rate of 3.22 percent and a maturity date of May 12, 2006. Note proceeds can be used for the financing or refinancing of certain authorized projects of the Water Fund and any deposits, principal and interest, or costs of issuance relating to the Notes. The letter of credit securing the Water System Commercial Paper Notes 2004 Program totals \$218.0 million and expires in October 27, 2009. The payment of principal and interest on the notes and reimbursement for draws on the letter of credit is based on revenues of the Water Fund.

- c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2006 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2005 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Installment Purchase		Tax Increment	
	Principal	Interest	Principal	Interest	Principal	Interest
2006.....	\$ 138,211	\$ 251,093	\$ 1,700	\$ 814	\$ 55,131	\$ 28,404
2007.....	188,671	246,653	1,700	682	56,863	27,816
2008.....	234,340	253,824	2,000	543	80,861	26,968
2009.....	179,787	230,753	2,000	387	25,396	12,154
2010.....	179,260	221,595	2,300	229	26,070	10,650
2011 - 2015.....	933,918	1,104,601	1,200	46	106,827	38,966
2016 - 2020.....	958,238	878,236	-	-	45,975	9,964
2021 - 2025.....	925,296	680,668	-	-	10,585	840
2026 - 2030.....	813,464	479,435	-	-	-	-
2031 - 2035.....	636,205	297,279	-	-	-	-
2036 - 2040.....	287,756	131,897	-	-	-	-
2041 - 2045.....	37,110	2,144	-	-	-	-
	<u>\$ 5,512,256</u>	<u>\$ 4,778,178</u>	<u>\$ 10,900</u>	<u>\$ 2,701</u>	<u>\$ 407,708</u>	<u>\$ 155,762</u>

**CITY OF CHICAGO, ILLINOIS
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YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

Year Ending December 31,	Revenue		Business-type Activities	
	Principal	Interest	Principal	Interest
2006.....	\$ 6,215	\$ 25,528	\$ 147,871	\$ 408,822
2007.....	13,030	25,223	247,981	398,599
2008.....	13,845	24,556	221,326	386,776
2009.....	14,765	23,852	189,536	375,738
2010.....	15,495	23,123	199,249	366,388
2011 - 2015.....	84,675	102,824	1,206,309	1,680,641
2016 - 2020.....	99,040	80,105	1,298,831	1,385,992
2021 - 2025.....	126,280	53,204	1,507,549	1,040,431
2026 - 2030.....	99,740	22,924	1,992,769	611,809
2031 - 2035.....	45,715	3,743	1,168,830	129,436
2036 - 2040.....	-	-	34,340	2,705
	<u>\$ 518,800</u>	<u>\$ 385,082</u>	<u>\$ 8,214,591</u>	<u>\$ 6,787,337</u>

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2005.

d) Derivatives

i) Pay-Fixed, Receive-Variable Interest Rate Swaps

- (1) *Objective of the swaps.* In order to protect against the potential of rising interest rates, the City has entered into nine separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.
- (2) *Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2005, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Bond Market Association Municipal Swap Index (BMA) (dollars in thousands):

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Counterparty Credit Rating</u>
GO VRDB (Series 2005D).....	\$ 222,790	8/17/2005	4.104%	BMA	\$ 283	1/1/2040	Aa3/AA- Aa3/A+*
Chicago Midway International Airport Revenue Bonds (Series 2004C&D).....	152,150	12/14/2004	4.174	USD-BMA Municipal Swap Index	(1,240)	1/1/2035	Aa3/A+ Aa2/AA-**
Wastewater Transmission Variable Rate Revenue Bonds (Series 2004A).....	332,230	7/29/2004	3.886	BMA	(22,492)	1/1/2039	Aa1/AA Aa2/AA- A1/A+***
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	500,000	8/5/2004	3.8669	BMA	(24,030)	11/1/2031	Aa2/AA- Aa2/AA-***
GO VRDB (Series 2003B).....	202,500	8/7/2003	4.052	Actual Rate of Bonds	(8,252)	1/1/2034	A1/A+ A1/A+****
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B).....	206,700	10/3/2002	3.575	70% of USD-LIBOR-BBA	(3,118)	1/1/2037	Aa1/AA- Aa2/AA-****
Sales Tax Revenue Refunding Bonds (VRDB Series 2002).....	116,100	6/27/2002	4.230	Actual Rate of Bonds	(7,077)	1/1/2034	Aa2/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A).....	44,900	9/1/1999	5.084	67% LIBOR	(6,441)	1/1/2019	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999B).....	8,800	9/1/1999	6.890	67% LIBOR	(417)	1/1/2010	Aa3/AA-
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B).....	<u>23,700</u>	2/10/1997	5.375	BMA	<u>(1,866)</u>	12/1/2014	Aa3/A+
Total.....	<u>\$ 1,809,870</u>				<u>\$ (74,650)</u>		

- * Two counterparties hold 30 and 70 percent respectively.
- ** Two counterparties hold 40 and 60 percent respectively.
- *** Three counterparties hold 15, 15 and 70 percent respectively.
- **** Two counterparties hold 25 and 75 percent respectively.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED

- (3) *Fair Value.* As of December 31, 2005, the swaps had a negative fair value of \$74.7 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values.
- (4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.
- (5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and BMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. BMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.
- (6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.
- (7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

(8) *Swap payments and associated debt.* Bonds maturing and interest payable January 1, 2006 have been excluded because funds for their payment have been provided for. As of December 31, 2005, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2006.....	\$ 3,775	\$ 63,965	\$ 8,429	\$ 76,169
2007.....	7,265	63,820	8,359	79,444
2008.....	7,605	63,545	8,258	79,408
2009.....	9,125	63,358	8,175	80,658
2010.....	10,080	62,904	8,015	80,999
2011 - 2015.....	139,895	304,997	37,716	482,608
2016 - 2020.....	325,570	266,583	31,639	623,792
2021 - 2025.....	455,895	197,815	23,471	677,181
2026 - 2030.....	359,380	123,275	15,348	498,003
2031 - 2035.....	339,445	59,855	7,631	406,931
2036 - 2040.....	150,480	12,117	1,765	164,362
	<u>\$ 1,808,515</u>	<u>\$ 1,282,234</u>	<u>\$ 158,806</u>	<u>\$3,249,555</u>

ii) **Swaptions**

(1) *Objective of the swaptions.* The City entered into several swaption contracts that provided the City upfront payments totaling \$42.1 million. The term swaption refers to the City selling an option to a counterparty to execute a swap at a certain date in the future if certain conditions exist. If the conditions do not exist, the counterparty will not execute the option, no swaptions have been exercised. In the event the options are executed and the City enters into a fixed to floating rate swap, the City would be exposed to the risks as described under Swaps.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2005, are as follows (dollars in thousands):

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Trade Date</u>	<u>Variable Rate Paid</u>	<u>Fixed Rate Received</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Up-Front Payment</u>
GO Bonds (Neighborhoods Alive 21 Program, Series 2001; GO, Series 2001A; GO Series 2002A; and GO, Series 2003A).....	\$ 318,670	12/18/2003	BMA+ 30bps	5.000%	\$ (9,180)	1/1/2024	\$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B (Non-AMT); and Refunding Series 1998C (Non-AMT)).....	394,670	10/27/1999	BMA+ 25bps	5.100	(16,216)	1/1/2030	23,500
Sales Tax Revenue Bonds (Series 1999).....	23,285	6/21/2002	BMA+ 30bps	4.984	(364)	1/1/2019	728
Sales Tax Revenue Bonds (Series 1998).....	69,275	6/21/2002	BMA+ 30bps	5.250	(2,402)	1/1/2028	2,562
Sales Tax Revenue Bonds (Series 1997).....	<u>60,645</u>	6/21/2002	BMA+ 30bps	5.375	<u>(1,912)</u>	1/1/2027	<u>1,964</u>
Total.....	<u>\$ 866,545</u>				<u>\$ (30,074)</u>		<u>\$ 42,138</u>

(3) *Fair value.* As of December 31, 2005, the swaptions had a negative fair value of \$30.1 million. As per industry convention, the fair values of the City's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the City's swaptions had negative values. The negative value is also driven by the upfront payment received by the City upon execution of the swaption agreement.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaptions is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaptions also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and BMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

BMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaptions except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaptions, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date, and it would add additional underlying cost to the transaction.

- (6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap transaction.
- (7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

e) Debt Covenants

- i) **Water Fund** - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2005. The Water Rate Stabilization account had a balance in restricted assets of \$52.3 million at December 31, 2005.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2005.

- ii) **Sewer Fund** - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2005. The Sewer Rate Stabilization account had a balance in restricted assets of \$10.6 million at December 31, 2005.

The ordinances authorizing the issuance of outstanding Second Lien Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which moneys will be deposited, as appropriate. The ordinances require that net revenues equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2005.

- iii) **Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Fund,

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2005.

- iv) **Chicago-O'Hare International Airport Fund** - In 1983, the City Council adopted the General Airport Revenue Bond ordinance authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds in unlimited series for the purpose of financing the cost of improvements and expansion of O'Hare and to redeem its existing outstanding bond obligations. The ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance. The ordinance requires that net revenues in each year equal not less than the sum of (i) the amount required to be deposited for such year in the debt service reserve fund, the maintenance reserve fund, the special capital project fund and the junior lien debt service fund, and (ii) 110 percent of the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on bonds. This requirement was met at December 31, 2005. The ordinance provides for the creation of separate accounts that are to be credited with revenues in a specified priority. At the end of each year, any excess funds over amounts required in accounts other than Special Capital Project, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

The Master Indenture of Trust securing Chicago-O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) 110 percent the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations. This requirement was met at December 31, 2005.

The master indenture securing the Passenger Facility Charge (PFC) Revenue Bonds requires PFC revenues, as defined, to be deposited into the PFC Revenue Fund. The PFC Revenue Fund is required to transfer amounts no later than the twentieth day of each month to various funds, as defined, as appropriate to meet debt service and debt service reserve requirements.

- f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants, Urban Development Action Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED

g) **Defeased Bonds** have been removed from the Statement of Net Assets because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2005, not including principal payments due January 1, 2006, are as follows (dollars in thousands):

	Amount	
	Defeased	Outstanding
Emergency Telephone System - Series 1993.....	\$ 213,730	\$ 176,705
General Obligation Project Bonds - Series 1995B.....	230,725	27,745
General Obligation Library Bonds - Series 1997.....	40,950	37,460
General Obligation Project and Refunding Bonds - Series 1998.....	14,840	14,050
General Obligation Project and Refunding Bonds - Series 1999A.....	88,740	85,645
General Obligation Bonds - Series 2000A.....	233,490	222,875
General Obligation Bonds - Series 2000C.....	109,835	109,835
General Obligation Bonds - Series 2001A.....	93,435	93,435
General Obligation Project and Refunding Bonds - Series 2002A.....	64,705	59,310
General Obligation Project and Refunding Bonds - Series 2003A.....	9,040	9,040
General Obligation Project Bonds - Series 2003C.....	17,125	17,125
General Obligation Project Bonds - Series 2004A.....	14,835	14,835
Neighborhoods Alive 21 Program - Series 2000A.....	175,255	175,255
Neighborhoods Alive 21 Program - Series 2001A.....	170,455	170,455
Neighborhoods Alive 21 Program - Series 2002A.....	13,000	7,460
Neighborhoods Alive 21 Program - Series 2003.....	4,595	4,595
Sales Tax Revenue Bonds - Series 1997.....	96,060	96,060
Sales Tax Revenue Bonds - Series 1998.....	11,785	11,785
Sales Tax Revenue Bonds - Series 1999.....	142,035	139,925
Near South Redevelopment Project Tax Increment - Series 1994A.....	23,000	19,575
Central Loop Redevelopment Project Tax Increment - Series 1997A.....	96,000	51,300
Water Revenue Bonds - Series 1989.....	75,730	885
Water Revenue Bonds - Series 1995.....	22,430	22,430
Water Revenue Bonds - Series 1997.....	181,965	179,967
Water Revenue Senior Lien Bonds - Series 2000.....	100,445	100,445
Water Revenue Senior Lien Bonds - Series 2001.....	235,905	227,415
Wastewater Transmission Revenue Bonds - Series 1997.....	57,365	54,795
Wastewater Transmission Revenue Bonds - Series 2000.....	96,555	93,120
Wastewater Transmission Revenue Bonds - Series 2001.....	76,865	75,450
Chicago-O'Hare International Airport Bonds Second Lien - Series 1993A.....	141,850	141,850
Chicago-O'Hare International Airport Bonds Second Lien - Series 1993C.....	120,590	120,590
Chicago-O'Hare International Airport Bonds Second Lien - Series 1996A-B....	62,745	18,735
Chicago Midway Airport Bonds - Series 1996A.....	64,025	64,025
Chicago Skyway Tollbridge Revenue Bonds - Series 1996.....	179,765	173,655
Chicago Skyway Tollbridge Revenue Bonds - Series 2000.....	125,120	125,120
Special Transportation Revenue Bonds - Series 2001.....	118,715	116,465
Total.....	<u>\$ 3,523,705</u>	<u>\$ 3,059,417</u>

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

11) Pension Plans

Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when payable.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are generally valued by appraisals or other approved methods. Investments that do not have an established market are reported at estimated fair value.

The Plans have a securities lending program. At year-end, the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans' master custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the fund for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Plans or the borrower, although the average term of the loans has not exceeded 118 days. The Plans' custodian lends securities for collateral in the form of cash, irrevocable letters of credit and/or U.S. government obligations equal to at least 102 percent of the fair value of securities or international securities for collateral of 105 percent. Cash collateral is invested in the lending agents' short-term investment pool, which at year-end has a weighted average maturity that did not exceed 65 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2005 are as follows: market value of securities loaned \$1,468.4 million, market value of cash collateral from borrowers \$1,430.7 million and market value of non-cash collateral from borrowers \$79.4 million.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.0 percent to 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

State law requires City contributions at statutorily, not actuarially determined rates. The City's contribution is equal to the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. State law also requires covered employees to contribute a percentage of their salaries.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	<u>Municipal Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>	<u>Total</u>
Contribution rates:					
City (a).....	8.0%	8.0%	12.8%	10.5%	
Plan members.....	8.5	8.5	9.0	9.1	
Annual required contribution.....	\$ 285,291	\$ 12,774	\$ 238,424	\$ 161,696	\$ 698,185
Interest on net pension obligation.....	(23,953)	(21,618)	63,011	57,401	74,841
Adjustment to annual required contribution.....	23,249	20,982	(37,448)	(55,713)	(48,930)
Annual pension cost.....	284,587	12,138	263,987	163,384	724,096
Contributions made.....	155,067	40	178,279	90,129	423,515
Increase in net pension obligation.....	129,520	12,098	85,708	73,255	300,581
Net pension obligation (excess), beginning of year.....	\$ (299,415)	\$ (270,223)	\$ 787,639	\$ 717,510	\$ 935,511
Net pension obligation (excess), end of year.....	\$ (169,895)	\$ (258,125)	\$ 873,347	\$ 790,765	\$ 1,236,092

	<u>Municipal Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>
Actuarial valuation date.....	12/31/2005	12/31/2005	12/31/2005	12/31/2005
Actuarial cost method.....	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method.....	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period.....	40 years	40 years	40 years	40 years
Asset valuation method.....	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:				
Investment rate of return (b).....	8.0%	8.0%	8.0%	8.0%
Projected salary increases (b):				
Inflation.....	3.0	3.0	3.0	3.0
Seniority/Merit.....	(c)	(c)	(d)	(e)
Post retirement benefit increases.....	(f)	(f)	(g)	(g)

- (a) Percentage represents amount applies to the employees account and not the total contributed.
- (b) Compounded Annually
- (c) Service-based increases equivalent to a level annual rate increase of 2.0 percent over a full career.
- (d) Service-based increases equivalent to a level annual rate increase of 1.9 percent over a full career.
- (e) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
- (f) 3.0 percent per year beginning at the earlier of:
 - 1) the latter of the first anniversary of retirement and age 60
 - 2) the latter of the third anniversary of retirement and age 53
- (g) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

The following tables of information assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each Plan is as follows (dollars in thousands):

<u>Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Pension (Excess) Obligation</u>
Municipal Employees':			
2003.....	\$ 157,771	89.93%	\$ (342,888)
2004.....	197,392	77.98	(299,415)
2005.....	284,587	54.49	(169,895)
Laborers':			
2003.....	(6,642)	N/A	(277,880)
2004.....	7,860	2.58	(270,223)
2005.....	12,138	0.33	(258,125)
Policemen's:			
2003.....	202,175	69.65	697,003
2004.....	226,380	59.96	787,639
2005.....	263,987	67.53	873,347
Firemen's:			
2003.....	112,454	53.56	636,782
2004.....	136,260	40.75	717,510
2005.....	163,384	55.16	790,765

SCHEDULE OF FUNDING PROGRESS
(dollars in thousands)

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Surplus) AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)</u>
Municipal Employees':							
2003.....	12/31/03	\$ 6,384,099	\$ 7,988,637	\$ 1,604,538	80%	\$ 1,395,513	115%
2004.....	12/31/04	6,343,076	8,808,501	2,465,425	72	1,303,128	189
2005.....	12/31/05	6,332,379	9,250,212	2,917,833	68	1,407,323	207
Laborers':							
2003.....	12/31/03	1,679,796	1,628,563	(51,233)	103	205,692	(25)
2004.....	12/31/04	1,649,959	1,674,615	24,656	99	171,477	14
2005.....	12/31/05	1,635,595	1,742,300	106,705	94	182,809	58
Policemen's:							
2003.....	12/31/03	4,039,696	6,581,433	2,541,737	61	887,556	268
2004.....	12/31/04	3,933,031	7,034,271	3,101,240	56	874,302	355
2005.....	12/31/05	3,914,431	7,722,737	3,808,306	51	948,974	401
Firemen's:							
2003.....	12/31/03	1,194,008	2,517,268	1,323,260	47	335,171	395
2004.....	12/31/04	1,182,579	2,793,524	1,610,945	42	334,424	482
2005.....	12/31/05	1,203,654	2,882,936	1,679,282	42	341,252	492

**CITY OF CHICAGO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005 - CONTINUED**

Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants.

All annuitants who retired in 2005 received a 55 percent subsidy from the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed \$55 for each Medicare eligible annuitant and \$85 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of \$58.1 million in 2005 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2005, the net expense to the City for providing these benefits to approximately 24,507 annuitants plus their dependents was approximately \$78.3 million.

12) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Assets as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2005, the total amount of non-Enterprise Fund claims was \$359.2 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	<u>2005</u>	<u>2004</u>
Balance, January 1.....	\$ 377,371	\$ 334,400
Claims incurred on current and prior year events.....	484,802	462,753
Claims paid on current and prior year events.....	<u>(461,608)</u>	<u>(419,782)</u>
Balance, December 31.....	<u>\$ 400,565</u>	<u>\$ 377,371</u>

**CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005 - CONCLUDED**

13) Commitments and Contingencies

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, discrimination, civil rights actions and other matters. City management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

The government-wide financial statement includes a \$52.2 million liability to cover the cost of wage increases for the Chicago Firefighters Union and Sergeants Unit. These retroactive payments were made in April and May, 2006 respectively.

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement establishes accounting and financial reporting standards that will more accurately represent other postemployment benefits (OPEB) as compared to the pay-as-you-go method currently used. The City has developed a preliminary estimate of the actuarial accrued liability, based on certain assumptions, as of December 31, 2006, of \$1.4 billion. This standard will be implemented in fiscal year 2007; however the actual liability may vary based upon additional information and/or assumptions used at that time.

As of December 31, 2005, the Enterprise Funds have entered into contracts for approximately \$605.1 million for construction projects. In case the Water Fund does not meet its debt service obligation for its portion of the General Obligation Equipment Notes, Series 1998, any monies, revenues, receipts, income, assets or funds of the City legally available for such purpose, including but not limited to the proceeds of the direct annual tax levied by the City upon all taxable property of the City may be used to fulfill the obligation.

14) Subsequent Events

- a) In February 2006, the City sold General Obligation Tender Notes, Series 2006 (\$45.1 million). The notes were issued at a short-term intermediate rate of 3.35 percent through December 7, 2006 and will mature no later than February 15, 2008. Proceeds will be used to meet the cash flow requirements of the City's Library and City Relief Funds. After the expiration of the initial period, the notes will bear interest at a weekly, short-term intermediate or fixed rate at the discretion of the City.
- b) In February 2006, the City sold General Obligation Direct Access Bonds, Series 2006-1 (\$35.8 million). The bonds have interest rates ranging from 3.5 percent to 4.4 percent and maturities from January 1, 2013 to January 1, 2026. Net proceeds of \$34.9 million will be used for capital activities.
- c) In March 2006, the City sold General Obligation Bonds, Project and Refunding Series 2006A (\$582.4 million) and Taxable Series 2006B (\$67.6 million). The bonds were issued with interest rates ranging from 3.5 percent to 5.375 percent and maturity dates ranging from January 1, 2007 to January 1, 2038. Net proceeds of \$674.0 million will be used to finance certain projects, refund prior bonds, and capitalized interest.
- d) In April 2006, the City issued \$46.4 million of Water System Commercial Paper Notes 2004 to fund ongoing activities.

**COMBINING AND
INDIVIDUAL FUND STATEMENTS**

GENERAL FUND



Schedule A-1
CITY OF CHICAGO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
LOCAL TAX REVENUE				
UTILITY TAX:				
Gas	\$ 129,820	\$ 129,820	\$ 134,111	\$ 4,291
Electric	97,000	97,000	101,588	4,588
Telecommunication	170,000	170,000	147,478	(22,522)
Commonwealth Edison	89,000	89,000	92,821	3,821
Infrastructure Maintenance	-	-	189	189
Fiber Optics	-	-	7	7
Cable Television	14,200	14,200	15,915	1,715
Total Utility Tax	<u>500,020</u>	<u>500,020</u>	<u>492,109</u>	<u>(7,911)</u>
SALES TAX:				
Home Rule Retailers' Occupation	199,400	199,400	220,648	21,248
TRANSPORTATION TAX:				
Parking	79,300	79,300	81,657	2,357
Vehicle Fuel	65,600	65,600	61,035	(4,565)
Vehicle Replacement	-	-	-	-
Ground Transportation	8,000	8,000	9,345	1,345
Total Transportation Tax	<u>152,900</u>	<u>152,900</u>	<u>152,037</u>	<u>(863)</u>
TRANSACTION TAX:				
Real Property	185,719	185,719	236,348	50,629
Personal Property Lease	76,000	76,000	82,545	6,545
Motor Vehicle Lessor	6,500	6,500	6,334	(166)
Total Transaction Tax	<u>268,219</u>	<u>268,219</u>	<u>325,227</u>	<u>57,008</u>
RECREATION TAX:				
Amusement	42,200	42,200	53,101	10,901
Automatic Amusement	1,700	1,700	1,434	(266)
Liquor	20,650	20,650	19,637	(1,013)
Boat Mooring	900	900	906	6
Cigarette	31,400	31,400	27,484	(3,916)
Off Track Betting	2,500	2,500	1,967	(533)
Soft Drink	10,900	10,900	10,687	(213)
Total Recreation Tax	<u>110,250</u>	<u>110,250</u>	<u>115,216</u>	<u>4,966</u>
BUSINESS TAX:				
Hotel	40,500	40,500	46,256	5,756
Employers' Expense	24,000	24,000	22,727	(1,273)
Foreign Fire Insurance	3,800	3,800	4,341	541
Total Business Tax	<u>68,300</u>	<u>68,300</u>	<u>73,324</u>	<u>5,024</u>
TOTAL LOCAL TAX REVENUE	<u>1,299,089</u>	<u>1,299,089</u>	<u>1,378,561</u>	<u>79,472</u>

Schedule A-1 - Continued
CITY OF CHICAGO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
INTERGOVERNMENTAL REVENUE				
STATE INCOME TAX:				
Income	\$ 201,000	\$ 201,000	\$ 212,900	\$ 11,900
Personal Property Replacement	52,900	52,900	94,562	41,662
Total State Income Tax	<u>253,900</u>	<u>253,900</u>	<u>307,462</u>	<u>53,562</u>
STATE SALES TAX:				
State Retailers' Occupation	246,000	246,000	250,421	4,421
STATE AUTO RENTAL TAX:				
Municipal Auto Rental	3,400	3,400	3,237	(163)
FEDERAL/STATE GRANTS:				
Grants	4,000	4,000	2,066	(1,934)
TOTAL INTERGOVERNMENTAL REVENUE ...	<u>507,300</u>	<u>507,300</u>	<u>563,186</u>	<u>55,886</u>
LOCAL NON-TAX REVENUE				
INTERNAL SERVICE:				
Water Fund	51,995	51,995	51,995	-
Chicago-O'Hare International Airport Fund	36,495	36,495	29,629	(6,866)
Vehicle Tax Fund	24,149	24,149	24,619	470
Chicago Skyway Fund	-	-	-	-
Midway Airport Fund	7,921	7,921	6,051	(1,870)
Federal Funds	27,248	27,248	20,042	(7,206)
Sewer Fund	21,877	21,877	21,878	1
Emergency Communication Fund	28,887	28,887	27,687	(1,200)
Federal Funds - Pensions	17,400	17,400	14,500	(2,900)
Indirect Cost Recovery	3,368	3,368	2,472	(896)
Electrical Services	6,632	6,632	5,325	(1,307)
Electrical Construction	16,070	16,070	12,899	(3,171)
Transportation	9,113	9,113	6,260	(2,853)
Fleet Management	17,986	17,986	16,904	(1,082)
Miscellaneous - Planning, Purchasing, etc.	6,836	6,836	8,223	1,387
Other	-	-	1,747	1,747
Total Internal Service	<u>275,977</u>	<u>275,977</u>	<u>250,231</u>	<u>(25,746)</u>
LICENSES AND PERMITS:				
Alcoholic Liquor Dealers' License	12,500	12,500	11,732	(768)
Building License	16,500	16,500	20,439	3,939
Building Permits	33,100	33,100	42,535	9,435
Fines and Penalties	5,945	5,945	6,834	889
Other	46,165	46,165	39,364	(6,801)
Total Licenses and Permits	<u>114,210</u>	<u>114,210</u>	<u>120,904</u>	<u>6,694</u>

Schedule A-1 - Concluded
CITY OF CHICAGO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
LOCAL NON-TAX REVENUE - Concluded				
FINES:				
Fines, Forfeitures and Penalties	\$ 189,055	\$ 189,055	\$ 194,488	\$ 5,433
INVESTMENT INCOME:				
Interest on Investments	3,500	3,500	5,900	2,400
CHARGES FOR SERVICES:				
Health Services	800	800	784	(16)
Inspection	13,030	13,030	10,254	(2,776)
Information	865	865	953	88
Safety	49,700	49,700	36,362	(13,338)
Reimbursement of Current Expense	6,500	6,500	11,029	4,529
Other	12,135	12,135	7,798	(4,337)
Total Charges for Services	83,030	83,030	67,180	(15,850)
MUNICIPAL UTILITIES:				
Parking	25,200	25,200	23,180	(2,020)
Total Municipal Utilities	25,200	25,200	23,180	(2,020)
LEASES, RENTALS AND SALES:				
Sale of Land and Buildings	23,000	23,000	23,543	543
Vacation of Streets and Alleys	5,000	5,000	5,793	793
Sale of Impounded Autos	200	200	204	4
Sale of Materials	2,550	2,550	870	(1,680)
Rentals and Leases	9,250	9,250	4,138	(5,112)
Total Leases, Rentals and Sales	40,000	40,000	34,548	(5,452)
MISCELLANEOUS:				
Property Damage	6	6	224	218
Other	31,444	31,444	25,711	(5,733)
Total Miscellaneous	31,450	31,450	25,935	(5,515)
TOTAL LOCAL NON-TAX REVENUE	762,422	762,422	722,366	(40,056)
Issuance of Debt, Net of Original				
Discount	15,050	15,050	15,050	-
Budgeted Prior Years' Surplus				
and Reappropriations	51,771	51,771	-	(51,771)
Transfers In	155,450	160,450	118,244	(42,206)
Total Revenues	<u>\$ 2,791,082</u>	<u>\$ 2,796,082</u>	<u>\$ 2,797,407</u>	<u>\$ 1,325</u>

NONMAJOR GOVERNMENTAL FUNDS



**Schedule B-1
CITY OF CHICAGO, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 466,047	\$ 60,025	\$ 84,595	\$ 610,667
Investments	146,941	12,835	51,728	211,504
Cash and Investments with Escrow Agent	-	164,102	-	164,102
Receivables (Net of Allowances):				
Property Tax	497,434	166,580	-	664,014
Accounts	2,767	613	18,560	21,940
Due from Other Funds	99,787	336	7,718	107,841
Due from Other Governments	11,537	311	26,776	38,624
Total Assets	<u>\$ 1,224,513</u>	<u>\$ 404,802</u>	<u>\$ 189,377</u>	<u>\$ 1,818,692</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Voucher Warrants Payable	\$ 67,504	\$ -	\$ 13,533	\$ 81,037
Bonds, Notes and Other Obligations Payable - Current	-	3,520	-	3,520
Accrued Interest	-	4,154	-	4,154
Due to Other Funds	108,417	319	14	108,750
Accrued and Other Liabilities	26,165	-	39,741	65,906
Deferred Revenue	428,486	152,021	-	580,507
Total Liabilities	630,572	160,014	53,288	843,874
Fund Balance:				
Reserved for Encumbrances	43,938	-	20,164	64,102
Reserved for Debt Service	-	244,788	-	244,788
Unreserved, Undesignated	550,003	-	115,925	665,928
Total Fund Balance	<u>593,941</u>	<u>244,788</u>	<u>136,089</u>	<u>974,818</u>
Total Liabilities and Fund Balance	<u>\$ 1,224,513</u>	<u>\$ 404,802</u>	<u>\$ 189,377</u>	<u>\$ 1,818,692</u>

Schedule B-2
CITY OF CHICAGO, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Property Tax	\$ 310,543	\$ -	\$ -	\$ 310,543
Utility Tax	31,675	-	-	31,675
Sales Tax	93	2,356	-	2,449
Transportation Tax	166,373	-	-	166,373
State Income Tax	46,560	-	-	46,560
Special Area Tax	154,420	192,160	-	346,580
Other Taxes	13,787	234	-	14,021
Federal/State Grants	-	-	-	-
Internal Service	23,285	-	-	23,285
Fines	16,362	-	-	16,362
Investment Income	17,239	5,458	1,998	24,695
Charges for Services	40,175	-	-	40,175
Miscellaneous	10,089	18,660	1,147	29,896
Total Revenues	<u>830,601</u>	<u>218,868</u>	<u>3,145</u>	<u>1,052,614</u>
EXPENDITURES				
Current:				
General Government	239,771	-	-	239,771
Health	7,042	-	-	7,042
Public Safety	49,808	-	-	49,808
Streets and Sanitation	110,346	-	-	110,346
Transportation	66,014	-	-	66,014
Cultural and Recreational	80,388	-	-	80,388
Employee Pensions	388,053	-	-	388,053
Other	379	-	-	379
Capital Outlay	-	-	81,006	81,006
Debt Service:				
Principal Retirement	73,331	77,799	-	151,130
Interest and Other Fiscal Charges	6,798	28,388	-	35,186
Total Expenditures	<u>1,021,930</u>	<u>106,187</u>	<u>81,006</u>	<u>1,209,123</u>
Revenues Over (Under) Expenditures	<u>(191,329)</u>	<u>112,681</u>	<u>(77,861)</u>	<u>(156,509)</u>

Continued on following page.

Schedule B-2 - Concluded
CITY OF CHICAGO, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
OTHER FINANCING SOURCES (USES)				
Issuance of Debt, Including Premium	\$ 104,750	\$ -	\$ 78,000	\$ 182,750
Payment to Refunded Bond Escrow Agent	(134,148)	-	-	(134,148)
Transfers In	521,879	2,107	-	523,986
Transfers Out	(47,167)	(92,246)	-	(139,413)
Total Other Financing Sources (Uses)	<u>445,314</u>	<u>(90,139)</u>	<u>78,000</u>	<u>433,175</u>
Net Change in Fund Balances	253,985	22,542	139	276,666
Fund Balance - Beginning of Year	339,956	222,246	135,950	698,152
Fund Balance - End of Year	<u>\$ 593,941</u>	<u>\$ 244,788</u>	<u>\$ 136,089</u>	<u>\$ 974,818</u>

NONMAJOR SPECIAL REVENUE FUNDS

Vehicle Tax Fund - Expenditures made in accordance with the policy established by the City Council in connection with street repairs and maintenance, as provided by sale of vehicle licenses.

Motor Fuel Tax and Project Fund - Expenditures for repair and maintenance of streets and pavements as provided by the City's distributive share of State Motor Fuel Tax and Motor Fuel Tax Revenue Bonds.

Pension Fund - For the City's contribution to Employees' Annuity and Benefit Funds as provided by tax levy and State Personal Property Replacement Tax revenue.

Public Building Commission Fund - For rentals of space and long-term lease obligations by the City as provided by tax levy.

Miscellaneous Fund - Expenditures for environmental management purposes related to liquid waste, inspection, operation of emergency communication system and other obligations, as provided by revenues from fees collected for disposal of liquid waste, by fees on telephone billings and transfers in.

Chicago Public Library Fund - Expenditures for acquisition, repairs, construction and equipment of library buildings; also library maintenance and operations as provided by proceeds of debt, fines and miscellaneous revenues.

Special Events, Tourism and Festivals Fund - Expenditures for promoting tourism, conventions and other special events projects in Chicago as provided by the State from Municipal Hotel-Motel Tax receipts and by proceeds from Jazz, Blues and Gospel Festivals and Taste of Chicago.

Health and Welfare Fund - For general assistance to be expended and administered by the Illinois Department of Public Aid as provided by patient fees, City and State grants and proceeds of debt, and for neighborhood human infrastructure projects designed to improve the quality of life for citizens.

Special Taxing Areas Fund - Expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Schedule C-1
CITY OF CHICAGO, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2005
(Amounts are in Thousands of Dollars)

	Vehicle Tax	Motor Fuel Tax and Project	Pension	Public Building Commission
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 2,580	\$ 695	\$ -
Investments	549	21,269	89	-
Receivables (Net of Allowances):				
Property Tax	-	-	309,673	-
Accounts	-	1,834	-	-
Due from Other Funds	27,187	526	-	-
Due from Other Governments	-	5,778	-	2,024
Total Assets	<u>\$ 27,736</u>	<u>\$ 31,987</u>	<u>\$ 310,457</u>	<u>\$ 2,024</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Voucher Warrants Payable	\$ 13,430	\$ 16,806	\$ 6,234	\$ -
Due to Other Funds	18,953	13,062	42,234	30
Accrued and Other Liabilities	4,120	-	-	-
Deferred Revenue	-	-	261,989	-
Total Liabilities	<u>36,503</u>	<u>29,868</u>	<u>310,457</u>	<u>30</u>
Fund Balance (Deficit):				
Reserve for Encumbrances	1,893	5,472	-	-
Unreserved, Undesignated	<u>(10,660)</u>	<u>(3,353)</u>	-	1,994
Total Fund Balance (Deficit)	<u>(8,767)</u>	<u>2,119</u>	<u>-</u>	<u>1,994</u>
Total Liabilities and Fund Balance	<u>\$ 27,736</u>	<u>\$ 31,987</u>	<u>\$ 310,457</u>	<u>\$ 2,024</u>

Miscellaneous	Chicago Public Library	Special Events, Tourism and Festivals	Health and Welfare	Special Taxing Areas	Total Nonmajor Special Revenue Funds
\$ 30,246	\$ 5	\$ 4,681	\$ 25,718	\$ 402,122	\$ 466,047
6,976	-	227	35,394	82,437	146,941
-	-	-	-	187,761	497,434
82	157	20	439	235	2,767
37,419	21,407	2,145	6,029	5,074	99,787
-	-	3,730	-	5	11,537
<u>\$ 74,723</u>	<u>\$ 21,569</u>	<u>\$ 10,803</u>	<u>\$ 67,580</u>	<u>\$ 677,634</u>	<u>\$ 1,224,513</u>
\$ 3,833	\$ 7,922	\$ 2,507	\$ 3,025	\$ 13,747	\$ 67,504
10,154	6,085	8,218	5,027	4,654	108,417
19,924	1,030	390	-	701	26,165
-	-	-	-	166,497	428,486
<u>33,911</u>	<u>15,037</u>	<u>11,115</u>	<u>8,052</u>	<u>185,599</u>	<u>630,572</u>
34,077	475	89	114	1,818	43,938
6,735	6,057	(401)	59,414	490,217	550,003
<u>40,812</u>	<u>6,532</u>	<u>(312)</u>	<u>59,528</u>	<u>492,035</u>	<u>593,941</u>
<u>\$ 74,723</u>	<u>\$ 21,569</u>	<u>\$ 10,803</u>	<u>\$ 67,580</u>	<u>\$ 677,634</u>	<u>\$ 1,224,513</u>

Schedule C-2
CITY OF CHICAGO, ILLINOIS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Vehicle Tax	Motor Fuel Tax and Project	Pension	Public Building Commission
Revenues:				
Property Tax	\$ -	\$ -	\$ 310,443	\$ -
Utility Tax	-	-	-	-
Sales Tax	-	-	-	-
Transportation Tax	93,659	71,895	-	-
State Income Tax	-	-	46,560	-
Special Area Tax	-	-	-	-
Other Taxes	-	-	-	-
Federal/State Grants	-	-	-	-
Internal Service	22,418	-	-	-
Fines	15,022	-	-	-
Investment Income	-	1,312	906	2,464
Charges for Services	10,777	113	-	-
Miscellaneous	961	-	144	-
Total Revenues	<u>142,837</u>	<u>73,320</u>	<u>358,053</u>	<u>2,464</u>
Expenditures:				
Current:				
General Government	58,886	1,259	-	-
Health	-	-	-	-
Public Safety	-	-	-	-
Streets and Sanitation	64,256	45,176	-	-
Transportation	23,415	38,154	-	-
Cultural and Recreational	-	-	-	-
Employee Pensions	-	-	388,053	-
Other	4	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Other Fiscal Charges	-	2	-	2,773
Total Expenditures	<u>146,561</u>	<u>84,591</u>	<u>388,053</u>	<u>2,773</u>
Revenues Over (Under) Expenditures	<u>(3,724)</u>	<u>(11,271)</u>	<u>(30,000)</u>	<u>(309)</u>
Other Financing Sources (Uses):				
Issuance of Debt, Including Premium	-	-	30,000	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balances	(3,724)	(11,271)	-	(309)
Fund Balance (Deficit) - Beginning of Year	(5,043)	13,390	-	2,303
Fund Balance (Deficit) - End of Year	<u>\$ (8,767)</u>	<u>\$ 2,119</u>	<u>\$ -</u>	<u>\$ 1,994</u>

Miscellaneous	Chicago Public Library	Special Events, Tourism and Festivals	Health and Welfare	Special Taxing Areas	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 310,543
31,675	-	-	-	-	31,675
-	-	-	-	93	93
-	-	819	-	-	166,373
-	-	-	-	-	46,560
-	-	-	-	154,420	154,420
-	-	13,787	-	-	13,787
-	-	-	-	-	-
-	-	-	-	867	23,285
-	1,340	-	-	-	16,362
1,778	1,101	113	3,001	6,564	17,239
6,647	20	22,618	-	-	40,175
8,568	200	83	-	133	10,089
<u>48,668</u>	<u>2,661</u>	<u>37,420</u>	<u>3,101</u>	<u>162,077</u>	<u>830,601</u>
60,231	31,919	3,614	11,982	71,880	239,771
6,140	-	-	-	902	7,042
49,658	-	136	-	14	49,808
-	-	-	-	914	110,346
-	-	-	-	4,445	66,014
-	40,701	39,687	-	-	80,388
-	-	-	-	-	388,053
-	-	375	-	-	379
-	-	-	-	-	-
73,331	-	-	-	-	73,331
601	2,702	48	670	2	6,798
<u>189,961</u>	<u>75,322</u>	<u>43,860</u>	<u>12,652</u>	<u>78,157</u>	<u>1,021,930</u>
<u>(141,293)</u>	<u>(72,661)</u>	<u>(6,440)</u>	<u>(9,551)</u>	<u>83,920</u>	<u>(191,329)</u>
-	50,802	7,050	15,398	1,500	104,750
(134,148)	-	-	-	-	(134,148)
311,099	23,100	-	100,000	87,680	521,879
-	-	-	(39,000)	(8,167)	(47,167)
<u>176,951</u>	<u>73,902</u>	<u>7,050</u>	<u>76,398</u>	<u>81,013</u>	<u>445,314</u>
35,658	1,241	610	66,847	164,933	253,985
5,154	5,291	(922)	(7,319)	327,102	339,956
<u>\$ 40,812</u>	<u>\$ 6,532</u>	<u>\$ (312)</u>	<u>\$ 59,528</u>	<u>\$ 492,035</u>	<u>\$ 593,941</u>

Schedule C-3
CITY OF CHICAGO, ILLINOIS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

FUND	Property Tax	Special Area and Utility Taxes	Trans- portation Tax	State Taxes
Original and Final Budgeted Revenues:				
Vehicle Tax	\$ -	\$ -	\$ 96,000	\$ -
Motor Fuel Tax and Project	-	-	70,186	-
Pension	307,864	-	-	57,152
Public Building Commission	-	-	-	-
Miscellaneous	-	35,918	-	-
Chicago Public Library	-	-	-	-
Special Events, Tourism and Festivals	-	-	1,027	12,736
Health and Welfare	-	-	-	-
Special Taxing Areas	-	187,758	-	-
Total Original and Final Budgeted Revenues	<u>307,864</u>	<u>223,676</u>	<u>167,213</u>	<u>69,888</u>
Actual Revenues:				
Vehicle Tax	-	-	93,659	-
Motor Fuel Tax and Project	-	-	71,895	-
Pension	286,461	-	-	46,560
Public Building Commission	-	-	-	-
Miscellaneous	-	31,675	-	-
Chicago Public Library	-	-	-	-
Special Events, Tourism and Festivals	-	-	819	13,787
Health and Welfare	100	-	-	-
Special Taxing Areas	-	196,940	-	93
Total Actual Revenues	<u>286,561</u>	<u>228,615</u>	<u>166,373</u>	<u>60,440</u>
Variance Positive (Negative)	<u>\$ (21,303)</u>	<u>\$ 4,939</u>	<u>\$ (840)</u>	<u>\$ (9,448)</u>

<u>Internal Service</u>	<u>Fines</u>	<u>Investment Income</u>	<u>Leases, Rentals, Sales and Charges for Services</u>	<u>Miscellaneous</u>	<u>Proceeds of Debt, Including Premium</u>	<u>Budgeted Prior Years' Surplus and Operating Transfers In/ Other</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 40,772	\$ 14,250	\$ -	\$ 6,014	\$ 1,100	\$ -	\$ -	\$ 158,136
-	-	800	-	-	-	21,473	92,459
-	-	-	-	-	27,000	-	392,016
-	-	-	-	-	-	-	-
-	-	-	-	10,553	-	266,949	313,420
-	1,079	440	200	2,000	50,735	31,535	85,989
-	-	5	19,100	-	-	408	33,276
-	-	-	-	-	15,398	34,182	49,580
867	-	30	-	-	-	-	188,655
<u>41,639</u>	<u>15,329</u>	<u>1,275</u>	<u>25,314</u>	<u>13,653</u>	<u>93,133</u>	<u>354,547</u>	<u>1,313,531</u>
22,418	15,022	-	10,777	961	-	-	142,837
-	-	1,312	113	-	-	-	73,320
-	-	906	-	144	30,000	-	364,071
-	-	2,464	-	-	-	-	2,464
-	-	1,778	6,647	8,568	-	311,089	359,757
-	1,340	1,101	20	200	50,802	23,100	76,563
-	-	113	22,618	83	7,050	-	44,470
-	-	3,001	-	-	15,398	100,000	118,499
867	-	6,564	-	133	1,500	87,680	293,777
<u>23,285</u>	<u>16,362</u>	<u>17,239</u>	<u>40,175</u>	<u>10,089</u>	<u>104,750</u>	<u>521,869</u>	<u>1,475,758</u>
<u>\$ (18,354)</u>	<u>\$ 1,033</u>	<u>\$ 15,964</u>	<u>\$ 14,861</u>	<u>\$ (3,564)</u>	<u>\$ 11,617</u>	<u>\$ 167,322</u>	<u>\$ 162,227</u>

Schedule C-4
CITY OF CHICAGO, ILLINOIS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

FUND	<u>General Government</u>	<u>Health</u>	<u>Public Safety</u>	<u>Streets and Sanitation</u>
Original and Final Budget:				
Vehicle Tax	\$ 63,220	\$ -	\$ -	\$ 63,115
Motor Fuel Tax and Project	33	-	-	49,226
Pension	-	-	-	-
Miscellaneous	303,872	4,615	4,933	-
Chicago Public Library	38,779	-	-	-
Special Events, Tourism and Festivals	4,307	-	130	-
Health and Welfare	49,380	-	-	-
Special Taxing Areas	188,026	-	-	615
Total Original and Final Budget	<u>647,617</u>	<u>4,615</u>	<u>5,063</u>	<u>112,956</u>
Actual Expenditures and Encumbrances:				
Vehicle Tax	59,090	-	-	65,435
Motor Fuel Tax and Project	12	-	-	47,064
Pension	-	-	-	-
Miscellaneous	298,047	1,831	2,033	-
Chicago Public Library	32,150	-	-	-
Special Events, Tourism and Festivals	4,037	-	130	-
Health and Welfare	51,096	-	-	-
Special Taxing Areas	83,898	-	-	638
Total Actual Expenditures and Encumbrances ...	<u>528,330</u>	<u>1,831</u>	<u>2,163</u>	<u>113,137</u>
Variance Positive (Negative)	<u>\$ 119,287</u>	<u>\$ 2,784</u>	<u>\$ 2,900</u>	<u>\$ (181)</u>

<u>Trans- portation</u>	<u>Cultural and Recreational</u>	<u>Employee Pensions</u>	<u>Operating Transfers Out</u>	<u>Interest and Other Fiscal Charges</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 31,801	\$ -	\$ -	\$ -	\$ -	\$ 158,136
43,200	-	-	-	-	92,459
-	-	392,016	-	-	392,016
-	-	-	-	-	313,420
-	44,442	-	-	2,768	85,989
-	28,839	-	-	-	33,276
-	-	-	-	200	49,580
14	-	-	-	-	188,655
<u>75,015</u>	<u>73,281</u>	<u>392,016</u>	<u>-</u>	<u>2,968</u>	<u>1,313,531</u>
23,367	-	-	-	-	147,892
42,978	-	-	-	2	90,056
-	-	388,053	-	-	388,053
-	-	-	-	-	301,911
-	40,750	-	-	2,718	75,618
-	39,943	-	-	-	44,110
-	-	-	-	670	51,766
14	-	-	15,159	-	99,709
<u>66,359</u>	<u>80,693</u>	<u>388,053</u>	<u>15,159</u>	<u>3,390</u>	<u>1,199,115</u>
<u>\$ 8,656</u>	<u>\$ (7,412)</u>	<u>\$ 3,963</u>	<u>\$ (15,159)</u>	<u>\$ (422)</u>	<u>\$ 114,416</u>

NONMAJOR CAPITAL PROJECT FUNDS

Highway and Transportation Projects - Proceeds of debt used to improve highways and transportation systems.

Building Projects - Proceeds of debt used to finance exterior and interior construction and mechanical work on buildings used by City departments and the public.

Equipment Projects - Proceeds of debt used to purchase capital assets and maintain equipment and machinery for various City departments.

Chicago Public Building Commission - Accounts for assets held by Public Building Commission as trustee or agent during the interim financing period of certain City projects.



Schedule D-1
CITY OF CHICAGO, ILLINOIS
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
December 31, 2005
(Amounts are in Thousands of Dollars)

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,341	\$ 88	\$ 81,166	\$ -	\$ 84,595
Investments	235	960	50,533	-	51,728
Accounts Receivable (Net of Allowances)	3	-	866	17,691	18,560
Due from Other Funds	-	-	7,718	-	7,718
Due from Other Governments	-	-	-	26,776	26,776
Total Assets	<u>\$ 3,579</u>	<u>\$ 1,048</u>	<u>\$ 140,283</u>	<u>\$ 44,467</u>	<u>\$ 189,377</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Voucher Warrants Payable	\$ 6	\$ 31	\$ 13,496	\$ -	\$ 13,533
Due to Other Funds	-	-	14	-	14
Accrued and Other Liabilities	-	-	241	39,500	39,741
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>6</u>	<u>31</u>	<u>13,751</u>	<u>39,500</u>	<u>53,288</u>
Fund Balance:					
Reserved for Encumbrances	1	119	20,044	-	20,164
Unreserved, Undesignated	3,572	898	106,488	4,967	115,925
Total Fund Balance	<u>3,573</u>	<u>1,017</u>	<u>126,532</u>	<u>4,967</u>	<u>136,089</u>
Total Liabilities and Fund Balance	<u>\$ 3,579</u>	<u>\$ 1,048</u>	<u>\$ 140,283</u>	<u>\$ 44,467</u>	<u>\$ 189,377</u>

Schedule D-2
CITY OF CHICAGO, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
REVENUES					
Investment Income	\$ 62	\$ 571	\$ 1,014	\$ 351	\$ 1,998
Miscellaneous	-	-	1,147	-	1,147
Total Revenues	<u>62</u>	<u>571</u>	<u>2,161</u>	<u>351</u>	<u>3,145</u>
EXPENDITURES					
Capital Outlay	-	33	80,973	-	81,006
Total Expenditures	<u>-</u>	<u>33</u>	<u>80,973</u>	<u>-</u>	<u>81,006</u>
Revenues Over (Under) Expenditures	<u>62</u>	<u>538</u>	<u>(78,812)</u>	<u>351</u>	<u>(77,861)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt, Including Premium	-	-	78,000	-	78,000
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>-</u>	<u>78,000</u>
Net Change in Fund Balance	62	538	(812)	351	139
Fund Balance - Beginning of Year	3,511	479	127,344	4,616	135,950
Fund Balance - End of Year	<u>\$ 3,573</u>	<u>\$ 1,017</u>	<u>\$ 126,532</u>	<u>\$ 4,967</u>	<u>\$ 136,089</u>

FIDUCIARY FUNDS

AGENCY FUNDS - Account for transactions for assets held by the City as agent for various entities.

PENSION TRUST FUNDS - Expenditures for employee pensions as provided by employee and employer contributions and investment earnings.



Schedule E-1
CITY OF CHICAGO, ILLINOIS
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
December 31, 2005
(Amounts are in Thousands of Dollars)

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
ASSETS:						
Cash,						
January 1, 2005.....	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 2
Additions.....	1,608,341	18,316	489,114	65,075	7,712	2,188,558
Deductions.....	1,599,679	3,494	414,491	40,510	5,254	2,063,428
Cash,						
December 31, 2005.....	8,662	14,823	74,623	24,566	2,458	125,132
Investments,						
January 1, 2005.....	321	339	17,886	407	1,309	20,262
Additions.....	5,332	2,577	31,731	3,547	1,363	44,550
Deductions.....	321	339	24,056	407	1,331	26,454
Investments,						
December 31, 2005.....	5,332	2,577	25,561	3,547	1,341	38,358
Cash and Investments with Escrow Agent,						
January 1, 2005.....	-	-	21,951	252	-	22,203
Additions.....	-	-	744	4	-	748
Deductions.....	-	-	2,500	-	-	2,500
Cash and Investments with Escrow Agent,						
December 31, 2005.....	-	-	20,195	256	-	20,451
Accounts Receivables,						
January 1, 2005.....	-	3,846	571	302	2,501	7,220
Additions.....	-	-	21,977	70	1,774	23,821
Deductions.....	-	-	2,486	105	2,073	4,664
Accounts Receivables,						
December 31, 2005.....	-	3,846	20,062	267	2,202	26,377
Due from City,						
January 1, 2005.....	15,267	16,144	79,515	74,139	2,699	187,764
Additions.....	14,127	-	7,518	318	83	22,046
Deductions.....	15,267	16,144	82,994	24,455	2,721	141,581
Due from City,						
December 31, 2005.....	14,127	-	4,039	50,002	61	68,229

Schedule E-1 - Concluded
CITY OF CHICAGO, ILLINOIS
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
December 31, 2005
(Amounts are in Thousands of Dollars)

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
ASSETS - Concluded:						
Total Assets,						
January 1, 2005.....	\$ 15,588	\$ 20,330	\$ 119,923	\$ 75,101	\$ 6,509	\$ 237,451
Additions.....	1,627,800	20,893	551,084	69,014	10,932	2,279,723
Deductions.....	1,615,267	19,977	526,527	65,477	11,379	2,238,627
Total Assets,						
December 31, 2005.....	<u>\$ 28,121</u>	<u>\$ 21,246</u>	<u>\$ 144,480</u>	<u>\$ 78,638</u>	<u>\$ 6,062</u>	<u>\$ 278,547</u>
LIABILITIES:						
Voucher Warrants Payable,						
January 1, 2005.....	\$ 1	\$ 34	\$ 30,709	\$ 3,211	\$ 4	\$ 33,959
Additions.....	1,934,902	-	325,262	29,667	2,562	2,292,393
Deductions.....	1,907,398	-	336,441	30,058	2,558	2,276,455
Voucher Warrants Payable,						
December 31, 2005.....	<u>27,505</u>	<u>34</u>	<u>19,530</u>	<u>2,820</u>	<u>8</u>	<u>49,897</u>
Due to City,						
January 1, 2005.....	15,538	-	11,325	529	23	27,415
Additions.....	16	-	23,476	1,951	351	25,794
Deductions.....	15,000	-	14,506	1,404	313	31,223
Due to City,						
December 31, 2005.....	<u>554</u>	<u>-</u>	<u>20,295</u>	<u>1,076</u>	<u>61</u>	<u>21,986</u>
Accrued Liabilities,						
January 1, 2005.....	49	20,296	77,889	71,361	6,482	176,077
Additions.....	541,520	916	40,779	4,237	2,950	590,402
Deductions.....	541,507	-	14,013	856	3,439	559,815
Accrued Liabilities,						
December 31, 2005.....	<u>62</u>	<u>21,212</u>	<u>104,655</u>	<u>74,742</u>	<u>5,993</u>	<u>206,664</u>
Total Liabilities,						
January 1, 2005.....	15,588	20,330	119,923	75,101	6,509	237,451
Additions.....	2,469,238	916	389,517	35,855	5,863	2,901,389
Deductions.....	2,456,705	-	364,960	32,318	6,310	2,860,293
Total Liabilities,						
December 31, 2005.....	<u>\$ 28,121</u>	<u>\$ 21,246</u>	<u>\$ 144,480</u>	<u>\$ 78,638</u>	<u>\$ 6,062</u>	<u>\$ 278,547</u>

Schedule E-2
CITY OF CHICAGO, ILLINOIS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
December 31, 2005
(Amounts are in Thousands of Dollars)

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
ASSETS					
Cash and Cash Equivalents	\$ 5,861	\$ 166,911	\$ 62,592	\$ 29,599	\$ 264,963
Receivables					
Employer and Other	198,329	2,154	228,947	85,758	515,188
Interest and Dividends	13,077	4,857	4,923	18,978	41,835
Total Receivables	211,406	7,011	233,870	104,736	557,023
Due from City	17,908	-	17,891	6,434	42,233
Investments, at Fair Value					
Bonds and U.S. Government					
Obligations	1,594,234	537,629	337,748	156,938	2,626,549
Stocks	4,143,741	958,251	2,473,509	860,051	8,435,552
Mortgages and Real Estate	263,155	37,458	-	6,047	306,660
Other	346,793	39,071	931,326	120,218	1,437,408
Total Investments	6,347,923	1,572,409	3,742,583	1,143,254	12,806,169
Invested Securities Lending					
Collateral	745,261	188,063	322,994	179,560	1,435,878
Total Assets	7,328,359	1,934,394	4,379,930	1,463,583	15,106,266
LIABILITIES					
Voucher Warrants Payable	226,209	87,270	102,099	9,365	424,943
Securities Lending Collateral	745,261	188,063	322,994	179,560	1,435,878
Total Liabilities	971,470	275,333	425,093	188,925	1,860,821
Net Assets Held in Trust for					
Pension Benefits	<u>\$ 6,356,889</u>	<u>\$ 1,659,061</u>	<u>\$ 3,954,837</u>	<u>\$ 1,274,658</u>	<u>\$ 13,245,445</u>

Schedule E-3
CITY OF CHICAGO, ILLINOIS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
ADDITIONS					
Contributions					
Employees	\$ 122,542	\$ 16,257	\$ 89,110	\$ 35,697	\$ 263,606
City	155,067	40	177,911	90,129	423,147
Total Contributions	<u>277,609</u>	<u>16,297</u>	<u>267,021</u>	<u>125,826</u>	<u>686,753</u>
Investment Income					
Net Appreciation in Fair					
Value of Investments	289,262	81,581	201,504	87,574	659,921
Interest, Dividends and Other	133,610	42,995	70,464	29,847	276,916
Investment Expense	(21,666)	(7,058)	(11,042)	(5,395)	(45,161)
Net Investment Income	<u>401,206</u>	<u>117,518</u>	<u>260,926</u>	<u>112,026</u>	<u>891,676</u>
Securities Lending Transactions					
Securities Lending Income	23,195	6,745	9,461	5,678	45,079
Securities Lending Expense	(22,090)	(6,478)	(8,630)	(5,231)	(42,429)
Net Securities Lending Transactions	<u>1,105</u>	<u>267</u>	<u>831</u>	<u>447</u>	<u>2,650</u>
Total Additions	<u>679,920</u>	<u>134,082</u>	<u>528,778</u>	<u>238,299</u>	<u>1,581,079</u>
DEDUCTIONS					
Benefits and Refunds of					
Deductions	560,228	109,405	437,089	167,529	1,274,251
Administrative and General	5,545	2,986	2,661	2,290	13,482
Total Deductions	<u>565,773</u>	<u>112,391</u>	<u>439,750</u>	<u>169,819</u>	<u>1,287,733</u>
Net Increase in Net Assets	<u>114,147</u>	<u>21,691</u>	<u>89,028</u>	<u>68,480</u>	<u>293,346</u>
Net Assets Held in Trust for					
Pension Benefits:					
Beginning of Year	6,242,742	1,637,370	3,865,809	1,206,178	12,952,099
End of Year	<u>\$ 6,356,889</u>	<u>\$ 1,659,061</u>	<u>\$ 3,954,837</u>	<u>\$ 1,274,658</u>	<u>\$ 13,245,445</u>



PART III
STATISTICAL SECTION
(UNAUDITED)



Table 1
CITY OF CHICAGO, ILLINOIS
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	1996	Percent of Total	1997	Percent of Total	1998	Percent of Total
Revenues:						
Property Tax	\$ 625,582	17.8 %	\$ 650,014	17.9 %	\$ 677,426	18.1 %
Utility Tax	409,644	11.6	421,580	11.6	440,178	11.7
Sales Tax	354,908	10.1	364,788	10.0	384,056	10.2
Transportation Tax	264,665	7.5	265,443	7.3	272,246	7.3
State Income Tax	253,173	7.2	279,309	7.7	300,088	8.0
Transaction Tax	129,970	3.7	157,147	4.3	174,039	4.6
Special Area Tax	46,693	1.3	52,710	1.5	63,034	1.7
Other Taxes	153,792	4.3	159,333	4.4	163,674	4.4
Total Taxes	<u>2,238,427</u>	<u>63.5</u>	<u>2,350,324</u>	<u>64.7</u>	<u>2,474,741</u>	<u>66.0</u>
Federal/State Grants	665,178	18.9	650,797	17.9	608,433	16.2
Internal Service	231,102	6.5	269,170	7.4	263,231	7.0
Licenses and Permits	52,410	1.5	54,570	1.5	58,418	1.6
Fines	111,334	3.2	108,592	3.0	114,824	3.1
Investment Income	72,670	2.1	70,257	1.9	86,376	2.3
Charges for Services	122,440	3.5	103,295	2.9	101,655	2.7
Miscellaneous	28,949	0.8	24,472	0.7	40,053	1.1
Total Revenues	<u>\$ 3,522,510</u>	<u>100.0 %</u>	<u>\$ 3,631,477</u>	<u>100.0 %</u>	<u>\$ 3,747,731</u>	<u>100.0 %</u>
	2003	Percent of Total	2004	Percent of Total	2005	Percent of Total
Revenues:						
Property Tax	\$ 729,458	15.5 %	\$ 651,950	14.0 %	\$ 739,419	14.6 %
Utility Tax	512,567	10.9	504,800	10.9	539,325	10.6
Sales Tax	414,425	8.8	441,579	9.5	499,228	9.8
Transportation Tax	330,926	7.0	322,018	6.9	337,993	6.7
State Income Tax	266,512	5.7	282,676	6.1	354,022	7.0
Transaction Tax	242,212	5.2	278,584	6.0	325,227	6.4
Special Area Tax	222,263	4.7	284,127	6.1	346,580	6.8
Other Taxes	166,671	3.5	165,607	3.6	205,811	4.1
Total Taxes	<u>2,885,034</u>	<u>61.3</u>	<u>2,931,341</u>	<u>63.1</u>	<u>3,347,605</u>	<u>66.0</u>
Federal/State Grants	965,885	20.6	852,050	18.3	806,472	15.9
Internal Service	324,745	6.9	293,339	6.3	273,516	5.4
Licenses and Permits	96,678	2.1	104,627	2.3	120,904	2.4
Fines	192,746	4.1	202,536	4.4	210,850	4.2
Investment Income	24,414	0.5	27,377	0.6	80,728	1.6
Charges for Services	120,376	2.6	150,879	3.2	131,139	2.6
Miscellaneous	90,375	1.9	81,645	1.8	97,093	1.9
Total Revenues	<u>\$ 4,700,253</u>	<u>100.0 %</u>	<u>\$ 4,643,794</u>	<u>100.0 %</u>	<u>\$ 5,068,307</u>	<u>100.0 %</u>

NOTE:

(1) Includes General, Special Revenue, Permanent, Debt Service and Capital Project Funds.

1999	Percent of Total	2000	Percent of Total	2001	Percent of Total	2002	Percent of Total
\$ 642,692	16.7 %	\$ 664,007	15.7 %	\$ 641,351	14.5 %	\$ 662,919	14.3 %
456,011	11.8	482,610	11.4	503,971	11.4	488,419	10.5
408,842	10.6	436,320	10.3	430,637	9.7	419,491	9.0
277,554	7.2	319,214	7.5	309,502	7.0	322,811	7.0
303,431	7.9	336,011	7.9	314,581	7.1	273,535	5.9
187,871	4.9	200,804	4.8	216,550	4.9	232,168	5.0
80,417	2.1	97,510	2.3	128,108	2.9	145,365	3.1
160,706	4.2	169,340	4.0	163,492	3.7	162,951	3.5
2,517,524	65.4	2,705,816	63.9	2,708,192	61.2	2,707,659	58.3
632,835	16.4	738,055	17.4	914,844	20.7	1,088,585	23.4
261,056	6.8	282,458	6.7	307,627	7.0	339,761	7.4
64,464	1.7	70,269	1.6	82,044	1.8	83,148	1.8
110,039	2.8	134,259	3.2	150,525	3.4	181,711	3.9
89,762	2.3	121,760	2.9	96,252	2.2	52,377	1.1
93,723	2.4	109,703	2.6	103,977	2.3	116,581	2.5
86,788	2.2	70,409	1.7	62,816	1.4	74,128	1.6
\$ 3,856,191	100.0 %	\$ 4,232,729	100.0 %	\$ 4,426,277	100.0 %	\$ 4,643,950	100.0 %

REVENUE SOURCES

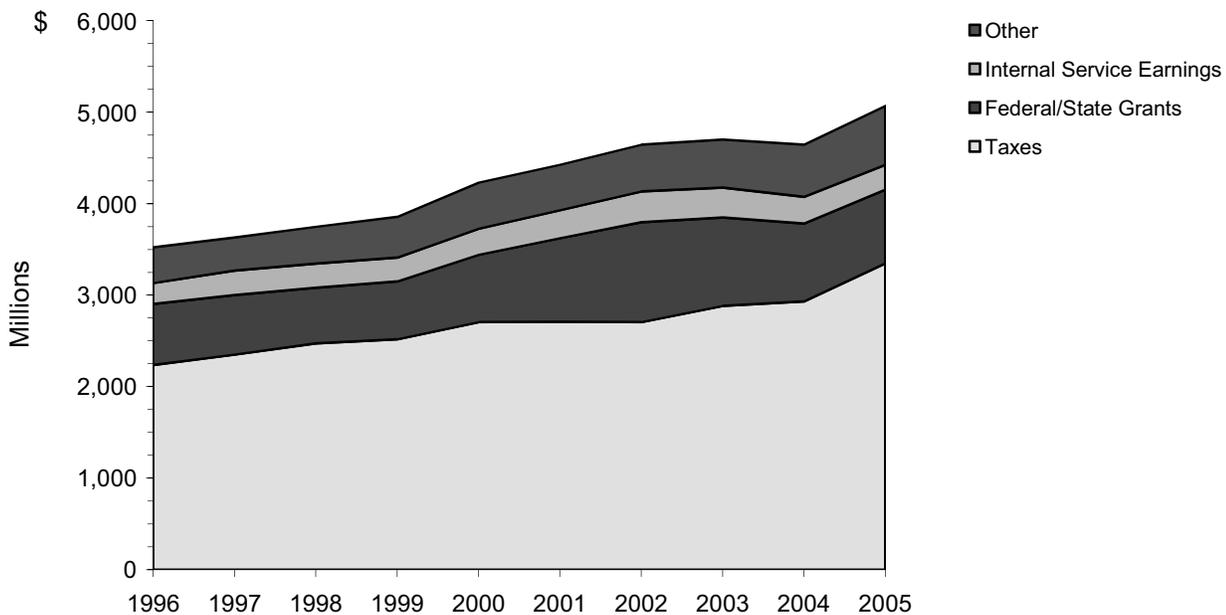


Table 2
CITY OF CHICAGO, ILLINOIS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	1996	Percent of Total	1997	Percent of Total	1998	Percent of Total
Expenditures:						
Current:						
Public Safety	\$ 1,137,456	28.2 %	\$ 1,225,165	29.5 %	\$ 1,283,192	29.5 %
General Government	1,081,804	26.9	1,050,368	25.3	1,088,252	25.0
Employee Pensions	323,365	8.0	319,692	7.7	347,826	8.0
Streets and Sanitation	287,493	7.1	297,015	7.1	308,697	7.1
Transportation	230,868	5.7	238,320	5.7	221,009	5.1
Health	106,786	2.7	113,431	2.7	119,271	2.7
Cultural and Recreational ...	70,975	1.8	79,878	1.9	77,956	1.8
Other	58,114	1.4	17,250	0.4	5,542	0.1
Capital Outlay	280,528	7.0	313,661	7.5	435,585	10.0
Debt Service:						
Principal Retirement	301,965	7.5	350,257	8.4	305,542	7.0
Interest and Other Fiscal Charges	147,606	3.7	150,688	3.6	161,806	3.7
Total Expenditures	\$ 4,026,960	100.0 %	\$ 4,155,725	100.0 %	\$ 4,354,678	100.0 %
	2003	Percent of Total	2004	Percent of Total	2005	Percent of Total
Expenditures:						
Current:						
Public Safety	\$ 1,594,333	28.0 %	\$ 1,579,014	29.5 %	\$ 1,611,923	28.0 %
General Government	1,474,984	25.9	1,358,469	25.4	1,620,307	28.2
Employee Pensions	354,819	6.2	299,810	5.6	388,053	6.7
Streets and Sanitation	356,512	6.3	353,020	6.6	339,760	5.9
Transportation	421,665	7.4	308,535	5.8	221,377	3.8
Health	174,412	3.1	179,531	3.4	166,580	2.9
Cultural and Recreational ...	81,637	1.4	77,661	1.5	95,153	1.7
Other	10,684	0.2	10,191	0.2	9,382	0.1
Capital Outlay	564,519	9.9	563,975	10.5	452,284	7.9
Debt Service:						
Principal Retirement	396,748	7.0	303,755	5.7	543,413	9.5
Interest and Other Fiscal Charges	267,734	4.7	315,916	5.9	301,662	5.3
Total Expenditures	\$ 5,698,047	100.0 %	\$ 5,349,877	100.0 %	\$ 5,749,894	100.0 %

NOTE:

(1) Includes General, Special Revenue, Debt Service and Capital Project Funds.

1999	Percent of Total	2000	Percent of Total	2001	Percent of Total	2002	Percent of Total
\$ 1,362,215	29.0 %	\$ 1,385,262	27.7 %	\$ 1,426,100	27.6 %	\$ 1,464,970	26.2 %
1,172,273	25.0	1,251,368	25.1	1,305,306	25.3	1,399,128	25.0
329,034	7.0	328,353	6.6	339,379	6.6	328,518	5.9
345,177	7.4	340,418	6.8	359,420	7.0	357,924	6.4
208,034	4.4	252,283	5.1	401,289	7.8	467,902	8.4
116,678	2.5	145,979	2.9	163,405	3.2	177,993	3.2
81,618	1.7	87,774	1.8	88,659	1.7	83,509	1.5
11,082	0.2	20,645	0.4	11,883	0.2	10,388	0.2
577,135	12.3	675,067	13.5	527,171	10.2	758,356	13.6
303,597	6.5	287,468	5.8	292,980	5.7	285,688	5.1
183,041	3.9	219,955	4.4	248,768	4.8	251,162	4.5
<u>\$ 4,689,884</u>	<u>100.0 %</u>	<u>\$ 4,994,572</u>	<u>100.0 %</u>	<u>\$ 5,164,360</u>	<u>100.0 %</u>	<u>\$ 5,585,538</u>	<u>100.0 %</u>

EXPENDITURES BY FUNCTION

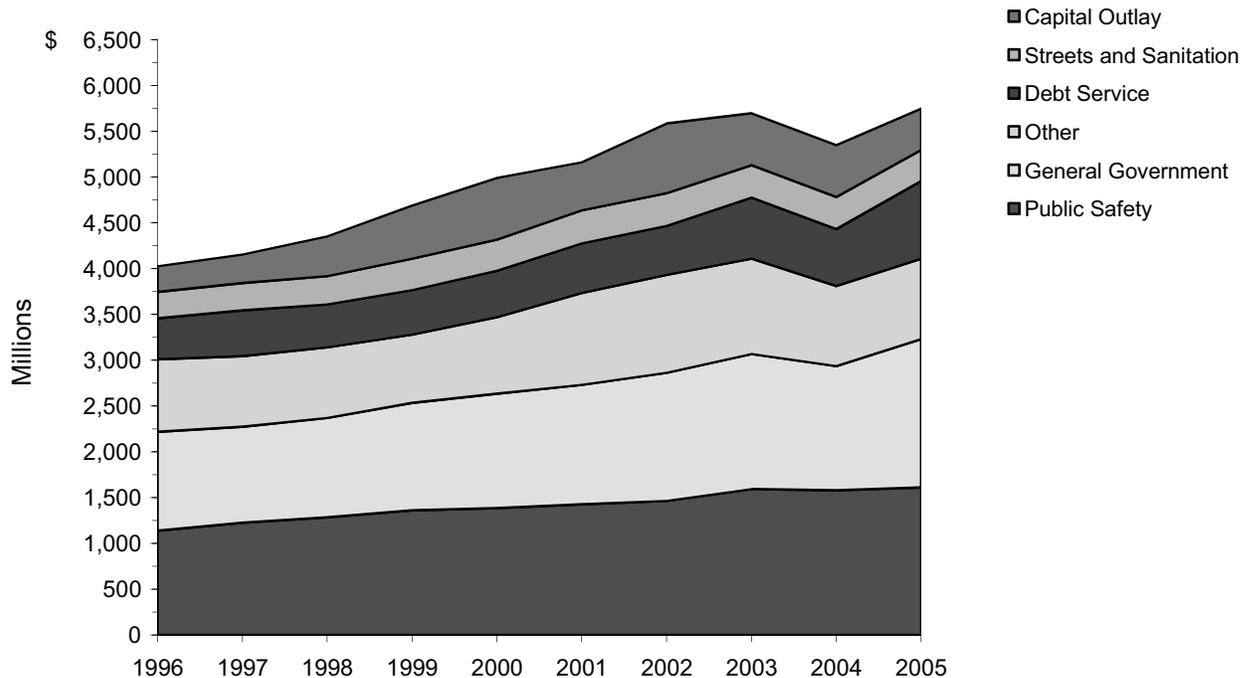


Table 3
CITY OF CHICAGO, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Five Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	2001 (3)	2002 (4)	2003 (4)	2004 (4)	2005 (4)
Revenues:					
Utility Tax	\$ 459,857	\$ 441,586	\$ 467,735	\$ 460,596	\$ 492,109
Sales Tax	402,567	397,135	385,891	412,909	471,069
State Income Tax	270,059	227,817	214,413	258,378	307,462
Other Taxes	505,799	520,812	532,874	570,002	669,041
Federal/State Grants	4,760	3,888	4,420	1,947	2,066
Other Revenues (1)	585,501	664,209	717,387	698,168	722,366
Total Revenues	<u>2,228,543</u>	<u>2,255,447</u>	<u>2,322,720</u>	<u>2,402,000</u>	<u>2,664,113</u>
Expenditures:					
Current:					
Public Safety	1,345,113	1,420,298	1,566,645	1,540,686	1,546,359
General Government	714,822	665,647	754,807	692,090	884,040
Other (2)	368,383	345,356	329,541	323,410	301,466
Debt Service	12,108	11,495	10,109	11,472	7,705
Total Expenditures	<u>2,440,426</u>	<u>2,442,796</u>	<u>2,661,102</u>	<u>2,567,658</u>	<u>2,739,570</u>
Revenues Under Expenditures	<u>(211,883)</u>	<u>(187,349)</u>	<u>(338,382)</u>	<u>(165,658)</u>	<u>(75,457)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original					
Discount/Including Premium	60,610	75,529	194,292	87,465	15,050
Transfers In	133,922	107,547	67,487	92,666	118,244
Transfers Out	(2,400)	-	-	-	(17,100)
Total Other Financing Sources (Uses) ..	<u>192,132</u>	<u>183,076</u>	<u>261,779</u>	<u>180,131</u>	<u>116,194</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(19,751)	(4,273)	(76,603)	14,473	40,737
Fund Balance - Beginning of Year	166,397	146,449	137,461	60,355	73,227
Change in Inventory	1,070	(4,715)	(503)	(1,601)	(3,145)
Residual Equity Transfer Out	(1,267)	-	-	-	-
Fund Balance - End of Year	<u>\$ 146,449</u>	<u>\$ 137,461</u>	<u>\$ 60,355</u>	<u>\$ 73,227</u>	<u>\$ 110,819</u>

NOTES:

- (1) Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues.
- (2) Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.
- (3) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2001.
- (4) Source: City of Chicago Basic Financial Statements for years ended December 31, 2002-2005.

Table 3A
CITY OF CHICAGO, ILLINOIS
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Five Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	2001 (3)	2002 (4)	2003 (4)	2004 (4)	2005 (4)
Revenues:					
Property Tax	\$ 263,135	\$ 280,773	\$ 301,943	\$ 265,026	\$ 310,543
Utility Tax	29,106	31,916	28,503	33,559	31,675
Sales Tax	274	323	256	126	93
State Income Tax	44,522	45,718	52,099	24,298	46,560
Other Taxes	216,471	241,644	272,635	299,498	334,580
Federal/State Grants	910,084	1,084,697	961,465	850,103	804,406
Other Revenues (1)	129,654	113,898	90,905	98,869	107,150
Total Revenues	<u>1,593,246</u>	<u>1,798,969</u>	<u>1,707,806</u>	<u>1,571,479</u>	<u>1,635,007</u>
Expenditures:					
Current:					
Public Safety	80,987	44,672	27,688	38,328	65,564
General Government	590,484	733,481	720,177	666,379	736,267
Employee Pensions	339,379	328,518	354,819	299,810	388,053
Other (2)	656,273	752,360	715,369	605,528	530,786
Capital Outlay	6,766	6,503	6,591	4,137	16,513
Debt Service	8,293	3,536	4,170	4,557	80,129
Total Expenditures	<u>1,682,182</u>	<u>1,869,070</u>	<u>1,828,814</u>	<u>1,618,739</u>	<u>1,817,312</u>
Revenues Under Expenditures	<u>(88,936)</u>	<u>(70,101)</u>	<u>(121,008)</u>	<u>(47,260)</u>	<u>(182,305)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original					
Discount/Including Premium	115,795	80,992	173,457	84,990	104,750
Payment to Refunded Bond Escrow Agent ...	-	-	-	-	(134,148)
Transfers In	42,246	24,599	65,902	77,469	521,879
Transfers Out	(25,754)	(50,608)	(31,990)	(21,948)	(55,168)
Total Other Financing Sources (Uses)	<u>132,287</u>	<u>54,983</u>	<u>207,369</u>	<u>140,511</u>	<u>437,313</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	43,351	(15,118)	86,361	93,251	255,008
Fund Balance - Beginning of Year	144,999	189,617	174,499	260,860	354,111
Residual Equity Transfer In	1,267	-	-	-	-
Fund Balance - End of Year	<u>\$ 189,617</u>	<u>\$ 174,499</u>	<u>\$ 260,860</u>	<u>\$ 354,111</u>	<u>\$ 609,119</u>

NOTES:

- (1) Includes Internal Service, Fines, Investment Income, Charges for Services and Miscellaneous Revenues.
- (2) Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.
- (3) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2001.
- (4) Source: Major (Federal, State and Local Grants) and Nonmajor Special Revenue Funds for years ended December 31, 2002-2005.

Table 3B
CITY OF CHICAGO, ILLINOIS
DEBT SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Five Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	<u>2001 (2)</u>	<u>2002 (3)</u>	<u>2003 (3)</u>	<u>2004 (3)</u>	<u>2005 (3)</u>
Revenues:					
Property Tax	\$ 378,216	\$ 382,146	\$ 427,515	\$ 386,924	\$ 428,876
Utility Tax	15,008	14,917	16,329	10,645	15,541
Sales Tax	27,796	22,033	28,278	28,544	28,066
Other Taxes	95,382	100,839	156,563	180,836	211,990
Other Revenues (1)	13,141	5,246	2,396	7,222	32,522
Total Revenues	<u>529,543</u>	<u>525,181</u>	<u>631,081</u>	<u>614,171</u>	<u>716,995</u>
Expenditures:					
Debt Service	521,347	521,819	650,203	603,642	757,241
Total Expenditures	<u>521,347</u>	<u>521,819</u>	<u>650,203</u>	<u>603,642</u>	<u>757,241</u>
Revenues Over (Under) Expenditures	<u>8,196</u>	<u>3,362</u>	<u>(19,122)</u>	<u>10,529</u>	<u>(40,246)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original Discount/Including Premium	154,647	154,988	310,081	178,694	1,513,417
Payment to Refunded Bond Escrow Agent	(127,821)	(132,289)	(173,725)	(143,143)	(1,051,917)
Transfers In	8,987	4,951	22,671	7,723	2,107
Transfers Out	(42,826)	(27,993)	(63,574)	(45,762)	(93,246)
Total Other Financing Sources (Uses)	<u>(7,013)</u>	<u>(343)</u>	<u>95,453</u>	<u>(2,488)</u>	<u>370,361</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,183	3,019	76,331	8,041	330,115
Fund Balance - Beginning of Year	<u>270,198</u>	<u>271,381</u>	<u>274,400</u>	<u>350,731</u>	<u>358,772</u>
Fund Balance - End of Year	<u>\$ 271,381</u>	<u>\$ 274,400</u>	<u>\$ 350,731</u>	<u>\$ 358,772</u>	<u>\$ 688,887</u>

NOTES:

(1) Includes Investment Income and Miscellaneous Revenues.

(2) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2001.

(3) Source: Major (Bond, Note Redemption and Interest) and Nonmajor (Special Taxing Areas) Debt Service Funds for years ended December 31, 2002-2005.

Table 3C
CITY OF CHICAGO, ILLINOIS
CAPITAL PROJECT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Five Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	<u>2001 (2)</u>	<u>2002 (3)</u>	<u>2003 (3)</u>	<u>2004 (3)</u>	<u>2005 (3)</u>
Revenues:					
Other Revenues (1)	\$ 74,945	\$ 64,353	\$ 38,646	\$ 56,144	\$ 34,676
Total Revenues	<u>74,945</u>	<u>64,353</u>	<u>38,646</u>	<u>56,144</u>	<u>34,676</u>
Expenditures:					
Capital Outlay	520,405	751,853	557,928	559,838	435,771
Total Expenditures	<u>520,405</u>	<u>751,853</u>	<u>557,928</u>	<u>559,838</u>	<u>435,771</u>
Revenues Under Expenditures	<u>(445,460)</u>	<u>(687,500)</u>	<u>(519,282)</u>	<u>(503,694)</u>	<u>(401,095)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original Discount/Including Premium	634,693	605,817	644,997	369,208	238,679
Transfers In	28,191	1,785	10,738	22,922	2,627
Transfers Out	(34,636)	(32,619)	(71,234)	(37,070)	-
Total Other Financing Sources (Uses) ..	<u>628,248</u>	<u>574,983</u>	<u>584,501</u>	<u>355,060</u>	<u>241,306</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	182,788	(112,517)	65,219	(148,634)	(159,789)
Fund Balance - Beginning of Year	<u>1,083,752</u>	<u>1,266,540</u>	<u>1,154,023</u>	<u>1,219,242</u>	<u>1,070,608</u>
Fund Balance - End of Year	<u>\$ 1,266,540</u>	<u>\$ 1,154,023</u>	<u>\$ 1,219,242</u>	<u>\$ 1,070,608</u>	<u>\$ 910,819</u>

NOTES:

- (1) Includes Investment Income, Charges for Services and Miscellaneous Revenues.
(2) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2001.
(3) Source: Major (Community Development and Improvement Projects) and Nonmajor Capital Projects Funds for years ended December 31, 2002-2005.

Table 4
CITY OF CHICAGO, ILLINOIS
PROPERTY TAX LEVIES BY FUND (1)
Five Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>Percent Change</u>
Note Redemption and Interest (2)	\$ 192,878	\$ 171,886	(10.88) %
Bond Redemption and Interest	202,969	241,549	19.01
Policemen's Annuity and Benefit (3)	121,735	123,069	1.10
Municipal Employees' Annuity and Benefit (3)	116,638	117,803	1.00
Firemen's Annuity and Benefit (3)	<u>53,161</u>	<u>52,874</u>	(0.54)
Total	<u>\$ 687,381</u>	<u>\$ 707,181</u>	2.88

NOTES:

- (1) See Table 4A - PROPERTY TAXES FOR ALL CITY FUNDS, COLLECTIONS AND ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES 1996 - 2005. Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.
- (2) Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites and City Relief Funds.
- (3) For information regarding the City's unfunded (assets in excess of) pension benefit obligations under its Pensions Plans, see the individual Pension Plans Financial Statements.
- (4) Estimated; actual was not available from Cook County Clerk's Office at time of publication.
- (5) Source: Cook County Clerk's Office.

<u>2003</u>	<u>Percent Change</u>	<u>2004</u>	<u>Percent Change</u>	<u>2005</u>	<u>Percent Change</u>
\$ 179,638	4.51 %	\$ 138,122	(23.11) %	\$ 81,053	(41.32) %
248,222	2.76	282,400	13.77	312,774	10.76
122,548	(0.42)	119,826	(2.22)	137,284	14.57
116,087	(1.46)	126,624	9.08	137,412	8.52
<u>53,200</u>	0.62	<u>52,808</u>	(0.74)	<u>49,372</u>	(6.51)
<u>\$ 719,695</u>	1.77	<u>\$ 719,780</u>	0.01	<u>\$ 717,895</u> (4)	(0.26)

Table 4A
CITY OF CHICAGO, ILLINOIS
PROPERTY LEVIES, COLLECTIONS AND
ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES
Last Ten Years Ended December 31, 2005
(Amounts are in Thousands of Dollars)

<u>Tax Year (1)</u>	<u>Total Tax Levy (2)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Estimated Allowance for Uncollectible Taxes</u>	<u>Net Outstanding Taxes Receivable</u>
1996	\$ 671,427	\$ 646,973	96.4%	\$ 24,454	\$ -
1997	675,198	655,350	97.1%	19,848	-
1998	678,260	662,703	97.7%	15,557	-
1999	657,731	648,082	98.5%	9,649	-
2000	672,104	659,160	98.1%	12,944	-
2001	687,381	680,436	99.0%	6,945	-
2002	707,181	693,135	98.0%	13,793	253
2003	719,695 (3)	713,317	99.1%	6,250	128
2004	719,780 (3)	694,214	96.4%	21,568	3,998
2005	717,895 (3), (4)	-	-	35,853	682,042
Total Net Outstanding Taxes Receivable					<u>\$ 686,420</u>

NOTES:

- (1) Taxes for each year become due and payable in the following year. For example, taxes for the 2005 tax levy become due and payable in 2006.
- (2) Does not include levy for Special Service Areas and Tax Increment Projects.
- (3) Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.
- (4) Estimate; actual was not available from Cook County Clerk's Office at time of publication.

Table 4B
CITY OF CHICAGO, ILLINOIS
TOP TEN ESTIMATED EQUALIZED ASSESSED VALUATION
December 31, 2005
(Amounts are in Thousands of Dollars)

Property	2004 (2) Equalized Assessed Valuation	Percentage of Total Equalized Assessed Valuation
Sears Tower	\$ 489,383	0.89 %
AON Building	322,214	0.58
Chicago Mercantile Exchange	321,563	0.58
Prudential Plaza	279,002	0.50
AT&T Corporate Center 1	253,165	0.46
Chase Plaza	244,202	0.44
Citicorp Plaza	193,557	0.35
Three First National Plaza	179,451	0.32
Leo Burnett Building	177,450	0.32
Water Tower Place	172,700	0.31
Totals	\$ 2,632,687	4.75 %

NOTES:

- (1) Source: Cook County Treasurer's Office, Cook County Assessor's Office.
- (2) 2005 information not available at time of publication.

Table 5
CITY OF CHICAGO, ILLINOIS
ASSESSED AND ESTIMATED FAIR MARKET VALUE OF ALL TAXABLE PROPERTY
Last Ten Years
(Amounts are in Thousands of Dollars)

Tax Year	Assessed Values (1)					Total
	Class 2 (2)	Class 3 (3)	Class 5 (4)	Other (5)		
1995	\$ 5,769,559	\$ 1,979,007	\$ 7,374,840	\$ 241,356	\$ 15,364,762	
1996	5,843,068	1,930,178	7,338,644	255,507	15,367,397	
1997	6,554,716	2,077,043	7,809,485	357,517	16,798,761	
1998	6,646,198	2,047,577	7,848,335	267,007	16,809,117	
1999	6,777,400	2,021,411	7,910,838	282,255	16,991,904	
2000	8,758,682	1,966,921	8,807,444	342,943	19,875,990	
2001	8,973,796	1,923,256	8,757,366	354,036	20,008,454	
2002	9,221,622	1,865,646	8,878,142	349,372	20,314,782	
2003	12,677,199	2,233,572	10,303,732	487,680	25,702,183	
2004 (9)	12,988,216	1,883,048	10,401,429	465,462	25,738,154	

NOTES:

- (1) Source: Cook County Assessor's Office. Excludes portion of City in DuPage County.
- (2) Residential, 6 units and under.
- (3) Residential, 7 units and over and mixed use.
- (4) Industrial/Commercial.
- (5) Vacant, not-for-profit and industrial/commercial incentive classes. Includes railroad and farm property.
- (6) Source: Illinois Department of Revenue.
- (7) Source: Cook County Clerk's Office. Excludes portion of City in DuPage County and net of exemptions. Calculations also include assessment of pollution control facilities.
- (8) Source: The Civic Federation. Excludes railroad property and portion of City in DuPage County.
- (9) 2005 information not available at time of publication.

State Equalization Factor (6)	Total Equalized Assessed Value (7)	Total Estimated Fair Market Value (8)	Ratio of Total Equalized Assessed to Total Estimated Fair Market Value (9)
2.1243	\$ 30,381,480	\$ 99,904,168	30.41%
2.1517	30,765,001	106,622,485	28.85
2.1489	33,349,557	111,679,906	29.86
2.1799	33,940,146	122,726,446	27.66
2.2505	35,354,802	135,522,333	26.09
2.2235	40,480,077	162,593,364	24.90
2.3098	41,981,912	185,912,246	22.58
2.4689	45,330,892	201,938,231	22.45
2.4598	53,168,632	223,572,427	23.78
2.5757	55,277,096	262,080,627	21.09

EQUALIZED ASSESSED VALUE

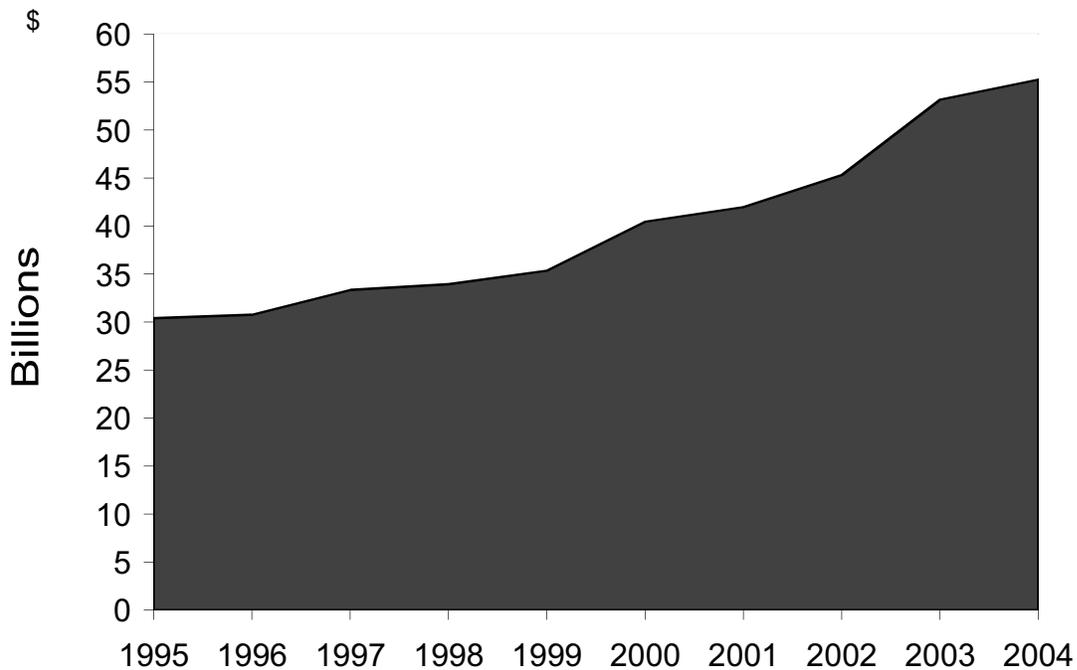


Table 6
CITY OF CHICAGO, ILLINOIS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Per \$100 OF EQUALIZED ASSESSED VALUATION
Last Ten Years

<u>Tax Year</u>	<u>City</u>	<u>Chicago School Finance Authority</u>	<u>Board of Education</u>	<u>Community College District No. 508</u>
1995	\$ 2.131	\$ 0.296	\$ 4.251	\$ 0.376
1996	2.182	0.291	4.327	0.377
1997	2.024	0.270	4.084	0.356
1998	1.998	0.268	4.172	0.354
1999	1.860	0.255	4.104	0.347
2000	1.660	0.223	3.714	0.311
2001	1.637	0.223	3.744	0.307
2002	1.591	0.177	3.562	0.280
2003	1.380	0.151	3.142	0.246
2004 (1)	1.302	0.177	3.104	0.242

NOTE:

(1) 2005 information not available from Cook County Clerk's Office at time of publication.

Table 6A
CITY OF CHICAGO, ILLINOIS
PROPERTY TAX RATES - CITY OF CHICAGO
Per \$100 OF EQUALIZED ASSESSED VALUATION
Last Ten Years
(Amounts for Tax Extension are in Thousands of Dollars)

<u>Tax Year</u>	<u>Total City Tax Extension</u>	<u>Bond, Note Redemption and Interest</u>	<u>Chicago Public Library Bond, Note Redemption and Interest</u>	<u>Policemen's Annuity and Benefit</u>
1995	\$ 647,559	\$ 1.183527	\$ -	\$ 0.308988
1996	671,427	1.069852	0.195030	0.298663
1997	675,198	0.932976	0.191594	0.289836
1998	678,260	0.936323	0.185625	0.300551
1999	657,731	0.890001	0.186811	0.314836
2000	672,104	0.819650	0.161302	0.301167
2001	687,381	0.783791	0.158920	0.289912
2002	707,181 (2)	0.804928	0.138133	0.271463
2003	719,695 (2)	0.713397	0.117772	0.230466
2004 (1)	719,780 (2)	0.647396	0.113280	0.216752

NOTES:

(1) 2005 information not available at time of publication.

(2) Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.

Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
\$ 0.730	\$ 0.495	\$ 0.072	\$ 0.994	\$ 9.345
0.721	0.492	0.074	0.989	9.453
0.665	0.451	0.074	0.919	8.843
0.653	0.444	0.072	0.911	8.872
0.627	0.419	0.070	0.854	8.536
0.572	0.415	0.069	0.824	7.788
0.567	0.401	0.067	0.746	7.692
0.545	0.371	0.061	0.690	7.277
0.464	0.361	0.059	0.630	6.433
0.455	0.347	0.060	0.593	6.280

Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Public Building Commission	Total
\$ 0.459701	\$ 0.120289	\$ 0.052995	\$ 0.005500	\$ 2.131
0.438745	0.119982	0.056000	0.003728	2.182
0.412152	0.146797	0.050645	-	2.024
0.403014	0.122435	0.050052	-	1.998
0.298024	0.134637	0.035691	-	1.860
0.260291	0.117590	-	-	1.660
0.277774	0.126603	-	-	1.637
0.259848	0.116628	-	-	1.591
0.218316	0.100049	-	-	1.380
0.229048	0.095524	-	-	1.302

Table 7
CITY OF CHICAGO, ILLINOIS
RATIO OF NET BONDED DEBT TO EQUALIZED ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Ten Years
(Amounts are in Thousands of Dollars Except Where Noted)

Tax Year	Population (1)	Equalized Assessed Value (2)	Gross Bonded Debt (3)	Less Reserve for Debt Service	Net Bonded Debt	Ratio of Net Bonded Debt to Equalized Assessed Value	Net Bonded Debt Per Capita (5)
1996	2,783,726	\$ 30,765,001	\$ 2,117,577	\$ 149,964	\$ 1,967,613	6.40 %	\$ 706.83
1997	2,783,726	33,349,557	2,200,279	110,228	2,090,051	6.27	750.81
1998	2,783,726	33,940,146	2,497,745	135,220	2,362,525	6.96	848.69
1999	2,783,726	35,354,802	3,010,116	125,509	2,884,607	8.16	1,036.24
2000	2,896,016	40,480,077	3,514,827	146,584	3,368,243	8.32	1,163.06
2001	2,896,016	41,981,912	4,105,736	125,816	3,979,920	9.48	1,374.27
2002	2,896,016	45,330,892	4,622,933	112,700	4,510,233	9.95	1,557.39
2003	2,896,016	53,168,632	5,301,013	183,347	5,117,666	9.63	1,767.14
2004	2,896,016	55,277,096	5,572,447	135,795	5,436,652	9.84	1,877.29
2005	2,896,016	N/A (4)	5,534,355	133,011	5,401,344	N/A (4)	1,865.09

NOTES:

- (1) Source: U.S. Census Bureau.
- (2) Source: Cook County Clerk's Office.
- (3) Gross Bonded Debt includes bonds, notes and capitalized lease obligations that are noncurrent.
- (4) N/A means not available at time of publication.
- (5) Amounts are in dollars.

Table 8
CITY OF CHICAGO, ILLINOIS
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT
TO TOTAL GOVERNMENTAL EXPENDITURES
Last Ten Years
(Amounts are in Thousands of Dollars)

Year Ended December 31,	Principal	Interest	General Obligation Debt Service Expenditures	Governmental Expenditures	Ratio of Debt Service Expenditures to Governmental Expenditures
1996	\$ 298,435	\$ 135,321	\$ 433,756	\$ 4,026,960	10.8 %
1997	323,242	137,237	460,479	4,155,725	11.1
1998	300,712	137,624	438,336	4,354,678	10.1
1999	273,802	137,783	411,585	4,689,884	8.8
2000	254,998	167,881	422,879	4,994,572	8.5
2001	256,695	192,186	448,881	5,164,360	8.7
2002	242,694	203,553	446,247	5,585,538	8.0
2003	331,432	213,063	544,495	5,698,047	9.6
2004	240,327	247,197	487,524	5,349,877	9.1
2005	223,778	242,286	466,064	5,749,894	8.1

Table 9
CITY OF CHICAGO, ILLINOIS
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
December 31, 2005
(Amounts are in Thousands of Dollars)

	City of Chicago Direct Debt	Net Direct Long-term Debt (1)	Percentage of Overlapping Bonded Debt (2)	Net Debt Applicable
City of Chicago General Obligation Bonds and Notes (Includes Commercial Paper)	\$ 5,189,929			
Add (Deduct): General Obligation Tender Notes Series 2005 (3)	<u>(66,200)</u>	\$ 5,123,729	100.00 %	\$ 5,123,729
Board of Education		4,339,727	100.00	4,339,727
Chicago School Finance Authority		268,075	100.00	268,075
Chicago Park District		976,835	100.00	976,835
Community College District No. 508		56,105	100.00	56,105
Cook County		3,066,330	43.14	1,322,815
Cook County Forest Preserve District		132,855	43.14	57,314
Metropolitan Water Reclamation District of Greater Chicago		<u>1,256,985</u>	44.08	<u>554,079</u>
 Net Direct and Overlapping Long-term Debt		<u><u>\$ 15,220,641</u></u>		<u><u>\$ 12,698,679</u></u>

NOTES:

- (1) Source: Amount of Net Direct Debt was obtained from each of the respective taxing bodies.
- (2) Source: The Civic Federation.
- (3) Tender Notes issued and outstanding in 2005 that have a nominal maturity no later than January 31, 2007 are excluded from Net Direct Long-term Debt. All other outstanding Tender Notes are included in Net Direct Long-term debt.

Table 10
CITY OF CHICAGO, ILLINOIS
DEBT STATISTICS
Last Ten Years
(Amounts are in Thousands of Dollars Except Where Noted)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Direct Debt	\$ 1,863,870	\$ 1,913,120	\$ 2,088,913	\$ 2,571,412
Overlapping Debt	<u>3,803,966</u>	<u>4,712,218</u>	<u>4,893,943</u>	<u>5,481,771</u>
Total Debt	<u>\$ 5,667,836</u>	<u>\$ 6,625,338</u>	<u>\$ 6,982,856</u>	<u>\$ 8,053,183</u>
Equalized				
Assessed Valuation (1)	\$ 30,765,001	\$ 33,349,557	\$ 33,940,146	\$ 35,354,802
Direct Debt Burden (2)	6.13%	6.22%	6.26%	7.58%
Total Debt Burden (2)	18.66%	21.54%	20.94%	23.73%
Estimated Fair Market				
Value (FMV) (5)	\$ 106,622,485	\$ 111,679,906	\$ 122,726,446	\$ 135,522,333
% of Direct Debt to FMV	1.75%	1.71%	1.70%	1.90%
% of Total Direct Debt to FMV	5.32%	5.93%	5.69%	5.94%
Population (3)	2,783,726	2,783,726	2,783,726	2,783,726
Direct Debt Per Capita (4)	\$ 669.56	\$ 687.25	\$ 750.40	\$ 923.73
Total Debt Per Capita (4)	2,036.06	2,380.03	2,508.46	2,892.95

NOTES:

- (1) Source: Cook County Clerk's Office. Excludes portion of City in DuPage County and exemptions.
- (2) Due to the one-year lag in the Equalized Assessed Valuation, debt burden measures are computed utilizing the prior year's Assessed Valuation. The Assessed Valuation for 1995 is \$30,381,480.
- (3) Source: U.S. Census Bureau.
- (4) Amounts are in dollars.
- (5) Source: The Civic Federation.
- (6) N/A means not available at time of publication.

2000	2001	2002	2003	2004	2005
\$ 3,094,839	\$ 3,722,403	\$ 4,257,256	\$ 4,798,541	\$ 5,113,565	\$ 5,123,729
5,680,450	6,419,427	6,644,501	7,150,282	7,429,853	7,574,950
<u>\$ 8,775,289</u>	<u>\$ 10,141,830</u>	<u>\$ 10,901,757</u>	<u>\$ 11,948,823</u>	<u>\$ 12,543,418</u>	<u>\$ 12,698,679</u>
\$ 40,480,077	\$ 41,981,912	\$ 45,330,892	\$ 53,168,632	\$ 55,277,096	N/A (6)
8.75%	9.20%	10.14%	10.59%	9.62%	9.27%
24.82%	25.05%	25.97%	26.36%	23.59%	22.97%
\$ 162,593,364	\$ 185,912,246	\$ 201,938,231	\$ 223,572,427	\$ 262,080,627	N/A (6)
1.90%	2.00%	2.11%	2.15%	1.95%	N/A (6)
5.40%	5.46%	5.40%	5.34%	4.79%	N/A (6)
2,896,016	2,896,016	2,896,016	2,896,016	2,896,016	2,896,016
\$ 1,068.65	\$ 1,285.35	\$ 1,470.04	\$ 1,656.95	\$ 1,765.72	\$ 1,769.23
3,030.12	3,501.99	3,764.40	4,125.95	4,331.27	4,384.88

Table 11
CITY OF CHICAGO, ILLINOIS
REVENUE BOND COVERAGE
PROPRIETARY FUNDS
Last Ten Years
(Amounts are in Thousands of Dollars)

Year	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements		
				Principal	Interest	Total
1996	\$ 1,003,184	\$ 617,939	\$ 385,245	\$ 45,810	\$ 184,612	\$ 230,422
1997	1,043,435	631,265	412,170	47,775	196,220	243,995
1998	1,110,741	629,178	481,563	58,000	207,834	265,834
1999	1,142,051	691,159	450,892	64,135	202,943	267,078
2000	1,184,672	718,995	465,677	70,125	226,130	296,255
2001	1,216,685	747,528	469,157	76,696	252,804	329,500
2002	1,232,203	751,884	480,319	87,653	269,777	357,430
2003	1,241,829	769,871	471,958	82,610	292,688	375,298
2004	1,235,290	721,879	513,411	102,559	318,733	421,292
2005	1,344,175	776,318	567,857	543,460 (3)	315,585	859,045

NOTES:

- (1) Total revenues include nonoperating revenues except for grants.
- (2) Total operating expenses excluding depreciation and amortization.
- (3) \$446.3 million of Skyway principal was excluded as that requirement was met through lease proceeds.

Table 12
CITY OF CHICAGO, ILLINOIS
DEBT SERVICE REQUIREMENTS FOR GENERAL LONG-TERM DEBT (1)
December 31, 2005

Year Ended December 31,	General Obligation Debt		Installment Purchase Agreements		Sales Tax and Motor Fuel Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 138,210,653	\$ 251,092,742	\$ 1,700,000	\$ 813,750	\$ 6,215,000	\$ 25,527,713
2007	188,671,188	246,653,159	1,700,000	682,000	13,030,000	25,222,705
2008	234,340,082	253,823,639	2,000,000	542,500	13,845,000	24,555,923
2009	179,787,421	230,752,797	2,000,000	387,500	14,765,000	23,852,066
2010	179,260,188	221,595,016	2,300,000	228,625	15,495,000	23,123,313
2011	178,570,322	236,717,435	1,200,000	46,500	16,295,000	22,323,941
2012	174,630,246	231,883,433	—	—	17,150,000	21,474,509
2013	186,956,568	220,814,754	—	—	18,040,000	20,580,380
2014	190,479,425	213,192,290	—	—	16,180,000	19,639,763
2015	203,281,371	201,992,786	—	—	17,010,000	18,805,106
2016	207,871,761	193,085,484	—	—	17,885,000	17,932,544
2017	188,101,947	183,772,238	—	—	18,820,000	17,009,733
2018	182,946,972	175,383,158	—	—	19,770,000	16,058,504
2019	189,058,700	167,159,535	—	—	20,765,000	15,059,231
2020	190,259,018	158,835,681	—	—	21,800,000	14,044,931
2021	196,184,640	150,319,416	—	—	22,875,000	12,983,179
2022	198,058,300	144,797,915	—	—	24,005,000	11,868,827
2023	175,008,719	136,204,512	—	—	25,200,000	10,699,201
2024	183,256,512	128,563,906	—	—	26,445,000	9,471,079
2025	172,787,471	120,782,612	—	—	27,755,000	8,182,051
2026	178,871,663	113,463,180	—	—	29,125,000	6,828,934
2027	187,734,720	105,862,377	—	—	22,595,000	5,391,890
2028	164,515,206	97,789,332	—	—	15,270,000	4,282,000
2029	143,070,565	84,359,800	—	—	15,990,000	3,578,714
2030	139,272,120	77,960,667	—	—	16,760,000	2,842,122
2031	145,354,596	71,944,640	—	—	17,560,000	2,069,919
2032	141,788,762	65,563,210	—	—	18,395,000	1,260,718
2033	147,636,194	59,332,236	—	—	9,760,000	412,848
2034	112,772,377	52,715,533	—	—	—	—
2035	88,652,607	47,723,647	—	—	—	—
2036	81,461,559	44,142,828	—	—	—	—
2037	71,067,925	40,818,578	—	—	—	—
2038	53,011,380	37,773,617	—	—	—	—
2039	52,365,000	5,813,521	—	—	—	—
2040	29,850,000	3,348,000	—	—	—	—
2041	31,340,000	1,855,500	—	—	—	—
2042	5,770,000	288,500	—	—	—	—
	<u>\$ 5,512,256,178</u>	<u>\$ 4,778,177,674</u>	<u>\$ 10,900,000</u>	<u>\$ 2,700,875</u>	<u>\$ 518,800,000</u>	<u>\$ 385,081,844</u>

NOTE:

(1) The amounts listed above for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2006, have been excluded from this schedule because funds for their payment have been provided in the debt service funds. For variable rate debt, interest has been calculated at the rate in effect or effective rate of a Swap Agreement, if applicable, as of December 31, 2005. Amounts above exclude Commercial Paper issues as the timing of payments is not certain.

Tax Increment and Special Service Area Bonds		Totals		Year Ended
Principal	Interest	Principal	Interest	December 31,
\$ 55,130,857	\$ 28,403,522	\$ 201,256,510	\$ 305,837,727	..... 2006
56,863,135	27,816,460	260,264,323	300,374,324	..... 2007
80,860,496	26,968,387	331,045,578	305,890,449	..... 2008
25,396,464	12,154,168	221,948,885	267,146,531	..... 2009
26,070,470	10,650,114	223,125,658	255,597,068	..... 2010
27,476,241	9,151,727	223,541,563	268,239,603	..... 2011
22,448,846	7,595,931	214,229,092	260,953,873	..... 2012
31,135,000	6,330,780	236,131,568	247,725,914	..... 2013
16,801,762	11,937,047	223,461,187	244,769,100	..... 2014
8,965,000	3,950,522	229,256,371	224,748,414	..... 2015
11,160,000	3,400,094	236,916,761	214,418,122	..... 2016
11,685,000	2,666,019	218,606,947	203,447,990	..... 2017
14,940,000	1,970,857	217,656,972	193,412,519	..... 2018
5,025,000	1,105,663	214,848,700	183,324,429	..... 2019
3,165,000	821,307	215,224,018	173,701,919	..... 2020
3,440,000	598,388	222,499,640	163,900,983	..... 2021
7,145,000	241,144	229,208,300	156,907,886	..... 2022
—	—	200,208,719	146,903,713	..... 2023
—	—	209,701,512	138,034,985	..... 2024
—	—	200,542,471	128,964,663	..... 2025
—	—	207,996,663	120,292,114	..... 2026
—	—	210,329,720	111,254,267	..... 2027
—	—	179,785,206	102,071,332	..... 2028
—	—	159,060,565	87,938,514	..... 2029
—	—	156,032,120	80,802,789	..... 2030
—	—	162,914,596	74,014,559	..... 2031
—	—	160,183,762	66,823,928	..... 2032
—	—	157,396,194	59,745,084	..... 2033
—	—	112,772,377	52,715,533	..... 2034
—	—	88,652,607	47,723,647	..... 2035
—	—	81,461,559	44,142,828	..... 2036
—	—	71,067,925	40,818,578	..... 2037
—	—	53,011,380	37,773,617	..... 2038
—	—	52,365,000	5,813,521	..... 2039
—	—	29,850,000	3,348,000	..... 2040
—	—	31,340,000	1,855,500	..... 2041
—	—	5,770,000	288,500	..... 2042
<u>\$ 407,708,271</u>	<u>\$ 155,762,130</u>	<u>\$ 6,449,664,449</u>	<u>\$ 5,321,722,523</u>	

Table 13
CITY OF CHICAGO, ILLINOIS
DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION DEBT (1)
December 31, 2005

Year Ended December 31,	General Obligation Bonds		General Obligation Tender Notes	
	Principal	Interest	Principal	Interest
2006	\$ 104,599,805	\$ 235,177,212	\$ 11,330,016	\$ 3,440,646
2007	84,379,611	230,715,579	79,065,392	847,739
2008	149,416,391	226,834,758	—	—
2009	177,642,421	219,401,811	—	—
2010	176,490,188	210,352,967	—	—
2011	175,150,322	225,616,222	—	—
2012	170,475,246	220,956,507	—	—
2013	181,991,568	210,103,671	—	—
2014	184,629,425	202,739,224	—	—
2015	196,471,371	191,843,571	—	—
2016	200,021,761	183,289,296	—	—
2017	179,116,947	174,382,737	—	—
2018	172,746,972	166,459,742	—	—
2019	179,863,700	158,797,043	—	—
2020	179,714,018	150,982,165	—	—
2021	184,169,640	143,049,655	—	—
2022	184,418,300	138,217,969	—	—
2023	159,603,719	130,407,663	—	—
2024	166,016,512	123,571,830	—	—
2025	153,562,471	116,691,106	—	—
2026	157,496,663	110,377,736	—	—
2027	164,074,720	103,895,308	—	—
2028	151,970,206	97,067,994	—	—
2029	143,070,565	84,359,800	—	—
2030	139,272,120	77,960,667	—	—
2031	145,354,596	71,944,640	—	—
2032	141,788,762	65,563,210	—	—
2033	147,636,194	59,332,236	—	—
2034	112,772,377	52,715,533	—	—
2035	88,652,607	47,723,647	—	—
2036	81,461,559	44,142,828	—	—
2037	71,067,925	40,818,578	—	—
2038	53,011,380	37,773,617	—	—
2039	52,365,000	5,813,521	—	—
2040	29,850,000	3,348,000	—	—
2041	31,340,000	1,855,500	—	—
2042	5,770,000	288,500	—	—
	<u>\$ 5,077,435,062</u>	<u>\$ 4,564,572,043</u>	<u>\$ 90,395,408</u>	<u>\$ 4,288,385</u>

NOTE:

(1) The amounts listed above for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2006, have been excluded from this schedule because funds for their payment have been provided in the debt service funds. For variable rate debt, interest has been calculated at the rate in effect or effective rate of a Swap Agreement, if applicable, as of December 31, 2005. Amounts above exclude Commercial Paper issues as the timing of payments is not certain.

Other General Obligation Debt		Totals			Year Ended
Principal	Interest	Principal	Interest	Total	December 31,
\$ 22,280,832	\$ 12,474,884	\$ 138,210,653	\$ 251,092,742	\$ 389,303,395	..... 2006
25,226,185	15,089,841	188,671,188	246,653,159	435,324,347	..... 2007
84,923,691	26,988,881	234,340,082	253,823,639	488,163,721	..... 2008
2,145,000	11,350,986	179,787,421	230,752,797	410,540,218	..... 2009
2,770,000	11,242,049	179,260,188	221,595,016	400,855,204	..... 2010
3,420,000	11,101,213	178,570,322	236,717,435	415,287,757	..... 2011
4,155,000	10,926,926	174,630,246	231,883,433	406,513,679	..... 2012
4,965,000	10,711,083	186,956,568	220,814,754	407,771,322	..... 2013
5,850,000	10,453,066	190,479,425	213,192,290	403,671,715	..... 2014
6,810,000	10,149,215	203,281,371	201,992,786	405,274,157	..... 2015
7,850,000	9,796,188	207,871,761	193,085,484	400,957,245	..... 2016
8,985,000	9,389,501	188,101,947	183,772,238	371,874,185	..... 2017
10,200,000	8,923,416	182,946,972	175,383,158	358,330,130	..... 2018
9,195,000	8,362,492	189,058,700	167,159,535	356,218,235	..... 2019
10,545,000	7,853,516	190,259,018	158,835,681	349,094,699	..... 2020
12,015,000	7,269,761	196,184,640	150,319,416	346,504,056	..... 2021
13,640,000	6,579,946	198,058,300	144,797,915	342,856,215	..... 2022
15,405,000	5,796,849	175,008,719	136,204,512	311,213,231	..... 2023
17,240,000	4,992,076	183,256,512	128,563,906	311,820,418	..... 2024
19,225,000	4,091,506	172,787,471	120,782,612	293,570,083	..... 2025
21,375,000	3,085,444	178,871,663	113,463,180	292,334,843	..... 2026
23,660,000	1,967,069	187,734,720	105,862,377	293,597,097	..... 2027
12,545,000	721,338	164,515,206	97,789,332	262,304,538	..... 2028
-	-	143,070,565	84,359,800	227,430,365	..... 2029
-	-	139,272,120	77,960,667	217,232,787	..... 2030
-	-	145,354,596	71,944,640	217,299,236	..... 2031
-	-	141,788,762	65,563,210	207,351,972	..... 2032
-	-	147,636,194	59,332,236	206,968,430	..... 2033
-	-	112,772,377	52,715,533	165,487,910	..... 2034
-	-	88,652,607	47,723,647	136,376,254	..... 2035
-	-	81,461,559	44,142,828	125,604,387	..... 2036
-	-	71,067,925	40,818,578	111,886,503	..... 2037
-	-	53,011,380	37,773,617	90,784,997	..... 2038
-	-	52,365,000	5,813,521	58,178,521	..... 2039
-	-	29,850,000	3,348,000	33,198,000	..... 2040
-	-	31,340,000	1,855,500	33,195,500	..... 2041
-	-	5,770,000	288,500	6,058,500	..... 2042
<u>\$ 344,425,708</u>	<u>\$ 209,317,246</u>	<u>\$ 5,512,256,178</u>	<u>\$ 4,778,177,674</u>	<u>\$ 10,290,433,852</u>	

Table 14
CITY OF CHICAGO, ILLINOIS
DEBT SERVICE REQUIREMENTS FOR PROPRIETARY FUNDS (1)
December 31, 2005

Year Ended December 31,	Water Revenue Bonds		Wastewater Transmission Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 14,656,330	\$ 44,970,175	\$ 17,975,000	\$ 31,941,069
2007	27,415,663	43,007,468	18,965,000	31,033,129
2008	26,500,924	42,159,784	20,000,000	29,978,812
2009	27,331,393	41,326,200	21,065,000	28,949,470
2010	28,298,630	40,353,497	22,155,000	27,918,076
2011	29,391,589	39,279,520	23,330,000	26,736,983
2012	30,560,074	38,127,386	24,550,000	25,533,833
2013	27,539,268	41,161,131	25,820,000	24,280,621
2014	28,024,465	40,709,592	27,210,000	22,932,189
2015	28,548,527	40,200,930	28,665,000	21,511,076
2016	29,266,945	39,509,402	30,140,000	20,006,738
2017	30,049,538	38,755,452	31,570,000	18,656,566
2018	30,872,304	37,977,825	33,080,000	17,241,049
2019	37,477,726	31,400,175	27,226,631	22,905,663
2020	38,920,411	30,008,509	25,937,538	24,172,791
2021	45,835,909	23,180,244	26,674,394	23,493,568
2022	47,792,666	21,317,866	27,510,543	22,748,783
2023	49,615,000	19,334,695	28,342,418	21,994,214
2024	51,855,000	17,193,123	39,495,430	11,271,109
2025	54,140,000	15,018,839	22,092,250	28,172,915
2026	56,535,000	12,746,594	22,623,805	27,702,931
2027	59,040,000	10,371,474	23,180,414	27,178,747
2028	57,230,000	7,888,565	22,265,000	6,791,675
2029	59,825,000	5,619,486	23,435,000	5,729,373
2030	62,550,000	3,213,436	12,655,000	4,610,934
2031	17,725,000	685,408	13,180,000	4,119,160
2032	-	-	13,735,000	3,606,986
2033	-	-	14,305,000	3,073,243
2034	-	-	14,910,000	2,517,351
2035	-	-	15,530,000	1,937,948
2036	-	-	10,985,000	1,334,452
2037	-	-	11,440,000	907,575
2038	-	-	11,915,000	463,017
	<u>\$ 996,997,362</u>	<u>\$ 725,516,776</u>	<u>\$ 731,963,423</u>	<u>\$ 571,452,046</u>

NOTE:

(1) The amounts listed above for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2006, have been excluded from this schedule because funds for their payment have been provided in the debt service funds. For variable rate debt, interest has been calculated at the rate in effect or effective rate of a Swap Agreement, if applicable, as of December 31, 2005. Amounts above exclude Commercial Paper issues as the timing of payments is not certain.

Chicago-O'Hare International Airport and Midway Airport Bonds		Totals			Year Ended
Principal	Interest	Principal	Interest	Total	December 31,
\$ 115,240,000	\$ 331,910,248	\$ 147,871,330	\$ 408,821,492	\$ 556,692,822	..... 2006
201,600,000	324,558,666	247,980,663	398,599,263	646,579,926	..... 2007
174,825,000	314,637,620	221,325,924	386,776,216	608,102,140	..... 2008
141,140,000	305,462,460	189,536,393	375,738,130	565,274,523	..... 2009
148,795,000	298,116,757	199,248,630	366,388,330	565,636,960	..... 2010
160,530,000	290,522,713	213,251,589	356,539,216	569,790,805	..... 2011
185,065,000	282,242,650	240,175,074	345,903,869	586,078,943	..... 2012
190,075,000	272,683,453	243,434,268	338,125,205	581,559,473	..... 2013
207,850,000	262,793,864	263,084,465	326,435,645	589,520,110	..... 2014
189,150,000	251,924,862	246,363,527	313,636,868	560,000,395	..... 2015
200,285,000	241,929,379	259,691,945	301,445,519	561,137,464	..... 2016
210,540,000	231,236,632	272,159,538	288,648,650	560,808,188	..... 2017
174,245,000	220,197,168	238,197,304	275,416,042	513,613,346	..... 2018
185,835,000	210,890,832	250,539,357	265,196,670	515,736,027	..... 2019
213,385,000	201,103,880	278,242,949	255,285,180	533,528,129	..... 2020
201,885,000	189,861,569	274,395,303	236,535,381	510,930,684	..... 2021
211,815,000	179,216,077	287,118,209	223,282,726	510,400,935	..... 2022
222,780,000	167,935,321	300,737,418	209,264,230	510,001,648	..... 2023
234,630,000	156,044,636	325,980,430	184,508,868	510,489,298	..... 2024
243,085,000	143,648,347	319,317,250	186,840,101	506,157,351	..... 2025
252,015,000	130,758,913	331,173,805	171,208,438	502,382,243	..... 2026
265,415,000	117,348,444	347,635,414	154,898,665	502,534,079	..... 2027
450,570,000	103,208,303	530,065,000	117,888,543	647,953,543	..... 2028
304,875,000	82,160,198	388,135,000	93,509,057	481,644,057	..... 2029
320,555,000	66,479,626	395,760,000	74,303,996	470,063,996	..... 2030
315,695,000	50,039,269	346,600,000	54,843,837	401,443,837	..... 2031
279,270,000	33,893,275	293,005,000	37,500,261	330,505,261	..... 2032
262,710,000	20,684,814	277,015,000	23,758,057	300,773,057	..... 2033
221,770,000	8,878,532	236,680,000	11,395,883	248,075,883	..... 2034
-	-	15,530,000	1,937,948	17,467,948	..... 2035
-	-	10,985,000	1,334,452	12,319,452	..... 2036
-	-	11,440,000	907,575	12,347,575	..... 2037
-	-	11,915,000	463,017	12,378,017	..... 2038
<u>\$ 6,485,630,000</u>	<u>\$ 5,490,368,508</u>	<u>\$ 8,214,590,785</u>	<u>\$ 6,787,337,330</u>	<u>\$ 15,001,928,115</u>	

Table 14A
CITY OF CHICAGO, ILLINOIS
LONG-TERM DEBT
December 31, 2005

Long-term Debt is comprised of the following issues at December 31, 2005 (dollars in thousands):

	Original Principal	Outstanding at December 31, 2005
General Long-term Debt:		
General Obligation Debt:		
General Obligation Bonds:		
Refunding Series of 1991 - 5.75% to 7.0%	\$ 54,743	\$ 10,844
Refunding Series of 1992 - 5.0% to 6.4%	48,070	28,020
Tender Bonds Series B of 1992 - Variable Rate (3.4% at December 31, 2005)	35,000	12,535
Refunding Series of 1993 A - 3.8% to 5.5%	92,260	47,630
Refunding Series of 1993 B - 4.25% to 5.125%	153,280	137,815
Project Series 1995 A-1 - 4.5% to 5.5%	60,000	18,905
Project and Refunding Series 1995 A-2 - 5.0% to 6.25%	220,390	162,435
Project and Refunding Series 1995 B - 4.9% to 6.0%	304,915	47,085
Tender Bonds 1996 B - Variable Rate (3.4% at December 31, 2005)	1,500	1,500
Tender Bonds 1997 - Variable Rate (3.4% at December 31, 2005)	5,500	3,230
Library Bonds of 1997 - 5.0% to 6.0%	73,615	25,665
Project and Refunding Series 1998 - 3.85% to 5.5%	426,600	405,275
Project and Refunding Series 1999 A - 4.0% to 5.375%	300,000	203,045
Variable Rate Demand Bonds Project Series 1999 B - (4.38% at December 31, 2005)	25,300	24,700
Emergency Telephone System Refunding Series 1999 - 4.5% to 5.5%	213,110	180,435
City Colleges of Chicago Capital Improvement Project Series 1999 - 6.0%	308,964	308,964
Project Series 2000 A - 4.85% to 6.75%	254,293	7,403
Neighborhoods Alive 21 Program Series 2000 A and B - 5.75% to 7.82%	199,685	12,015
Project and Refunding Series 2000 C - 5.25% to 5.75%	182,700	72,865
Refunding Series of 2000 D - 4.5% to 5.75%	107,305	106,325
Project and Refunding Series 2001 A - 4.0% to 5.65%	580,338	447,168
Neighborhoods Alive 21 Program Series 2001 A and B - 4.0% to 5.5%	238,975	49,230
Project and Refunding Series 2002 A - 4.0% to 5.65%	169,765	82,760
Variable Rate Demand Bonds Project Series 2002 B - (3.49% at December 31, 2005)	185,360	185,360
Neighborhoods Alive 21 Program Series 2002 A - 4.0% to 5.25%	51,500	30,205
Neighborhoods Alive 21 Program Series 2002 B - 3.575%	206,700	206,700
Neighborhoods Alive 21 Program Series 2003 - 2.0% to 5.25%	103,140	97,875
Project and Refunding Series 2003 A - 4.625% to 5.25%	157,990	148,950
Project and Refunding Series 2003 B - 4.052%	202,500	202,500
Project Series 2003 C and D - 2.0% to 5.25%	198,265	177,500
Emergency Telephone System Series 2004 - 3.0% to 6.9%	64,665	62,335
Project and Refunding Series 2004 - 1.92% to 5.5%	489,455	454,810
Refunding Series 2005 A - 2.5% to 5.0%	441,090	441,090
Project and Refunding Series 2005 B and C - 3.5% to 5.0%	339,275	336,775
Variable Rate Demand Bonds Series 2005 D - 4.104%	222,790	222,790
Direct Access Bonds, Series 2005 - 2.876% to 4.5%	114,695	114,695
Total General Obligation Bonds	<u>6,833,733</u>	<u>5,077,434</u>

Table 14A - Continued
CITY OF CHICAGO, ILLINOIS
LONG-TERM DEBT
December 31, 2005

	Original Principal	Outstanding at December 31, 2005
General Obligation Notes:		
Equipment Notes 1998 - 5.0%	\$ 73,195	\$ 24,195
Commercial Paper Notes - Variable Rate (4.3% to 4.32% at December 31, 2005)	22,100	22,100
Tender Notes Series 2005 - Variable Rate (3.37% at December 31, 2005)	66,200	66,200
Total General Obligation Notes	<u>161,495</u>	<u>112,495</u>
Total General Obligation Bonds and Notes	<u>6,995,228</u>	<u>5,189,929</u>
General Obligation Certificates and Other Obligations:		
Certificates (Limited Tax) Series 1997 - 3.9% to 6.0%	19,605	4,395
Building Acquisition Certificates (Limited Tax) Series 1997 - 4.4% to 5.4%	28,800	21,855
Lakefront Millennium Project Parking Facilities Bonds (Limited Tax) Series 1998 - 4.55% to 5.75%	150,000	150,000
Lakefront Millennium Project Parking Facilities Bonds (Limited Tax) Series 1999 - 4.35% to 5.0%	48,380	44,495
Central Loop Redevelopment Project - Series 2003 - 2.3% to 4.07%	137,002	123,681
Total General Obligation Certificates and Other Obligations	<u>383,787</u>	<u>344,426</u>
Total General Obligation Debt	<u>7,379,015</u>	<u>5,534,355</u>
Installment Purchase Agreement - 7.75%	<u>24,700</u>	<u>10,900</u>
Tax Increment Allocation Bonds and Notes:		
Ryan-Garfield Ridge Tax Increment - Series of 1987 - 10.125%	2,315	505
Chinatown Square Tax Increment - Series 1990 A - 8.25%	5,591	2,111
Division-North Branch Tax Increment - Series of 1991 - 8.75%	2,615	1,155
Read-Dunning Redevelopment Project Tax Increment Allocation Bonds - Series 1996 B - 7.25%	7,035	5,215
Stockyards Industrial Tax Increment - Series 1996 A - 5.375%	14,800	9,200
Stockyards Southeast Tax Increment - Series 1996 B - 5.375%	20,000	14,500
Sanitary Drainage Tax Increment - Series 1997 A - 7.375% to 7.75%	5,530	4,270
Bryn Mawr-Broadway Tax Increment - Series 1997 - 8.4%	1,800	920
95th and Western Avenue Tax Increment - Series 1998 - 8.5%	2,600	1,705
Lincoln/Belmont/Ashland Tax Increment - Series 1998 - 4.0% to 11.0%	12,375	9,840
Irving/Cicero Tax Increment - Series 1998 - 7.0%	4,470	3,625
Near South Tax Increment - Series 1999 A and B - 4.0% to 5.65%	50,000	32,120
Near North Tax Increment - Series 1999 A and B - 5.084% to 6.89%	55,000	52,700
Neighborhood Improvement Fund Tax Increment Notes - 7.0% to 9.5%	16,920	14,073
Goose Island Redevelopment Tax Increment - Series 2000 - 7.45%	16,800	16,465
Near West Redevelopment Tax Increment - Series 2000 - 4.625% to 6.0%	11,560	6,725
Pulaski Corridor Redevelopment Tax Increment - Series 2000 - 6.175%	1,685	1,281
Jefferson Park Redevelopment Tax Increment - Series 2000 - 8.5%	790	515
Central Loop Redevelopment Tax Increment - Series 2000 A and B - 6.55% to 6.8%	142,347	69,266
Central Loop Redevelopment Subordinate Tax Increment - Series 2000 A - 6.25% to 6.5%	98,900	58,975

Table 14A - Continued
CITY OF CHICAGO, ILLINOIS
LONG-TERM DEBT
December 31, 2005

	Original Principal	Outstanding at December 31, 2005
Tax Increment Allocation Bonds and Notes - Concluded:		
Near South Tax Increment - Series 2001 A and B - 4.75% to 6.25%	\$ 46,242	\$ 39,012
Clark/Montrose Redevelopment Project Tax Increment - Series 2000 - 9.5%	1,266	1,006
Stony Island Avenue Commercial and Burnside Industrial Corridors Redevelopment Project Tax Increment - Series 2001 - 9.25%	1,000	625
111th Street/Kedzie Avenue Business District Redevelopment Project Tax Increment - Series 2001 - 9.35%	500	275
Chatham Ridge Redevelopment Project, Series 2002 - 3.3% to 6.05%	17,935	14,295
Pilsen Redevelopment Project - 4.35% to 6.75% - Series 2004	49,520	47,330
Total Tax Increment Allocation Bonds and Notes	589,596	407,709
Motor Fuel Tax and Sales Tax Revenue Bonds:		
Motor Fuel Tax Revenue Bonds - Refunding Series 1993 - 4.05% to 6.125%	70,175	41,285
Motor Fuel Tax Revenue Bonds - Series 2003 - 2.25% to 5.25%	115,645	114,390
Sales Tax Revenue Bonds - Series 1997 - 5.0% to 6.0%	117,225	2,735
Sales Tax Revenue Bonds - Series 1998 - 4.5% to 5.5%	125,000	96,560
Sales Tax Revenue Bonds - Series 1999 - 4.0% to 5.75%	160,000	5,260
Sales Tax Revenue Bonds - Series 2002 - 4.23%	116,595	115,745
Sales Tax Revenue Refunding Bonds - Series 2005 - 3.25% to 5.0%	142,825	142,825
Total Motor Fuel Tax and Sales Tax Revenue Bonds	847,465	518,800
Total General Long-term Debt	\$ 8,840,776	\$ 6,471,764
Proprietary Fund Revenue Bonds:		
Water Revenue Bonds:		
Refunding Series 1993 - 4.125% to 6.5%	\$ 49,880	\$ 44,640
Series 1995 - 3.6% to 5.75%	157,805	101,805
Series 1997 - 3.9% to 5.25%	277,911	61,263
Water Fund Allocation of General Obligation Tender Notes - Series 1998 - 5.0%	9,755	1,715
Series 2000 - 2nd Lien - Variable Rate (3.55% at December 31, 2005)	100,000	100,000
Series 2000 - 4.375% to 5.875%	156,819	52,959
Series 2001 - 3.0% to 5.75%	353,905	116,870
Series 2004 - 2nd Lien - 3.867%	500,000	500,000
Illinois Environmental Protection Agency Loan - 2.905%	3,605	3,090
Commercial Paper Notes - Variable Rate (3.22% at December 31, 2005)	48,747	48,747
Chicago-O'Hare International Airport Revenue Bonds:		
Series of 1984 - 2nd Lien - Variable Rate (3.45% at December 31, 2005)	100,000	26,250
Series of 1988 - 2nd Lien - Variable Rate (3.53% at December 31, 2005)	150,000	17,400
Refunding Series of 1993 A - 4.8% to 5.0%	324,270	113,325
Refunding Series of 1993 C - 2nd Lien - 4.9% to 5.75%	320,430	163,750
Series of 1994 B - 2nd Lien - Variable Rate (3.62% at December 31, 2005)	68,700	45,700

Table 14A - Concluded
CITY OF CHICAGO, ILLINOIS
LONG-TERM DEBT
December 31, 2005

	Original Principal	Outstanding at December 31, 2005
Proprietary Fund Revenue Bonds - Concluded:		
Chicago-O'Hare International Airport Revenue Bonds - Concluded:		
Series of 1994 C - 2nd Lien - Variable Rate (3.55% at December 31, 2005)	\$ 83,800	\$ 56,300
Series of 1996 A and B - 2nd Lien - 4.7% to 7.1%	216,075	103,260
Refunding Series of 1999 - 2nd Lien - 5.5%	409,850	363,535
Refunding Series of 2002 A - 3rd Lien - 5.25% to 5.75%	490,515	490,515
Refunding Series of 2003 A - C - 3rd Lien - 4.5% to 6.0%	986,310	986,310
Series of 2003 D - F - 3rd Lien - 2.125% to 5.5%	149,330	136,415
Series of 2004 A - H - 3rd Lien - 3.49% to 5.35%	385,045	385,045
Series of 2005 A - B - 3rd Lien - 5.0% to 5.25%	1,200,000	1,200,000
Series of 2005 C - D - 3rd Lien - Variable Rate (3.51% at December 31, 2005)	300,000	300,000
Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds:		
Series of 1996 A and B - 5.0% to 6.0%	250,000	166,705
Series of 2001 A through E - 2nd Lien - 3.4% to 5.75%	700,000	659,005
Commercial Paper Notes - Variable Rate (2.5% at December 31, 2005)	389,706	389,706
Chicago Midway Airport Revenue Bonds:		
Series 1996 A and B - 4.8% to 6.5%	254,040	161,485
Series 1998 A, B and C - 4.3% to 5.5%	397,715	392,060
Series 1998 - 2nd Lien A and B - Variable Rate (3.75% at December 31, 2005)	171,000	171,000
Series 2001 A and B - 5.0% to 5.5%	295,855	295,855
Series 2002 A - 2nd Lien - Variable Rate (4.45% at December 31, 2005)	22,000	22,000
Refunding Series 2004 A and B - 2nd Lien - 3.2% to 5.5%	77,565	77,565
Series 2004 C and D - 2nd Lien - 4.174%	152,150	152,150
Wastewater Transmission Revenue Bonds:		
Refunding Series 1993 - 5.125% to 6.5%	232,880	82,790
Series 1995 - 3.9% to 5.125%	107,970	32,075
Refunding Series 1998 A - 4.55% to 5.0%	62,423	62,423
Series 1998 B - 2nd Lien - 4.0% to 5.25%	47,575	42,640
Series 2000 - 2nd Lien - 5.0% to 6.0%	115,000	11,555
Series 2001 - 2nd Lien - 3.5% to 5.5%	187,685	106,325
Series 2004 A - 2nd Lien - 3.886%	332,230	332,230
Refunding Series 2004 B - 2nd Lien - 3.0% to 5.25%	61,925	61,925
Total Proprietary Fund Revenue Bonds	\$ 10,700,471	\$ 8,638,388

NOTE:

The balance outstanding at December 31, 2005 listed above for each year excluded amounts payable January 1, 2006. In addition, the balance outstanding of water revenue bonds at December 31, 2005 excludes payments due on November 1, 2006.

Table 15
CITY OF CHICAGO, ILLINOIS
POPULATION AND INCOME STATISTICS
Last Ten Years

<u>Year</u>	<u>Population(1)</u>	<u>Median Age (2)</u>	<u>Number of Households (2)</u>	<u>Per Capita Income (3)</u>
1996	2,783,726	33.8	984,900	\$ 28,473
1997	2,783,726	34.1	975,900	29,831
1998	2,783,726	34.2	1,002,300	31,677
1999	2,783,726	34.7	1,026,900	32,704
2000	2,896,016	31.5	1,061,928	34,918
2001	2,896,016	34.8	1,074,200	35,157
2002	2,896,016	31.9	1,059,960	35,085
2003	2,896,016	32.6	1,067,823	35,464
2004	2,896,016	32.6	1,051,018	37,169
2005	2,896,016	33.0	1,045,282	N/A (4)

NOTES:

- (1) Source: U.S. Census Bureau.
- (2) Source: World Business Chicago Website, Claritas data estimates; Cook County's website in 2004.
- (3) Source: U.S. Department of Commerce, Bureau of Economic Analysis.
- (4) N/A means not available at time of publication.

Table 16
CITY OF CHICAGO, ILLINOIS
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Last Ten Years, Annual Averages
(Amounts are in Thousands)

<u>Year</u>	<u>Civilian Labor Force</u>		<u>Employment</u>		<u>Unemployment Rate</u>
	<u>Number</u>	<u>Percent of Population</u>	<u>Number</u>	<u>Percent of Population</u>	
1996	1,322	47.5 %	1,228	44.2 %	7.1 %
1997	1,345	48.4	1,260	45.3	6.4
1998	1,337	48.1	1,258	45.2	5.9
1999	1,356	48.8	1,275	45.8	5.9
2000	1,373	47.4	1,292	44.7	5.9
2001	1,366	47.2	1,268	43.8	7.2
2002	1,328	45.9	1,215	42.0	8.5
2003	1,321	45.7	1,214	42.0	8.2
2004	1,329	45.9	1,233	42.6	7.2
2005	1,312	45.3	1,220	42.1	7.0

NOTE:

Source: State of Illinois - Department of Employment Security.

Table 17
CITY OF CHICAGO, ILLINOIS
PRINCIPAL EMPLOYERS (NONGOVERNMENT)
December 31, 2005

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
J. P. Morgan Chase	Financial Services	9,200
United Airlines	Transportation	5,995
Northern Trust	Financial Services	4,574
Accenture LLP	Professional Services	4,341
SBC/AT&T	Telecommunications	4,311
American Airlines	Transportation	4,054
Ford Motor Company	Industrial Works	2,992
ABN Amro	Financial Services	2,876
Bank of America	Financial Services	2,811
UPS	Delivery Services	2,464

NOTE:

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Return, June 30, 2005.

Table 18
CITY OF CHICAGO, ILLINOIS
MAJOR BANK AND SAVINGS AND LOAN DEPOSITS
Last Ten Years
(Amounts are in Thousands of Dollars)

	1996	1997	1998	1999
Bank Deposits (1)				
J. P. Morgan Chase (3)	\$ 29,555,927	\$ 35,608,444	\$ 37,605,570	\$ 55,228,333
LaSalle Bank National Association (4)	7,924,627	10,063,625	12,493,049	17,407,214
Northern Trust Corporation	11,104,953	13,563,534	13,955,813	18,280,263
Harris Trust Bankcorp, Incorporated	9,379,251	10,982,033	10,912,851	11,288,630
Bank of America Illinois (6)	7,037,000	-	-	-
Total Bank Deposits	<u>\$ 65,001,758</u>	<u>\$ 70,217,636</u>	<u>\$ 74,967,283</u>	<u>\$ 102,204,440</u>
Savings and Loan Deposits (1)				
LaSalle Talman Bank FSB (7)	\$ 7,522,374	\$ 9,624,586	\$ 9,402,816	\$ 9,409,454
St. Paul Bancorp, Incorporated (5)	3,257,144	3,284,000	3,225,825	-
Standard Federal Bank For Savings (2)	1,681,529	-	-	-
Total Savings and Loan Deposits	<u>\$ 12,461,047</u>	<u>\$ 12,908,586</u>	<u>\$ 12,628,641</u>	<u>\$ 9,409,454</u>

NOTES:

- (1) Deposits as of June 30, 2005. Source: Thomson Financial Publishing State Guide, January - June 2006 edition.
- (2) Moved to Burr Ridge, Illinois in 1997.
- (3) Formerly Bank One and First Chicago NBD Corporation.
- (4) LaSalle National Bank for 1998 and prior.
- (5) Charter One Bank due to merger with Charter One Bank FSB of Cleveland, Ohio, October 1999.
- (6) Bank of America National Trust and Savings Association of San Francisco, California due to merger, July 1997.
- (7) LaSalle Bank National Association due to merger, March 2000.
- (8) N/A means not available at time of publication.

2000	2001	2002	2003	2004	2005
\$ 101,026,400	\$ 107,377,268	\$ 114,701,000	\$ 172,015,000	\$ 150,805,000	\$ N/A (8)
46,216,800	29,188,461	30,649,446	53,070,931	54,202,064	53,418,685
27,722,600	25,019,276	18,069,800	25,299,355	26,269,995	26,740,896
20,902,200	19,214,881	11,153,571	20,866,090	13,078,766	25,284,006
-	-	-	-	-	-
<u>\$ 195,868,000</u>	<u>\$ 180,799,886</u>	<u>\$ 174,573,817</u>	<u>\$ 271,251,376</u>	<u>\$ 244,355,825</u>	<u>\$ 105,443,587</u>
\$ 30,180,112	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 30,180,112</u>	<u>\$ -</u>				

Table 19
CITY OF CHICAGO, ILLINOIS
NEW CONSTRUCTION PERMITS ISSUED
Last Ten Years
(Amounts are in Thousands of Dollars)

Year	Residential		Residential and Non-Residential Estimated Cost
	Units	Estimated Cost	
1996	3,585	\$ 351,483	\$ 880,854
1997	5,367	284,650	749,268
1998	6,246	668,666	1,378,364
1999	8,644	611,862	1,483,672
2000	6,550	862,148	1,663,062
2001	7,418	902,250	1,826,076
2002	8,403	1,094,958	1,925,440
2003	9,476	1,332,758	3,027,185
2004	15,750	1,600,000	4,200,000
2005	17,131	1,537,877	3,408,474

NOTE:

Source: City of Chicago Department of Construction and Permits.

Table 20
CITY OF CHICAGO, ILLINOIS
RETAIL SALES
Last Ten Years
(Amounts are in Thousands of Dollars)

Year	Sales
1996	\$ 16,821,000
1997	16,607,000
1998	16,626,035
1999	17,667,446
2000	24,985,798
2001	23,919,129
2002	17,523,522
2003	23,803,903
2004	24,389,494
2005	26,425,328

NOTE:

Source: Sales and Marketing Management magazine, 2005 Survey of Buying Power.

Table 21
CITY OF CHICAGO, ILLINOIS
MISCELLANEOUS STATISTICS
December 31, 2005

Date of Incorporation: March 4, 1837

Form of Government: Mayor/Council

Area: 228.475 (Square Miles)

Miles of Streets: 3,780

Number of Street Lights: 175,000 (2)

Education:

Number of Public Schools (Elementary and Secondary): 593

Enrollment (Total): 426,812 (2)

Water Department:

Daily Average Pumpage: 925,000,000 (Gallons)

Water Mains: 4,330 (Miles)

Sewers:

Sewer Mains: 4,400 (Approximate Miles)

Catch Basins: 213,000

Manholes: 148,000

Authorized New Dwelling Units: 17,131

Recreation and Culture:

Number of Parks: 552

Acres of Parks: 7,300

Number of Beaches: 33

Number of Libraries: 82

Materials in Library System: 10,745,608 (1)

NOTES:

(1) Source: City of Chicago Municipal Reference Collections, Chicago Public Library.

(2) 2005 Information not available at time of publication.



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