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# CITY OF CHICAGO

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007



Richard M. Daley, Mayor

Paul A. Volpe, Chief Financial Officer  
Steven J. Lux, City Comptroller

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# CITY OF CHICAGO

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Richard M. Daley, Mayor

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OFFICE OF THE MAYOR  
CITY OF CHICAGO

RICHARD M. DALEY  
MAYOR

To the Citizens of Chicago and the Financial Community:

As Mayor of Chicago, I am proud to present the Comprehensive Annual Financial Report (CAFR) of the City of Chicago for the fiscal year 2007.

Over the past year, we have worked hard to provide the best possible value to taxpayers. We have kept our city strong, safe and affordable through a variety of initiatives, including the leasing of assets to provide funds for neighborhood investment, and strengthening government management to assure accountability and transparency.

In 2003, the City created the Homeowner Preservation Initiative or HOPI, which has helped hundreds of Chicagoans keep their homes and softened the impact of the nation's foreclosure crisis. In an effort to make our neighborhoods safer, we have increased police patrols to troubled schools, installed safety cameras, regulated curfews and added more after school programs. The City will also invest \$1.5 million to provide an additional 1,000 young people with summer employment opportunities. The money will also support the City's partnerships with schools, the Park District, After School Matters and leading corporations. This summer, After School Matters and other programs will provide more than 140,000 children the chance to participate in arts, computers, sports and other recreational opportunities.

The City has been selected as America's candidate to host the 2016 Olympic and Paralympic Games. This bid is expected to attract an influx of tourists and create job opportunities for our residents.

Thank you for your interest in the City of Chicago's Comprehensive Annual Financial Report. Working together, we can continue to make our City an even better place to live, work and raise families.

Sincerely,

A handwritten signature in black ink that reads "Richard M. Daley". The signature is stylized and fluid, with a long horizontal stroke at the end.  
Mayor

**CITY OF CHICAGO  
THE CITY COUNCIL  
As of December 31, 2007  
RICHARD M. DALEY, Mayor**

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1st Ward	MANUEL FLORES
2nd Ward	ROBERT FIORETTI
3rd Ward	PAT DOWELL
4th Ward	TONI PRECKWINKLE
5th Ward	LESLIE A. HAIRSTON
6th Ward	FREDDRENNA M. LYLE
7th Ward	SANDI JACKSON
8th Ward	MICHELLE A. HARRIS
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	TONI FOULKES
16th Ward	JOANN THOMPSON
17th Ward	LATASHA R. THOMAS
18th Ward	LONA LANE
19th Ward	VIRGINIA A. RUGAI
20th Ward	WILLIE COCHRAN
21st Ward	HOWARD BROOKINS, JR.
22nd Ward	RICARDO MUÑOZ
23rd Ward	MICHAEL R. ZALEWSKI
24th Ward	SHARON DENISE DIXON
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	SCOTT WAGUESPACK
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	BRENDAN REILLY
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	JOSEPH A. MOORE
50th Ward	BERNARD L. STONE

**2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF CHICAGO**

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**PART I**

**INTRODUCTORY SECTION**





City of Chicago  
Richard M. Daley, Mayor

Department of Finance

Steven J. Lux  
City Comptroller

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(312) 744-3263 (TTY)  
<http://www.cityofchicago.org>

June 27, 2008

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, 2007. 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 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 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 on 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.



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**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.** Chicago continues to enjoy one of the most diverse economies in the nation and a geographic location that makes Chicago the nation’s transportation hub whether by rail, air or water. Chicago has a significant financial presence with such companies as JP Morgan Chase, Citigroup and Northern Trust as well as the CME Group, (formerly the financial exchanges of the Board of Trade and the Chicago Mercantile Exchange). Manufacturing still has a solid base with companies such as Mittal Steel. Real estate activity has decreased but significant development remains with projects such as Trump Tower Chicago and Shangri-La Hotel. The City continues to be a destination for both business and leisure travelers as tourism and convention activity continues to grow.

There are many local attractions, museums, festivals and professional sports teams 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.

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**Long-term Financial Planning.** The City continues to look at innovative ways to finance improvements through private public partnerships such as the concession leases of the Chicago Skyway, Chicago Downtown Public Parking System and the current potential transaction with Chicago Midway International Airport. In addition, the City has realized savings through advance refundings as interest rates have changed. The City is also evaluating other revenues to assist in financing capital assets.

**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 comprised of 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' 69 percent, the Laborers' and Retirement Board Employees' 97 percent, the Policemen's Annuity and Benefit Fund 51 percent and the Firemen's Annuity and Benefit Fund 43 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 2007, there were approximately 24,350 annuitants and their dependents enrolled in the plan.

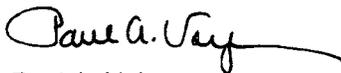
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**Awards and Acknowledgments.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chicago for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the fourteenth 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,



Paul A. Volpe  
Chief Financial Officer



Steven J. Lux  
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, 2006

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.



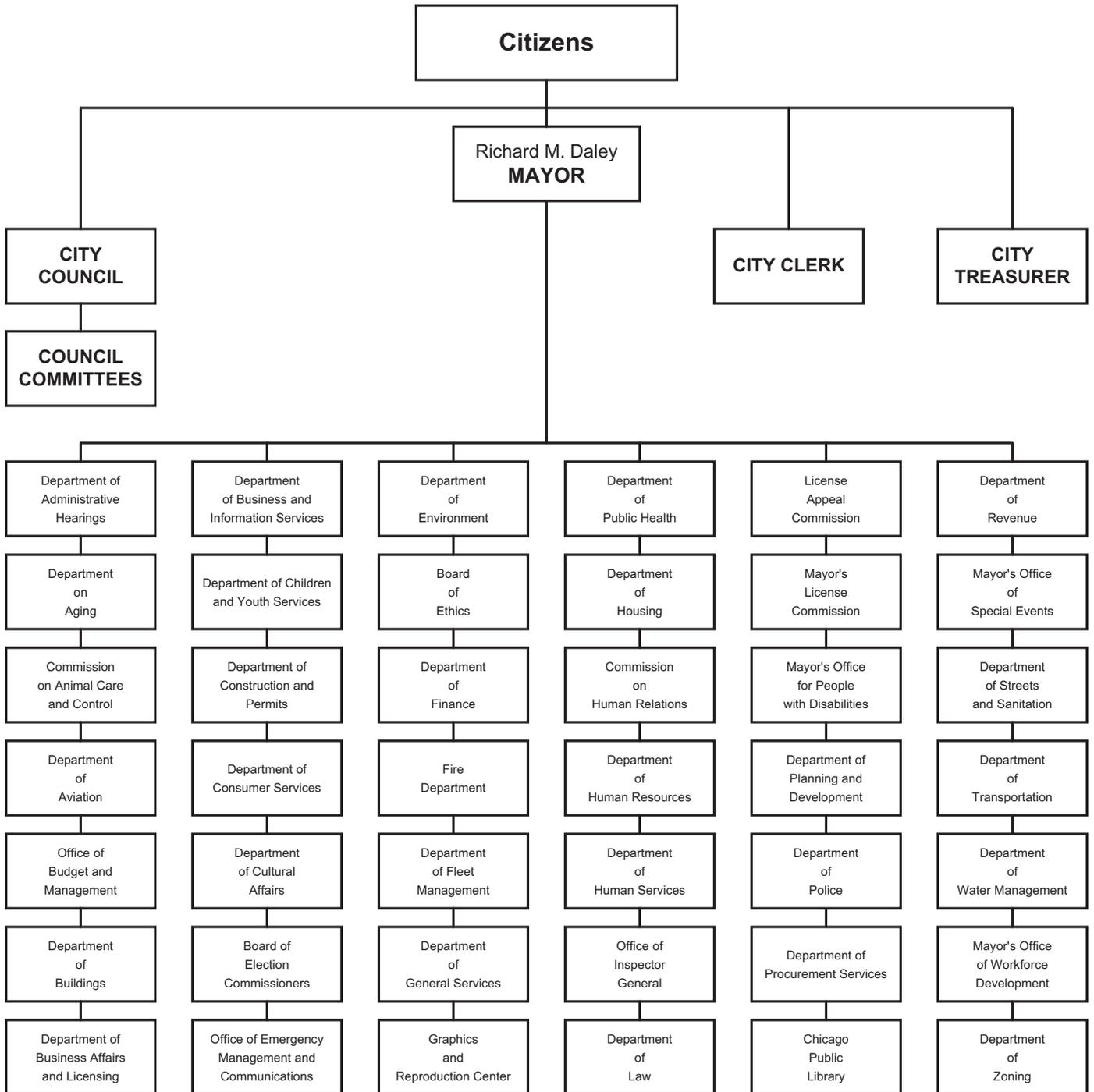
*Charles S. Cox*

President

*Jeffrey R. Emery*

Executive Director

**CITY OF CHICAGO  
ORGANIZATION CHART  
AS OF 12/31/2007**



**PART II**

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT,  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
THE BASIC 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, 2007, 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above 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, as of December 31, 2007, 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.

As described in Notes 1 and 12 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended December 31, 2007.

The Management's Discussion and Analysis and Schedule of Other Post-employment Benefits Funding Progress, as listed in the foregoing table of contents, 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 the 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 report 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 27, 2008

## 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, 2007. 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 2007 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 \$1,604.5 million (*net assets*). Of this amount, \$4,997.1 million is an unrestricted deficit, while \$2,739.5 million is invested in capital assets, net of related debt and \$3,862.1 million is restricted for specific purposes.
- The City's total assets increased by \$802.5 million. The increase relates to \$1,010.5 million increase in capital assets as a result of the City's capital improvement program and \$425.0 million decrease in unrestricted and restricted cash and cash equivalents and investments as a result of debt financing used to support the capital plan. Also, an increase of \$190.8 million in receivables related to special taxing areas occurred.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2007 were \$7,463.2 million, an increase of \$824.4 million (12.4 percent) from 2006.
- The General Fund, also in the fund financial statements, ended 2007 with a total Fund Balance of \$44.3 million. Total Fund Balance decreased from 2006 primarily because Revenues and Other Financing Sources was less than Expenditures and Other Financing Uses by \$15.6 million. Fund Balance at December 31, 2007 of \$39.6 million was reserved for commitments. Unreserved Fund Balance was \$4.6 million at December 31, 2007, compared to a balance of \$26.8 million at the end of 2006.
- The City's general obligation bonds and notes outstanding increased by \$494.4 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan.

### 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, 2007 - Continued**

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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, 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 Chicago 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, 2007 - Continued**

**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 \$1,604.5 million at December 31, 2007.

A large portion of the City's net assets, \$2,739.5 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)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 5,646.2	\$ 5,383.2	\$ 3,272.8	\$ 3,743.8	\$ 8,919.0	\$ 9,127.0
Capital assets	<u>6,921.2</u>	<u>6,787.1</u>	<u>9,444.8</u>	<u>8,568.4</u>	<u>16,366.0</u>	<u>15,355.5</u>
Total assets	12,567.4	12,170.3	12,717.6	12,312.2	25,285.0	24,482.5
Long-term liabilities						
outstanding	11,226.2	10,184.2	10,497.6	10,277.5	21,723.8	20,461.7
Other liabilities	<u>1,225.8</u>	<u>963.9</u>	<u>730.9</u>	<u>710.9</u>	<u>1,956.7</u>	<u>1,674.8</u>
Total Liabilities	12,452.0	11,148.1	11,228.5	10,988.4	23,680.5	22,136.5
Net assets:						
Invested in capital assets,						
net of related debt	570.7	574.4	2,168.8	1,940.0	2,739.5	2,514.4
Restricted	2,980.2	2,451.1	881.9	971.7	3,862.1	3,422.8
Unrestricted	<u>(3,435.5)</u>	<u>(2,003.3)</u>	<u>(1,561.6)</u>	<u>(1,587.9)</u>	<u>(4,997.1)</u>	<u>(3,591.2)</u>
Total net assets	<u>\$ 115.4</u>	<u>\$ 1,022.2</u>	<u>\$ 1,489.1</u>	<u>\$ 1,323.8</u>	<u>\$ 1,604.5</u>	<u>\$ 2,346.0</u>

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

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An additional portion of the City's net assets (\$3,862.1 million) represent resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** Net assets of the City's governmental activities decreased \$906.8 million (89 percent) to \$115.4 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 \$3,435.5 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 (\$625.8 million), Municipal employees, Policemen's and Firemen's net pension obligation (\$2,379.7 million) and post-employment benefits (\$148.3 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining long-term lease obligation of \$556.8 million will be amortized into income over the life of the concession lease agreement.

Over half of the City's revenue comes from taxes. Total taxes increased by 3.9 percent. Total taxes include an increase in property taxes of \$31.8 million (4.5 percent) relating to the timing of collections. Other taxes increased by \$79.6 million (3.6 percent) primarily attributable to Special Area taxes increasing \$72.3 million, based on increase in property values in developing areas. 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 2007 were \$6,277.0 million. This reflects an increase of \$597.4 million (10.5 percent) over 2006. General Government was the largest component of current expenses, accounting for 39.1 percent of total expenses. General Government expenses increased \$363.8 million (17.4 percent) over 2006 because of an increase in related pension and post-employment benefit costs.

The cost of all governmental activities was \$6,277.0 million.

- The amount that taxpayers paid for these activities through City taxes was only \$2,993.5 million.
  - ◆ Some of the cost was paid by those who directly benefited from the programs (\$659.8 million), or
  - ◆ By other governments and organizations that subsidized certain programs with grants and contributions (\$748.6 million).

The City paid for the "public benefit" portion with \$967.3 million with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were \$1,489.1 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.

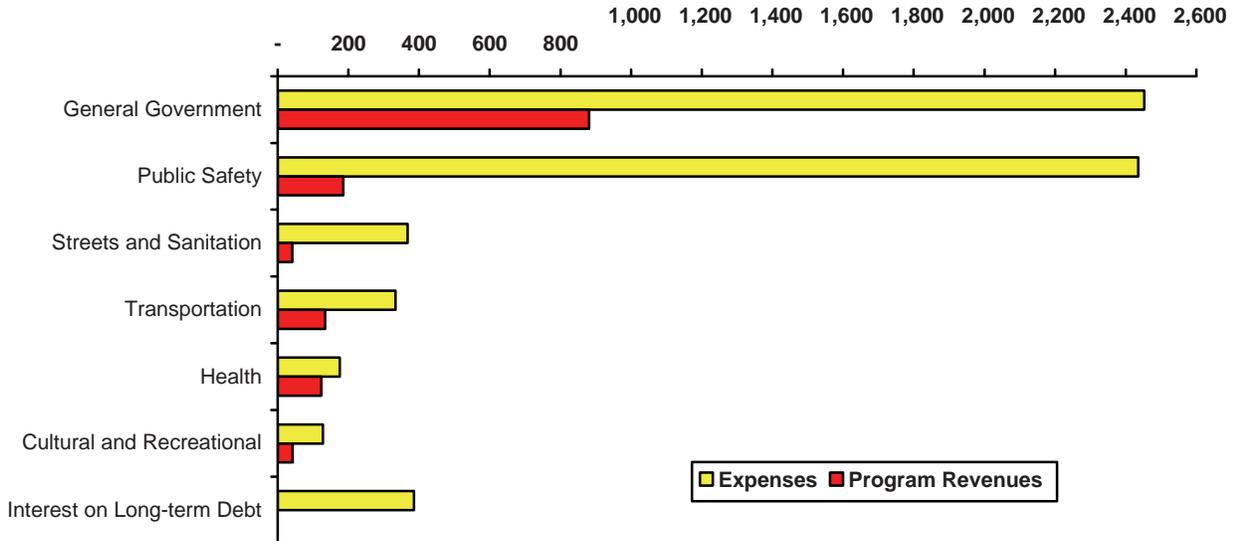
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

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

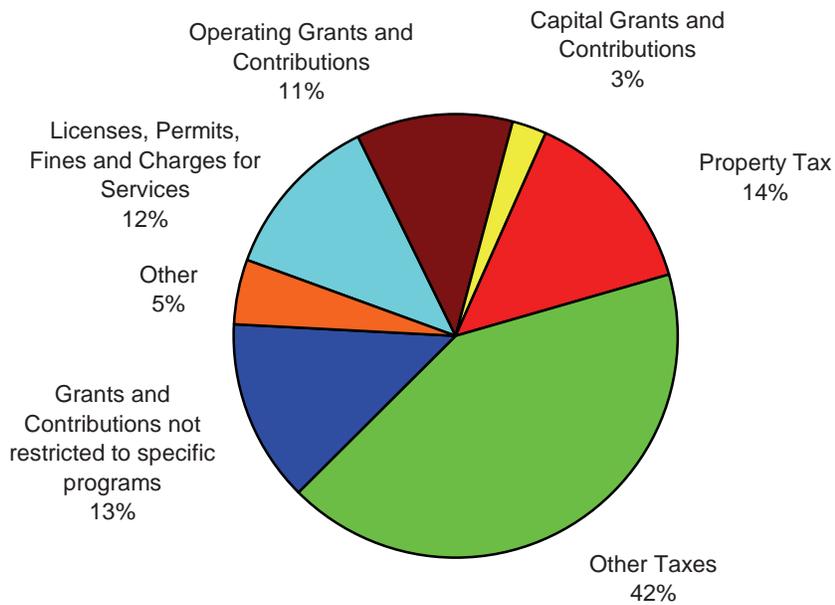
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and Charges for Services	\$ 659.8	\$ 611.9	\$ 1,233.1	\$ 1,118.4	\$ 1,892.9	\$ 1,730.3
Operating Grants and Contributions	611.0	659.3	-	-	611.0	659.3
Capital Grants and Contributions	137.6	142.7	268.3	273.3	405.9	416.0
General Revenues:						
Property Taxes	732.4	700.6	-	-	732.4	700.6
Other Taxes	2,261.1	2,181.5	-	-	2,261.1	2,181.5
Grants and Contributions not Restricted to Specific Programs	714.7	654.0	-	-	714.7	654.0
Other	<u>252.6</u>	<u>200.4</u>	<u>128.0</u>	<u>124.9</u>	<u>380.6</u>	<u>325.3</u>
Total Revenues	<u>5,369.2</u>	<u>5,150.4</u>	<u>1,629.4</u>	<u>1,516.6</u>	<u>6,998.6</u>	<u>6,667.0</u>
Expenses:						
General Government	2,452.1	2,088.3	-	-	2,452.1	2,088.3
Public Safety	2,435.4	2,300.0	-	-	2,435.4	2,300.0
Streets and Sanitation	367.2	337.1	-	-	367.2	337.1
Transportation	333.4	292.7	-	-	333.4	292.7
Health	175.6	170.8	-	-	175.6	170.8
Cultural and Recreational	128.0	119.2	-	-	128.0	119.2
Interest on Long-term Debt	385.3	371.5	-	-	385.3	371.5
Water	-	-	350.2	324.1	350.2	324.1
Sewer	-	-	137.0	130.4	137.0	130.4
Midway International Airport	-	-	211.1	188.1	211.1	188.1
Chicago-O'Hare International Airport	-	-	751.3	697.5	751.3	697.5
Chicago Skyway	-	-	13.5	12.8	13.5	12.8
Total Expenses	<u>6,277.0</u>	<u>5,679.6</u>	<u>1,463.1</u>	<u>1,352.9</u>	<u>7,740.1</u>	<u>7,032.5</u>
Change in Net Assets Before Transfers	(907.8)	(529.2)	166.3	163.7	(741.5)	(365.5)
Transfers	<u>1.0</u>	<u>2.0</u>	<u>(1.0)</u>	<u>(2.0)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(906.8)	(527.2)	165.3	161.7	(741.5)	(365.5)
Net Assets, Beginning of Year	<u>1,022.2</u>	<u>1,549.4</u>	<u>1,323.8</u>	<u>1,162.1</u>	<u>2,346.0</u>	<u>2,711.5</u>
Net Assets, End of Year	<u>\$ 115.4</u>	<u>\$ 1,022.2</u>	<u>\$ 1,489.1</u>	<u>\$ 1,323.8</u>	<u>\$ 1,604.5</u>	<u>\$ 2,346.0</u>

**Expenses and Program Revenues - Governmental Activities**

(in millions of dollars)



**Revenues by Source - Governmental Activities**



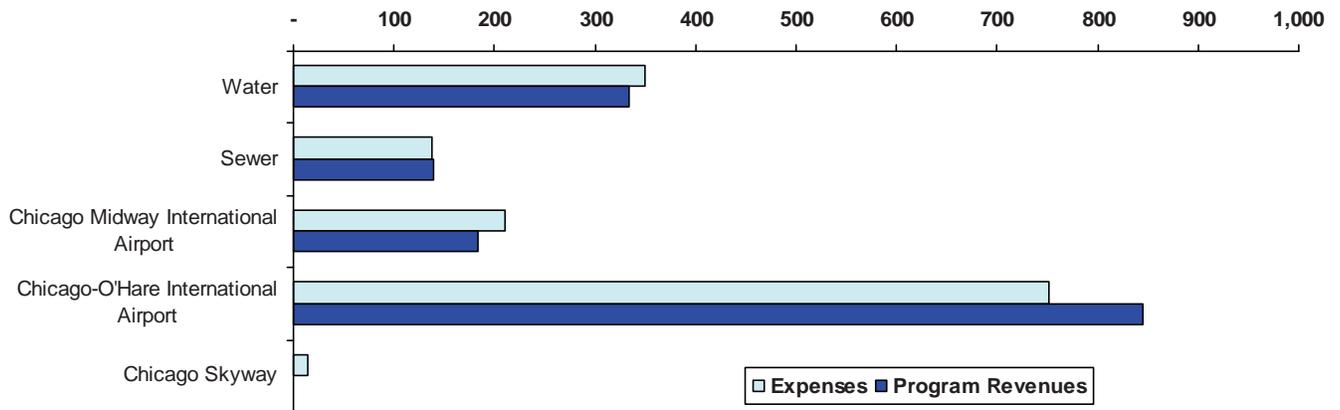
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

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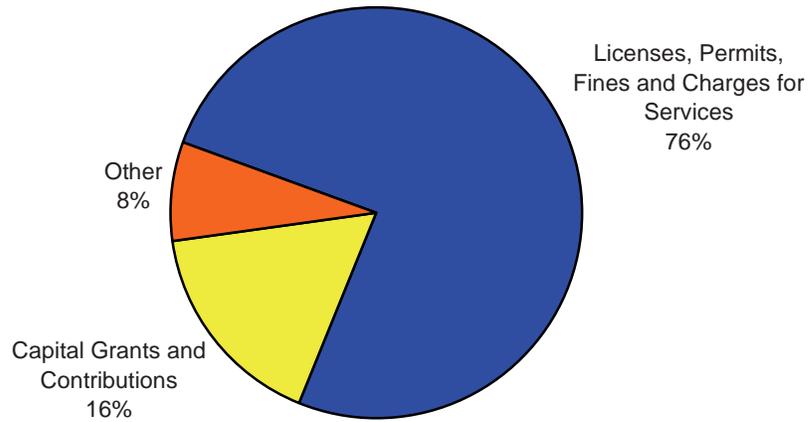
**Business-type Activities.** Revenues of the City's business-type activities increased by \$112.8 million in 2007 due primarily to increases in charges for services. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's revenues for 2007 increased by 1.2 percent from 2006 due to an increase in water usage. Operating expenses in 2007 increased by 7.3 percent primarily due to an increase in personnel and fringe benefits.
- The Sewer Fund's revenues increased 1.6 percent during fiscal year 2007, as the result of an increase in water usage. Repairs and maintenance for 2007 increased as a result of an increase in personnel costs. Depreciation and amortization increased primarily due to an increase in capital assets.
- Chicago Midway International Airport Fund's operating revenues for 2007 increased by \$1.7 million compared to prior year operating revenues. This increase is principally due to increased rents, concessions and other charges. Operating expenses increased by \$18.4 million primarily due to increased personnel and contractual services as well as depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2007 increased by \$106.8 million (19.6 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by \$48.3 million as a result of an increase in personnel costs, contractual services, repairs and maintenance, and other expenses.
- 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 upfront payment is being amortized into non-operating revenue over the period of the lease (\$18.5 million annually).

**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, 2007 - Continued**

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**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, 2007, the City's governmental funds reported combined ending fund balances of \$2,593.7 million, an increase of \$79.8 million in comparison with the prior year. Of this total amount (\$1,171.0 million) constitutes *undesignated 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 (\$134.9 million), 2) to pay debt service (\$547.9 million) and 3) to provide a long-term reserve (\$500.0 million) and 4) for a variety of other restricted purposes (\$48.5 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 \$4.6 million with a total fund balance of \$44.3 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 0.2 percent of total General Fund expenditures, while total fund balance represents 1.4 percent of that same amount.

The fund balance of the City's General Fund decreased by \$18.1 million during the current fiscal year. Expenditures and Other Financing Uses exceeded Revenues and Other Financing Sources by \$15.6 million.

The Federal, State and Local Grants Fund has a total fund balance of \$16.8 million, \$33.2 million of which is reserved for the resale property, while there is an unreserved, undesignated deficit of \$16.4 million.

The Bond, Note Redemption and Interest Fund has a total fund deficit of \$263.5 million. The net decrease in fund balance during the current year in the Bond, Note Redemption and Interest Fund was \$238.3 million primarily resulting from the retirement of \$204.4 million of Lakefront Millennium Project bonds.

The Community Development and Improvement Projects Fund has a total fund balance of \$850.8 million, of which \$54.8 million is reserved for encumbrances and the remaining \$796.0 million is unreserved, undesignated. The increase in fund balance during the current year in the Community Development and Improvement Projects Fund was \$198.6 million.

The Reserve Fund has a total fund balance of \$691.4 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 5.2 percent or \$271.4 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 Chicago Midway International Airport Funds at the end of the year amounted to a deficit of \$1,561.6 million. The total increase in unrestricted net assets related to changes in the \$2,168.8 million of net assets invested in capital assets, net of related debt and the \$881.9 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

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**General Fund Budgetary Highlights**

The City's 2007 Original General Fund Budget is \$3,097.7 million. This budget reflects an increase of \$145.6 million (4.9 percent) over the 2006 Budget. The City's 2007 General Fund Budget was approved by the City Council on November 15, 2006.

The General Fund revenues and expenditures in 2007 ended the current fiscal year with an available unreserved fund balance of \$4.6 million, which is a \$22.2 million decrease over 2006.

The General Fund revenues on a budgetary basis were \$14.3 million more than the final budget as a result of higher than expected utility and income taxes. These revenues were offset by unfavorable results from transaction taxes and fines. Expenditures were \$14.3 million more than budgeted as a result of unfavorable variances in public safety and streets and sanitation, offset by a favorable variance in general government. 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, 2007 amount to \$16,366.0 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:

- The City continued its LEED Strategy with new libraries, police stations and fire engine company construction projects totaling \$61.0 million in 2007.
- The City also continued its commitment to libraries with the addition of \$17.0 million of books and equipment.
- The City completed \$35.0 million in sidewalk, curb and gutter projects. An additional \$27.0 million in bridge and viaduct reconstruction projects were also completed.
- During 2007 the Water Fund expended \$151.8 million for capital projects such as structures and improvements, water mains, distribution plants and equipment. The 2007 Water Main Replacement Program completed 21 miles of water mains. Major completed capital projects in 2007 totaling \$56.5 million include the South Water Filtration Plant's landscaping phase 1.
- The 2007 Sewer Main Replacement Program completed 7.0 miles of sewer mains and 10.3 miles of relining of existing sewer mains at a cost of \$45.3 million.
- Chicago Midway International Airport had capital asset additions in 2007 of \$43.2 million principally due to land acquisition, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2007 of \$842.6 (11.6 percent increase over 2006) principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, runway, roadway and parking improvements.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 1,253.1	\$ 1,234.0	\$ 724.2	\$ 592.0	\$ 1,977.3	\$ 1,826.0
Works of Art and Historical Collections	10.4	10.4	-	-	10.4	10.4
Construction in Progress	232.1	168.8	1,609.4	1,147.3	1,841.5	1,316.1
Buildings and Other Improvements	1,552.2	1,552.9	6,835.8	6,577.6	8,388.0	8,130.5
Machinery and Equipment	323.6	283.2	275.4	251.5	599.0	534.7
Infrastructure	<u>3,549.8</u>	<u>3,537.8</u>	<u>-</u>	<u>-</u>	<u>3,549.8</u>	<u>3,537.8</u>
Total	<u>\$ 6,921.2</u>	<u>\$ 6,787.1</u>	<u>\$ 9,444.8</u>	<u>\$ 8,568.4</u>	<u>\$ 16,366.0</u>	<u>\$ 15,355.5</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 \$5,828.2 million in General Obligation Bonds and Notes and \$550.8 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$151.4 million in Motor Fuel Tax Revenue Bonds; \$361.2 million of Sales Tax Revenue Bonds; \$299.8 million in Tax Increment Financing Bonds; \$7.5 million in Installment Purchase Agreements; and \$8,750.6 million in Enterprise Fund Bonds and long-term obligations.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General Obligation	\$ 6,379.0	\$ 5,884.6	\$ -	\$ -	\$ 6,379.0	\$ 5,884.6
Installment Purchase Agreement	7.5	9.2	-	-	7.5	9.2
Tax Increment	299.8	355.4	-	-	299.8	355.4
Revenue Bonds	<u>512.6</u>	<u>518.8</u>	<u>8,750.6</u>	<u>8,524.4</u>	<u>9,263.2</u>	<u>9,043.2</u>
Total	<u>\$ 7,198.9</u>	<u>\$ 6,768.0</u>	<u>\$ 8,750.6</u>	<u>\$ 8,524.4</u>	<u>\$ 15,949.5</u>	<u>\$ 15,292.4</u>

During 2007, the City issued the following:

**General Obligation Bonds and Notes:**

- General Obligation Bonds (Modern Schools Across Chicago Program), Series 2007A-K (\$356. million)
- General Obligation Bonds (City Colleges of Chicago Capital Improvement Project), Series 2007 (\$39.1 million)
- General Obligation Bonds, Project and Refunding Series 2007A and B (\$589.6 million)
- General Obligation Bonds, Project and Refunding Taxable Series 2007C and D (\$330.9 million)
- General Obligation Bonds, Variable Rate Demand Series 2006E-G (\$200.0 million)
- General Obligation Tender Notes Series 2007 (\$31.6 million)
- General Obligation Commercial Paper Notes (\$31.0 million)

**Tax Increment Allocation and Revenue Bonds and Notes:**

- Tax Increment Allocation Note, 119<sup>th</sup> and Halsted Taxable Series 2006 (\$.9 million)
- Tax Increment Allocation Note, 119<sup>th</sup>/I-57 Taxable Series 2006 (\$1.0 million)
- Tax Increment Allocation Note, Devon/Sheridan Taxable Series 2007 (\$.5 million)

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Continued**

- Tax Increment Allocation Note, Harrison/Central Taxable Series 2007 (\$1.0 million)

Enterprise Fund Revenue Bonds and Notes:

- Water Commercial Paper Notes (\$56.5 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes (\$334.7 million)

At December 31, 2007 the City had credit ratings with each of the three major rating agencies as follows:

<b>Rating Agency</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Fitch</b>
General Obligation:			
City	Aa3	AA-	AA
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	Aa3	AA	AA+
Second Lien General Airport Revenue Bonds	A1	A+	AA
Third Lien General Airport Revenue Bonds	A1	A-	A
First Lien Passenger Facility Charge (PFC)	A1	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
Junior Lien	A2	A	AA-
Sales Tax	Aa3	AAA	AA-
Motor Fuel Tax	A2	AA+	A+

In 2007, the City closed and extinguished the First Lien Passenger Facility Charge (PFC) bonds. All outstanding PFC bonds exist within the same lien status.

**Economic Factors and Next Year's Budgets and Rates**

The City's economy showed stability as economically sensitive taxes remained relatively unchanged. The City's real estate market, however, slowed as a result of lower sales coupled with decreasing prices caused by the sub-prime fall-out. Therefore, real estate transaction tax collections decreased by 15.0 percent from 2006 collections. The transaction tax collections for leases, however, increased slightly in 2007 by 2.6 percent over 2006 collections; and the office vacancy rate in the City dropped to 11.3 percent down from 13.8 percent in 2006.

Chicago remains a center of tourism and conventions with hotel occupancy remaining steady at a rate of 75.5 percent, with rates increasing by an average of 16.0 percent over 2006. Hotel projects completed in 2007 included the Hotel Cass Mag Mile Chicago with 175 rooms and the Trump Tower Chicago Hotel with 286 condo/hotel rooms. Chicago ranked eight on the list of most popular destinations for overseas visitors in 2007. There was a record 1.17 million foreign visitors in 2007 up from 1.08 million in 2006.

The City's unemployment rate increased to 5.6 percent in 2007 up slightly from 5.3 percent in 2006.

On November 13, 2007, the City Council approved the City's 2008 General Fund Budget in the amount of \$3,218.5 million which includes a planned \$93.0 million utilization of Skyway lease proceeds. This budget reflects an increase over the 2007 General Fund budget of \$120.8 million (3.9 percent). The City's 2008 budget contains an increase to the City's property tax levy of \$83.4 million, the first such increase in five years. Also implemented in 2008 are a

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007 - Concluded**

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water bottle tax of \$.05 cents per bottle, an increased fine for red light tickets from \$90.00 to \$100.00 per instance, and an increase in the Emergency 911 surcharge to \$2.50 from \$1.25.

**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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 1,254,007	\$ 176,933	\$ 1,430,940
Investments .....	1,073,559	74,764	1,148,323
Cash and Investments with Escrow Agent .....	501,680	-	501,680
Receivables (Net of Allowances):			
Property Tax .....	1,300,941	-	1,300,941
Accounts .....	684,245	179,319	863,564
Internal Balances .....	3,278	(3,278)	-
Inventories .....	15,332	16,411	31,743
Restricted Assets:			
Cash and Cash Equivalents .....	-	1,742,472	1,742,472
Investments .....	499,112	601,032	1,100,144
Other Assets .....	313,969	485,189	799,158
Capital Assets:			
Land, Improvements, Art, and Construction in Progress .....	1,495,579	2,333,648	3,829,227
Other Capital Assets, net of Accumulated Depreciation .....	5,425,664	7,111,159	12,536,823
Total Capital Assets .....	<u>6,921,243</u>	<u>9,444,807</u>	<u>16,366,050</u>
Total Assets .....	<u>\$ 12,567,366</u>	<u>\$ 12,717,649</u>	<u>\$ 25,285,015</u>
<b>LIABILITIES</b>			
Voucher Warrants Payable .....	\$ 413,388	\$ 355,547	\$ 768,935
Short-term Debt .....	672	-	672
Accrued Interest .....	127,183	170,648	297,831
Accrued and Other Liabilities .....	599,197	101,696	700,893
Unearned Revenue .....	85,326	102,962	188,288
Long-term Liabilities:			
Due Within One Year .....	443,695	219,481	663,176
Long-term Lease Obligation .....	556,819	1,774,545	2,331,364
Due in More Than One Year .....	10,225,720	8,503,663	18,729,383
Total Liabilities .....	<u>12,452,000</u>	<u>11,228,542</u>	<u>23,680,542</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt .....	570,665	2,168,833	2,739,498
Restricted for:			
Capital Projects .....	118,735	189,875	308,610
Long-term Reserve .....	691,391	-	691,391
Debt Service .....	1,278,309	39,185	1,317,494
Federal, State and Local Grants .....	16,774	-	16,774
Special Taxing Areas .....	874,998	-	874,998
Passenger Facility Charges .....	-	276,588	276,588
Other Purposes .....	-	376,260	376,260
Unrestricted (Deficit) .....	<u>(3,435,506)</u>	<u>(1,561,634)</u>	<u>(4,997,140)</u>
Total Net Assets .....	<u>\$ 115,366</u>	<u>\$ 1,489,107</u>	<u>\$ 1,604,473</u>

**Exhibit 2**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government .....	\$ 2,452,145	\$ 422,363
Public Safety .....	2,435,437	155,529
Streets and Sanitation .....	367,222	41,467
Transportation .....	333,401	13,262
Health .....	175,577	2,795
Cultural and Recreational .....	128,003	24,412
Interest on Long-term Debt .....	385,305	-
Total Governmental Activities .....	6,277,090	659,828
Business-type Activities:		
Water .....	350,181	334,377
Sewer .....	136,961	138,681
Chicago Midway International Airport .....	211,082	107,253
Chicago-O'Hare International Airport .....	751,351	652,763
Chicago Skyway .....	13,555	-
Total Business-type Activities .....	1,463,130	1,233,074
Total Primary Government .....	\$ 7,740,220	\$ 1,892,902

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
\$ 442,341	\$ 16,674	\$ (1,570,767)	\$ -	\$ (1,570,767)
30,096	-	(2,249,812)	-	(2,249,812)
-	-	(325,755)	-	(325,755)
-	120,939	(199,200)	-	(199,200)
120,693	-	(52,089)	-	(52,089)
17,844	-	(85,747)	-	(85,747)
-	-	(385,305)	-	(385,305)
<u>610,974</u>	<u>137,613</u>	<u>(4,868,675)</u>	<u>-</u>	<u>(4,868,675)</u>
-	-	-	(15,804)	(15,804)
-	321	-	2,041	2,041
-	75,806	-	(28,023)	(28,023)
-	192,204	-	93,616	93,616
-	-	-	(13,555)	(13,555)
<u>-</u>	<u>268,331</u>	<u>-</u>	<u>38,275</u>	<u>38,275</u>
<u>\$ 610,974</u>	<u>\$ 405,944</u>	<u>(4,868,675)</u>	<u>38,275</u>	<u>(4,830,400)</u>
General Revenues				
Taxes:				
Property Tax .....		732,415	-	732,415
Utility Tax .....		552,179	-	552,179
Sales Tax .....		293,078	-	293,078
Transportation Tax .....		332,459	-	332,459
Transaction Tax .....		304,715	-	304,715
Special Area Tax .....		533,260	-	533,260
Other Taxes .....		245,408	-	245,408
Grants and Contributions not Restricted to				
Specific Programs .....		714,661	-	714,661
Unrestricted Investment Earnings .....		182,700	100,720	283,420
Miscellaneous .....		69,941	27,313	97,254
Total General Revenues .....		<u>3,960,816</u>	<u>128,033</u>	<u>4,088,849</u>
Transfers .....		<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Change in Net Assets .....		<u>(906,859)</u>	<u>165,308</u>	<u>(741,551)</u>
Net Assets - Beginning .....		<u>1,022,225</u>	<u>1,323,799</u>	<u>2,346,024</u>
Net Assets - Ending .....		<u>\$ 115,366</u>	<u>\$ 1,489,107</u>	<u>\$ 1,604,473</u>

**Exhibit 3**  
**CITY OF CHICAGO, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 562	\$ 38,558	\$ 811,129
Investments .....	744	12,411	46,382
Cash and Investments with Escrow Agent .....	-	-	-
Receivables (Net of Allowances):			
Property Tax .....	-	-	309,531
Accounts .....	219,916	11,371	9,004
Due From Other Funds .....	299,736	158,847	1,121
Due From Other Governments .....	200,754	156,443	-
Inventories .....	15,332	-	-
Restricted Investments .....	-	-	-
Other Assets .....	-	33,193	-
<b>Total Assets .....</b>	<b><u>\$ 737,044</u></b>	<b><u>\$ 410,823</u></b>	<b><u>\$ 1,177,167</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Voucher Warrants Payable .....	\$ 135,257	\$ 104,875	\$ 19,048
Bonds, Notes and Other Obligations Payable - Current .....	-	-	-
Accrued Interest .....	-	-	-
Due To Other Funds .....	338,535	199,736	12,697
Accrued and Other Liabilities .....	208,228	4,958	3,079
Claims Payable .....	9,871	-	-
Long-term Lease Obligation .....	-	-	-
Deferred Revenue .....	846	84,480	267,345
<b>Total Liabilities .....</b>	<b><u>692,737</u></b>	<b><u>394,049</u></b>	<b><u>302,169</u></b>
<b>Fund Balance:</b>			
Reserved for Encumbrances .....	24,341	-	17,215
Reserved for Resale Property .....	-	33,193	-
Reserved for Inventory .....	15,332	-	-
Reserved for Debt Service .....	-	-	-
Reserved for Long-term Trust Fund .....	-	-	-
Unreserved, Designated for Future Appropriations .....	-	-	-
Unreserved, Undesignated - Major Funds .....	4,634	(16,419)	857,783
Unreserved, Undesignated - Special Revenue Funds .....	-	-	-
Unreserved, Undesignated - Capital Projects Funds .....	-	-	-
<b>Total Fund Balance .....</b>	<b><u>44,307</u></b>	<b><u>16,774</u></b>	<b><u>874,998</u></b>
<b>Total Liabilities and Fund Balance .....</b>	<b><u>\$ 737,044</u></b>	<b><u>\$ 410,823</u></b>	<b><u>\$ 1,177,167</u></b>

See notes to basic financial statements.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ 286	\$ 25,447	\$ 286,889	\$ 91,136	\$ 1,254,007
177,031	187,880	607,410	41,701	1,073,559
-	263,014	-	238,666	501,680
-	433,003	-	558,407	1,300,941
5,262	14,253	5,512	20,645	285,963
9,700	49,498	55,341	140,982	715,225
-	1,187	47	39,851	398,282
-	-	-	-	15,332
499,112	-	-	-	499,112
-	-	-	-	33,193
<u>\$ 691,391</u>	<u>\$ 974,282</u>	<u>\$ 955,199</u>	<u>\$ 1,131,388</u>	<u>\$ 6,077,294</u>
\$ -	\$ -	\$ 44,309	\$ 92,075	\$ 395,564
-	145,636	-	14,400	160,036
-	118,991	-	4,718	123,709
-	26,409	50,675	105,591	733,643
-	-	-	45,787	262,052
-	-	9,455	-	19,326
-	556,819	-	-	556,819
-	389,913	-	489,854	1,232,438
<u>-</u>	<u>1,237,768</u>	<u>104,439</u>	<u>752,425</u>	<u>3,483,587</u>
-	-	54,787	38,571	134,914
-	-	-	-	33,193
-	-	-	-	15,332
-	293,333	-	254,575	547,908
500,000	-	-	-	500,000
191,391	-	-	-	191,391
-	(556,819)	795,973	-	1,085,152
-	-	-	(24,813)	(24,813)
-	-	-	110,630	110,630
<u>691,391</u>	<u>(263,486)</u>	<u>850,760</u>	<u>378,963</u>	<u>2,593,707</u>
<u>\$ 691,391</u>	<u>\$ 974,282</u>	<u>\$ 955,199</u>	<u>\$ 1,131,388</u>	<u>\$ 6,077,294</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.	6,921,243
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,357,980
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(10,757,564)
Net assets of governmental activities	<u>\$ 115,366</u>

**Exhibit 4**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>Revenues:</b>			
Property Tax .....	\$ -	\$ -	\$ -
Utility Tax .....	501,023	-	-
Sales Tax .....	543,238	-	5
Transportation Tax .....	155,225	-	-
State Income Tax .....	377,727	-	-
Transaction Tax .....	304,715	-	-
Special Area Tax .....	-	-	281,887
Other Taxes .....	227,571	-	-
Federal/State Grants .....	3,366	778,601	-
Internal Service .....	282,967	-	912
Licenses and Permits .....	148,172	-	-
Fines .....	220,596	-	-
Investment Income .....	10,117	-	13,363
Charges for Services .....	118,808	-	39
Miscellaneous .....	41,901	-	4,445
<b>Total Revenues .....</b>	<b>2,935,426</b>	<b>778,601</b>	<b>300,651</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government .....	860,976	441,613	212,990
Health .....	47,117	142,079	72
Public Safety .....	1,845,497	31,537	26
Streets and Sanitation .....	268,939	-	1,043
Transportation .....	33,560	119,587	32,836
Cultural and Recreational .....	-	18,578	1,693
Employee Pensions .....	-	-	-
Other .....	-	4,052	-
Capital Outlay .....	-	16,674	-
<b>Debt Service:</b>			
Principal Retirement .....	5,230	-	-
Interest and Other Fiscal Charges .....	1,700	-	37
<b>Total Expenditures .....</b>	<b>3,063,019</b>	<b>774,120</b>	<b>248,697</b>
<b>Revenues Over (Under) Expenditures ...</b>	<b>(127,593)</b>	<b>4,481</b>	<b>51,954</b>

Continued on following pages.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 346,965	\$ -	\$ 314,742	\$ 661,707
-	22,318	-	28,838	552,179
-	25,488	-	2,196	570,927
-	11,257	-	165,977	332,459
-	-	-	55,719	433,446
-	-	-	-	304,715
-	-	-	206,306	488,193
-	-	-	17,837	245,408
-	-	-	-	781,967
-	-	-	19,948	303,827
-	-	-	-	148,172
-	-	-	19,681	240,277
61,574	12,312	52,573	32,761	182,700
-	-	-	32,522	151,369
-	7,020	13,147	13,443	79,956
<u>61,574</u>	<u>425,360</u>	<u>65,720</u>	<u>909,970</u>	<u>5,477,302</u>
-	-	-	135,100	1,650,679
-	-	-	5,986	195,254
-	-	-	3,539	1,880,599
-	-	-	107,503	377,485
-	-	-	81,493	267,476
-	-	-	88,256	108,527
-	-	-	371,649	371,649
-	-	-	375	4,427
-	-	473,602	112,157	602,433
-	200,895	-	91,378	297,503
-	284,672	-	56,080	342,489
<u>-</u>	<u>485,567</u>	<u>473,602</u>	<u>1,053,516</u>	<u>6,098,521</u>
<u>61,574</u>	<u>(60,207)</u>	<u>(407,882)</u>	<u>(143,546)</u>	<u>(621,219)</u>

**Exhibit 4 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt .....	\$ 23,921	\$ -	\$ 105,963
Premium .....	-	-	-
Payment to Refunded Bond Escrow Agent ....	-	-	-
Transfers In .....	130,561	-	62,295
Transfers Out .....	(42,500)	(4,000)	(62,260)
Total Other Financing Sources (Uses) .....	111,982	(4,000)	105,998
Net Changes in Fund Balance .....	(15,611)	481	157,952
Fund Balance, Beginning of Year .....	62,391	16,293	717,046
Change in Inventory .....	(2,473)	-	-
Fund Balance, End of Year .....	<u>\$ 44,307</u>	<u>\$ 16,774</u>	<u>\$ 874,998</u>

See notes to basic financial statements.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 776,551	\$ 532,951	\$ 143,016	\$ 1,582,402
-	-	71,479	-	71,479
-	(951,419)	-	-	(951,419)
-	-	29,603	109,557	332,016
(101,200)	(3,250)	(27,521)	(90,285)	(331,016)
(101,200)	(178,118)	606,512	162,288	703,462
(39,626)	(238,325)	198,630	18,742	82,243
731,017	(25,161)	652,130	360,221	2,513,937
-	-	-	-	(2,473)
<u>\$ 691,391</u>	<u>\$ (263,486)</u>	<u>\$ 850,760</u>	<u>\$ 378,963</u>	<u>\$ 2,593,707</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, 2007**  
**(Amounts are in Thousands of Dollars)**

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

Net change in fund balances - total governmental funds .....	\$ 82,243
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 .....	130,240
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	115,775
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 .....	(442,664)
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>(792,453)</u>
Change in the net assets of governmental activities .....	<u>\$ (906,859)</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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues:</b>				
Utility Tax .....	\$ 472,600	\$ 472,600	\$ 501,023	\$ 28,423
Sales Tax .....	259,700	259,700	265,389	5,689
Transportation Tax .....	151,500	151,500	155,225	3,725
Transaction Tax .....	328,500	328,500	304,715	(23,785)
Recreation Tax .....	127,370	127,370	133,938	6,568
Business Tax .....	85,880	85,880	89,851	3,971
State Income Tax .....	344,700	344,700	377,727	33,027
State Sales Tax .....	271,500	271,500	277,849	6,349
State Auto Rental .....	3,500	3,500	3,782	282
Federal/State Grants .....	2,000	2,000	3,366	1,366
Internal Service .....	277,289	277,289	282,967	5,678
Licenses and Permits .....	152,671	152,671	148,172	(4,499)
Fines .....	243,800	243,800	220,596	(23,204)
Investment Income .....	7,500	7,500	10,117	2,617
Charges for Services .....	87,145	87,145	90,754	3,609
Municipal Utilities .....	26,000	26,000	28,064	2,064
Leases, Rentals and Sales .....	26,600	26,600	22,802	(3,798)
Miscellaneous .....	15,000	15,000	19,089	4,089
Issuance of Debt, Net of				
Original Discount .....	23,921	23,921	23,921	-
Budgeted Prior Years' Surplus				
and Reappropriations .....	57,500	57,500	22,162	(35,338)
Transfers In/Out .....	133,060	133,060	130,561	(2,499)
<b>Total Revenues .....</b>	<b>3,097,736</b>	<b>3,097,736</b>	<b>3,112,070</b>	<b>14,334</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government .....	934,725	934,725	905,754	28,971
Health .....	50,725	50,725	47,151	3,574
Public Safety .....	1,812,226	1,812,226	1,849,173	(36,947)
Streets and Sanitation .....	256,605	256,605	268,715	(12,110)
Transportation .....	36,298	36,298	34,122	2,176
<b>Debt Service:</b>				
Principal Retirement .....	5,230	5,230	5,230	-
Interest and Other Fiscal Charges .....	1,927	1,927	1,925	2
<b>Total Expenditures .....</b>	<b>3,097,736</b>	<b>3,097,736</b>	<b>3,112,070</b>	<b>(14,334)</b>
<b>Revenues Over Expenditures .....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes to basic financial statements.

**Exhibit 7**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Unrestricted Assets:						
Cash and Cash Equivalents .....	\$ 32,719	\$ 8,239	\$ 31,962	\$ 100,232	\$ 3,781	\$ 176,933
Investments .....	1,965	543	25,322	46,754	180	74,764
Accounts Receivable (Net of Allowances) .....	75,922	39,902	7,936	43,783	148	167,691
Due from Other Funds .....	16,900	28,887	1,708	14,239	2	61,736
Due from Other Governments .....	-	-	1,414	10,214	-	11,628
Inventories .....	14,871	1,540	-	-	-	16,411
<b>Total Unrestricted Assets .....</b>	<b>142,377</b>	<b>79,111</b>	<b>68,342</b>	<b>215,222</b>	<b>4,111</b>	<b>509,163</b>
Restricted Assets:						
Cash and Cash Equivalents .....	61,740	80,268	225,027	1,375,437	-	1,742,472
Investments .....	90,033	27,819	79,040	404,140	-	601,032
<b>Total Restricted Assets .....</b>	<b>151,773</b>	<b>108,087</b>	<b>304,067</b>	<b>1,779,577</b>	<b>-</b>	<b>2,343,504</b>
<b>Total Current Assets .....</b>	<b>294,150</b>	<b>187,198</b>	<b>372,409</b>	<b>1,994,799</b>	<b>4,111</b>	<b>2,852,667</b>
<b>NONCURRENT ASSETS:</b>						
OTHER ASSETS .....	10,109	7,108	94,985	362,312	10,675	485,189
<b>PROPERTY, PLANT AND EQUIPMENT:</b>						
Land .....	5,083	560	102,832	603,164	12,609	724,248
Structures, Equipment and Improvements .....	2,570,209	1,407,314	1,268,207	4,611,205	490,471	10,347,406
Accumulated Depreciation .....	(662,507)	(323,426)	(214,347)	(1,879,534)	(156,433)	(3,236,247)
Construction Work in Progress .....	129,999	10,498	21,237	1,447,666	-	1,609,400
<b>Total Property, Plant and Equipment .....</b>	<b>2,042,784</b>	<b>1,094,946</b>	<b>1,177,929</b>	<b>4,782,501</b>	<b>346,647</b>	<b>9,444,807</b>
<b>Total Noncurrent Assets .....</b>	<b>2,052,893</b>	<b>1,102,054</b>	<b>1,272,914</b>	<b>5,144,813</b>	<b>357,322</b>	<b>9,929,996</b>
<b>Total Assets .....</b>	<b>\$ 2,347,043</b>	<b>\$ 1,289,252</b>	<b>\$ 1,645,323</b>	<b>\$ 7,139,612</b>	<b>\$ 361,433</b>	<b>\$ 12,782,663</b>

See notes to basic financial statements.

Business-type Activities - Enterprise Funds						
Major Funds						
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Unrestricted Liabilities:						
Voucher Warrants Payable .....	\$ 19,305	\$ 12,235	\$ 15,485	\$ 57,134	\$ 302	\$ 104,461
Due to Other Funds .....	38,308	5,711	6,634	13,222	1,139	65,014
Accrued and Other Liabilities .....	50,171	19,135	-	14,954	474	84,734
Deferred Revenue .....	18,067	12,627	26,137	46,131	-	102,962
Total Unrestricted Liabilities .....	<u>125,851</u>	<u>49,708</u>	<u>48,256</u>	<u>131,441</u>	<u>1,915</u>	<u>357,171</u>
Restricted Liabilities:						
Current Liabilities Payable From						
Restricted Assets .....	63,620	27,030	77,720	489,807	-	658,177
Total Current Liabilities .....	<u>189,471</u>	<u>76,738</u>	<u>125,976</u>	<u>621,248</u>	<u>1,915</u>	<u>1,015,348</u>
<b>NONCURRENT LIABILITIES:</b>						
Revenue Bonds Payable .....	1,199,714	747,387	1,236,957	5,319,605	-	8,503,663
Long-term Lease Obligation .....	-	-	-	-	1,774,545	1,774,545
Total Noncurrent Liabilities .....	<u>1,199,714</u>	<u>747,387</u>	<u>1,236,957</u>	<u>5,319,605</u>	<u>1,774,545</u>	<u>10,278,208</u>
Total Liabilities .....	<u>1,389,185</u>	<u>824,125</u>	<u>1,362,933</u>	<u>5,940,853</u>	<u>1,776,460</u>	<u>11,293,556</u>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of						
Related Debt .....	892,756	417,138	31,251	481,321	346,367	2,168,833
Restricted Net Assets:						
Debt Service .....	-	-	11,281	27,904	-	39,185
Capital Projects .....	972	4,544	31,374	152,985	-	189,875
Passenger Facility Charges .....	-	-	21,096	255,492	-	276,588
Contractual Use Agreement .....	-	-	34,342	103,246	-	137,588
Other .....	-	-	134,251	104,421	-	238,672
Unrestricted Net Assets .....	<u>64,130</u>	<u>43,445</u>	<u>18,795</u>	<u>73,390</u>	<u>(1,761,394)</u>	<u>(1,561,634)</u>
Total Net Assets .....	<u>\$ 957,858</u>	<u>\$ 465,127</u>	<u>\$ 282,390</u>	<u>\$ 1,198,759</u>	<u>\$ (1,415,027)</u>	<u>\$ 1,489,107</u>

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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>Operating Revenues:</b>						
Charges for Services .....	\$ 323,588	\$ 137,021	\$ 36,914	\$ 390,808	\$ -	\$ 888,331
Rent .....	-	-	70,339	261,955	-	332,294
Other .....	10,789	1,660	-	-	-	12,449
<b>Total Operating Revenues .....</b>	<b>334,377</b>	<b>138,681</b>	<b>107,253</b>	<b>652,763</b>	<b>-</b>	<b>1,233,074</b>
<b>Operating Expenses:</b>						
Personal Services .....	111,454	7,796	39,998	154,892	-	314,140
Contractual Services .....	54,631	732	14,780	56,506	-	126,649
Repairs and Maintenance .....	1,911	54,793	36,863	83,865	-	177,432
Commodities and Materials .....	16,488	-	-	-	-	16,488
Depreciation and Amortization .....	34,686	19,897	42,437	146,756	13,555	257,331
General Fund Reimbursements .....	52,963	22,973	-	-	-	75,936
Other .....	23,393	-	19,641	102,871	-	145,905
<b>Total Operating Expenses .....</b>	<b>295,526</b>	<b>106,191</b>	<b>153,719</b>	<b>544,890</b>	<b>13,555</b>	<b>1,113,881</b>
<b>Operating Income (Loss) .....</b>	<b>38,851</b>	<b>32,490</b>	<b>(46,466)</b>	<b>107,873</b>	<b>(13,555)</b>	<b>119,193</b>
<b>Nonoperating Revenues (Expenses):</b>						
Investment Income .....	4,908	939	14,098	80,641	134	100,720
Interest Expense .....	(54,655)	(30,770)	(57,363)	(206,461)	-	(349,249)
Passenger Facility Charges .....	-	-	45,241	143,951	-	189,192
Other .....	7,888	108	777	232	18,308	27,313
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(41,859)</b>	<b>(29,723)</b>	<b>2,753</b>	<b>18,363</b>	<b>18,442</b>	<b>(32,024)</b>
Transfers Out .....	-	-	-	-	(1,000)	(1,000)
Capital Grants .....	-	321	30,565	48,253	-	79,139
<b>Net Income (Loss) .....</b>	<b>(3,008)</b>	<b>3,088</b>	<b>(13,148)</b>	<b>174,489</b>	<b>3,887</b>	<b>165,308</b>
Net Assets (Deficit) - Beginning of Year .....	960,866	462,039	295,538	1,024,270	(1,418,914)	1,323,799
<b>Net Assets (Deficit) - End of Year .....</b>	<b>\$ 957,858</b>	<b>\$ 465,127</b>	<b>\$ 282,390</b>	<b>\$ 1,198,759</b>	<b>\$ (1,415,027)</b>	<b>\$ 1,489,107</b>

See notes to basic financial statements.

**Exhibit 9**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

Business-type Activities - Enterprise Funds						
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>Cash Flows from Operating Activities:</b>						
Received from Customers .....	\$ 321,533	\$ 134,498	\$ 115,688	\$ 607,365	\$ -	\$ 1,179,084
Payments to Vendors .....	(88,563)	(22,989)	(70,041)	(197,701)	-	(379,294)
Payments to Employees .....	(111,454)	(39,859)	(39,998)	(154,892)	-	(346,203)
Transactions with Other City Funds .....	(48,220)	(23,498)	3,615	(27,112)	-	(95,215)
<b>Cash Flows from Operating Activities .....</b>	<b>73,296</b>	<b>48,152</b>	<b>9,264</b>	<b>227,660</b>	<b>-</b>	<b>358,372</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from Issuance of Bonds .....	56,587	-	405	334,673	-	391,665
Proceeds from Long-Term Lease .....	-	-	-	-	1	1
<b>Acquisition and Construction of Capital Assets .....</b>						
Capital Grant Receipts .....	-	321	43,667	59,244	-	103,232
Bond Issuance Costs .....	-	-	-	-	-	-
Payment to Refund Bonds .....	-	-	-	-	-	-
Principal Paid on Bonds .....	(33,962)	(19,510)	(13,620)	(101,620)	-	(168,712)
Interest Paid .....	(52,979)	(32,344)	(62,754)	(268,733)	-	(416,810)
Passenger Facility Charges .....	-	-	46,194	154,353	-	200,547
Noise Mitigation Program .....	-	-	(15,206)	(11,437)	-	(26,643)
Intergovernmental Loan .....	-	-	-	-	(2,000)	(2,000)
<b>Cash Flows from Capital and Related Financing Activities .....</b>	<b>(173,755)</b>	<b>(107,832)</b>	<b>(58,290)</b>	<b>(595,420)</b>	<b>(4,058)</b>	<b>(939,355)</b>
<b>Cash Flows from Investing Activities:</b>						
Sale (Purchases) of Investments, Net ....	94,926	67,750	84,380	726,824	876	974,756
Investment Interest .....	12,988	6,628	18,208	112,727	132	150,683
<b>Cash Flows from Investing Activities .....</b>	<b>107,914</b>	<b>74,378</b>	<b>102,588</b>	<b>839,551</b>	<b>1,008</b>	<b>1,125,439</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>7,455</b>	<b>14,698</b>	<b>53,562</b>	<b>471,791</b>	<b>(3,050)</b>	<b>544,456</b>
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>87,004</b>	<b>73,809</b>	<b>203,427</b>	<b>1,003,878</b>	<b>6,831</b>	<b>1,374,949</b>
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>\$ 94,459</b>	<b>\$ 88,507</b>	<b>\$ 256,989</b>	<b>\$ 1,475,669</b>	<b>\$ 3,781</b>	<b>\$ 1,919,405</b>

See notes to basic financial statements.

**Exhibit 9 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss) .....	\$ 38,851	\$ 32,490	\$ (46,466)	\$ 107,873	\$ (13,555)	\$ 119,193
Adjustments to Reconcile:						
Depreciation and Amortization .....	34,686	19,897	42,437	146,756	13,555	257,331
Provision for Uncollectible Accounts .....	3,723	623	1,101	979	-	6,426
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables .....	(18,672)	(8,630)	80	(4,331)	-	(31,553)
(Increase) Decrease in Due From Other Funds ....	(1,926)	(5,014)	1,306	3,281	-	(2,353)
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds .....	6,465	2,832	3,212	14,341	-	26,850
Increase (Decrease) in Deferred Revenue and Other Liabilities .....	10,363	5,628	7,594	(41,239)	-	(17,654)
(Increase) Decrease in Inventories and Other Assets .....	(194)	326	-	-	-	132
Cash Flows from Operating Activities .....	<u>\$ 73,296</u>	<u>\$ 48,152</u>	<u>\$ 9,264</u>	<u>\$ 227,660</u>	<u>\$ -</u>	<u>\$ 358,372</u>
<b>Supplemental Disclosure of Noncash Items:</b>						
Capital asset additions in 2007 included in accounts payable and accrued and other liabilities .....	<u>\$ 23,041</u>	<u>\$ 9,001</u>	<u>\$ 15,720</u>	<u>\$ 201,904</u>	<u>\$ 280</u>	<u>\$ 249,946</u>

See notes to basic financial statements.

**Exhibit 10**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents .....	\$ 275,853	\$ 77,211
Investments .....	-	38,607
Investments, at Fair Value		
Bonds and U.S. Government		
Obligations .....	3,378,154	-
Stocks .....	9,234,881	-
Mortgages and Real Estate .....	460,251	-
Other .....	956,935	-
Cash and Investments with		
Escrow Agent .....	-	13,875
Property Tax Receivable .....	-	20,197
Accounts Receivable, Net .....	769,328	176,971
Due From City .....	21,696	-
Invested Securities Lending Collateral .....	1,986,794	-
Total Assets .....	<u>\$ 17,083,892</u>	<u>\$ 326,861</u>
<b>LIABILITIES</b>		
Voucher Warrants Payable .....	\$ 502,069	\$ 74,504
Due To City .....	-	-
Accrued and Other Liabilities .....	-	252,357
Securities Lending Collateral .....	1,986,794	-
Total Liabilities .....	<u>2,488,863</u>	<u>326,861</u>
<b>NET ASSETS</b>		
Reserved for Employee		
Benefit Plans .....	14,595,029	-
Total Net Assets .....	<u>\$ 14,595,029</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, 2007**  
**(Amounts are in Thousands of Dollars)**

	<u>Total</u>
<b>ADDITIONS</b>	
Contributions:	
Employees .....	\$ 285,275
City .....	<u>416,545</u>
Total Contributions .....	<u>701,820</u>
Investment Income:	
Net Appreciation in	
Fair Value of Investments .....	815,946
Interest, Dividends and Other .....	346,920
Investment Expense .....	<u>(56,204)</u>
Net Investment Income .....	<u>1,106,662</u>
Securities Lending Transactions:	
Securities Lending Income .....	115,099
Securities Lending Expense .....	<u>(111,721)</u>
Net Securities Lending Transactions .....	<u>3,378</u>
Total Additions .....	<u>1,811,860</u>
<b>DEDUCTIONS</b>	
Benefits and Refunds of Deductions .....	1,364,134
Administrative and General .....	<u>17,046</u>
Total Deductions .....	<u>1,381,180</u>
Net Increase in Net Assets .....	<u>430,680</u>
Net Assets Held in Trust for	
Pension Benefits:	
Beginning of Year .....	<u>14,164,349</u>
End of Year .....	<u><u>\$ 14,595,029</u></u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

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**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, 2007, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

- 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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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.

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

**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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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

**Chicago Midway International Airport Fund** records operations of Chicago 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 157 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.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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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.

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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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Investments generally may not have a maturity date in excess of ten 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.

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 capital assets 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 \$33.2 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

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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in excess of one year. 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 the current fiscal year was \$691.7 million. An additional \$87.8 million was incurred and capitalized 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.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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- 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 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 as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

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

- 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."

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

**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 \$1,358.0 million are as follows (dollars in thousands):

Deferred revenue - property tax .....	\$ 1,147,112
Other assets - pension excess .....	228,692
Accounts payable - infrastructure retainage .....	<u>(17,824)</u>
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 1,357,980</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 \$10,757.6 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable .....	\$ 7,418,194
Pension obligation .....	2,379,703
Lease obligation .....	245,685
Claims and judgments .....	<u>625,833</u>
Total Long-term liabilities .....	10,669,415
Bonds, notes and other obligations payable current .....	(157,649)
Other assets - issuance costs .....	(63,030)
Accrued interest .....	12,705
Accrued and other liabilities - pension accrual .....	30,180
Accrued and other liabilities - other post employment benefits .....	148,346
Accrued and other liabilities - compensated absences .....	<u>117,597</u>
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 10,757,564</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - 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 a 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 \$130.2 million are as follows (dollars in thousands):

Capitalized asset expenditures .....	\$ 479,801
Depreciation expense .....	(344,706)
Loss - disposal of equipment .....	<u>(4,855)</u>
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ 130,240</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 \$442.7 million are as follows (dollars in thousands):

Proceeds of debt .....	\$ (1,582,402)
Premium .....	(71,479)
Payment of refunded bond escrow agent .....	941,404
Principal retirement .....	297,503
Payment of cost of issuance .....	13,840
Interest expense .....	<u>(41,530)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ (442,664)</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 \$792.5 million are as follows (dollars in thousands):

Claims and judgments .....	\$ (99,318)
Pension benefit liability .....	(524,817)
Other post employment benefits .....	(148,346)
Vacation .....	(5,267)
Lease obligations .....	(12,232)
Inventory .....	<u>(2,473)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	<u>\$ (792,453)</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

**3) Stewardship, Compliance and Accountability**

- a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals and Health and Welfare nonmajor Special Revenue Funds, 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, 2007 is as follows (dollars in thousands):

	<b>General Fund</b>
Revenues, GAAP Basis .....	\$ 2,935,426
Add:	
Proceeds of Debt .....	23,921
Transfers In .....	130,561
Prior Year's Surplus Utilized .....	22,162
	<hr/>
Revenues, Budgetary Basis .....	\$ 3,112,070
	<hr/>
Expenditures, GAAP Basis .....	\$ 3,063,019
Add:	
Transfers Out .....	42,500
Encumbered in 2007 .....	24,341
Deduct:	
Payments on Prior Years' Encumbrances .....	(17,790)
	<hr/>
Expenditures, Budgetary Basis .....	\$ 3,112,070
	<hr/>

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

- c) **Individual Funds over Budget** include the Vehicle Tax Fund (\$16.0 million), Motor Fuel Tax Fund (\$5.1 million), Miscellaneous Fund (\$0.3 million) and Special Events, Tourism and Festivals Fund (\$5.1 million).
- d) **Individual Fund Deficits** include the Vehicle Tax Fund, Motor Fuel Tax Fund, the Special Events, Tourism, Chicago Public Library Fund and Festivals Fund, which are Special Revenue Funds and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of \$31.6 million, \$14.0 million, \$0.7 million, \$1.3 million and \$1,415.0 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, 2007, the City had the following Investments (dollars in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Fair Value</u>
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
<b>City Funds</b>					
U.S. Treasuries.....	\$ 9,318	\$ 2,122	\$ -	\$ 26,222	\$ 37,662
U.S. Agencies.....	1,865,520	792,913	138,142	302,958	3,099,533
Commercial Paper.....	46,146	-	-	-	46,146
Corporate Bonds.....	224	-	-	183,348	183,572
Corporate Equities.....	905	-	-	-	905
Certificates of Deposit and Other Short-term .....	2,259,519	-	-	-	2,259,519
<b>Total City Funds.....</b>	<b>\$ 4,181,632</b>	<b>\$ 795,035</b>	<b>\$ 138,142</b>	<b>\$ 512,528</b>	<b>\$ 5,627,337</b>
<b>Pension Trust Funds</b>					
U.S. and Foreign					
Government Agencies.....	\$ 364,241	\$ 277,908	\$ 207,512	\$ 750,723	\$ 1,600,384
Commercial Paper.....	-	-	-	-	-
Corporate Bonds.....	395,702	402,163	212,179	767,727	1,777,771
Corporate Equities.....	8,900,195	-	-	-	8,900,195
Pooled Funds.....	701,357	-	-	-	701,357
Real Estate.....	443,032	-	-	-	443,032
Investments Held by Master					
Custodian under Securities Loans.....	-	-	-	-	-
Securities Received from					
Securities Lending.....	1,986,794	-	-	-	1,986,794
Venture Capital.....	331,504	-	-	-	331,504
Certificates of Deposit and Other Short-term .....	544,494	-	-	-	544,494
<b>Total Pension Trust Funds.....</b>	<b>\$ 13,667,319</b>	<b>\$ 680,071</b>	<b>\$ 419,691</b>	<b>\$ 1,518,450</b>	<b>\$ 16,285,531</b>
<b>Total.....</b>	<b>\$ 17,848,951</b>	<b>\$ 1,475,106</b>	<b>\$ 557,833</b>	<b>\$ 2,030,978</b>	<b>\$ 21,912,868</b>

- 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, 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.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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 105 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.....	\$ 5,461,768	\$ 1,093,950
Aa/AA.....	39,049	166,714
A/A.....	-	192,873
Baa/BBB.....	-	297,944
Ba/BB.....	-	47,024
B/B.....	-	54,306
Caa/CCC.....	-	9,705
Not Rated.....	-	677,002
Not Applicable.....	126,520	940,806
Total Funds.....	<u>\$ 5,627,337</u>	<u>\$ 3,480,324</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 105 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. The bank balance of cash and certificates of deposit with the City's various municipal depositories was \$515.7 million. Of the bank balance, \$509.4 million or 98.8 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 \$1,961.3 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, 2007 - 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):

<b>Foreign Currency Risk</b>	
Australian dollar.....	\$ 49,490
Brazilian real.....	39,598
British pound.....	255,504
Canadian dollar.....	38,844
Chilean peso.....	1,733
Columbian peso.....	589
Czech Republic koruny.....	3,032
Danish krone.....	6,681
Egyptian pound.....	6,172
European euro.....	467,992
Hong Kong dollar.....	89,805
Hungarian forint.....	1,458
Icelandic krona.....	890
Indian rupee.....	28,808
Indonesian rupiah.....	12,127
Japanese yen.....	296,545
Malaysian ringgit.....	15,773
Mexican peso.....	18,495
New Israeli shekel.....	4,220
New Taiwan dollar.....	34,381
New Zealand dollar.....	1,957
Norwegian krone.....	12,321
Pakistan rupees.....	286
Philippines peso.....	2,340
Polish zloty.....	3,482
Singapore dollar.....	20,388
South African rand.....	28,654
South Korean won.....	52,326
Swedish krona.....	20,068
Swiss franc.....	131,133
Taiwan dollar.....	7,785
Thailand baht.....	4,854
Turkish lira.....	9,933
United Arab Emirates dirham.....	1,532
Total Pension Trust Funds.....	<u>\$ 1,669,196</u>

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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

Per Note 4:	
Investments - City.....	\$ 5,627,337
Investments - Pension Funds.....	<u>16,285,531</u>
	<u>\$ 21,912,868</u>
Per Financial Statements:	
Restricted Investments.....	\$ 1,100,144
Unrestricted Investments.....	1,148,323
Investments with Fiduciary Funds.....	14,068,828
Investments with Escrow Agent.....	515,555
Invested Securities Lending Collateral.....	1,986,794
Investments included as cash and cash equivalents on the Statements of Net Assets.....	<u>3,093,224</u>
	<u>\$ 21,912,868</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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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 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, 2007 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.....	\$ 299,736	\$ 338,535
Federal, State and Local Grants.....	158,847	199,736
Special Taxing Areas.....	1,121	12,697
Reserve.....	9,700	-
Bond, Note Redemption and Interest.....	49,498	26,409
Community Development and Improvement Projects....	55,341	50,675
Nonmajor governmental funds.....	<u>140,982</u>	<u>105,591</u>
Total Governmental activities.....	715,225	733,643
Business-type activities:		
Water.....	16,900	38,308
Sewer.....	28,887	5,711
Chicago Midway International Airport.....	1,708	6,634
Chicago-O'Hare International Airport.....	14,239	13,222
Chicago Skyway.....	<u>2</u>	<u>1,139</u>
Total Business-type activities.....	61,736	65,014
Fiduciary activities:		
Pension Trust.....	21,696	-
Agency.....	<u>-</u>	<u>-</u>
Total Fiduciary activities.....	<u>21,696</u>	<u>-</u>
Total.....	<u>\$ 798,657</u>	<u>\$ 798,657</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, 2007 - CONTINUED**

b) The following balances at December 31, 2007 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.....	\$ 130,561	\$ 42,500
Federal, State and Local Grants.....	-	4,000
Special Taxing Areas.....	62,295	62,260
Reserve.....	-	101,200
Bond, Note Redemption and Interest.....	-	3,250
Community Development and Improvement Projects....	29,603	27,521
Nonmajor governmental funds.....	<u>109,557</u>	<u>90,285</u>
Total Governmental activities.....	332,016	331,016
Business-type activities:		
Chicago Skyway.....	<u>-</u>	<u>1,000</u>
Total Business-type activities.....	<u>-</u>	<u>1,000</u>
Total.....	<u>\$ 332,016</u>	<u>\$ 332,016</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, 2007 - CONTINUED**

**7) Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2007 was as follows (dollars in thousands):

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Disposals and Transfers</b>	<b>Balance December 31, 2007</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,233,992	\$ 19,126	\$ -	\$ 1,253,118
Works of Art and Historical Collections.....	10,390	-	-	10,390
Construction in Progress.....	168,830	301,745	(238,504)	232,071
Total capital assets, not being depreciated.....	<u>1,413,212</u>	<u>320,871</u>	<u>(238,504)</u>	<u>1,495,579</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	2,032,951	60,899	(4,742)	2,089,108
Machinery and Equipment.....	965,076	112,973	(14,362)	1,063,687
Infrastructure.....	5,710,649	227,481	-	5,938,130
Total capital assets, being depreciated.....	<u>8,708,676</u>	<u>401,353</u>	<u>(19,104)</u>	<u>9,090,925</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	480,071	56,847	-	536,918
Machinery and Equipment.....	681,851	72,475	(14,249)	740,077
Infrastructure.....	2,172,882	215,384	-	2,388,266
Total accumulated depreciation.....	<u>3,334,804</u>	<u>344,706</u>	<u>(14,249)</u>	<u>3,665,261</u>
Total capital assets, being depreciated, net.....	<u>5,373,872</u>	<u>56,647</u>	<u>(4,855)</u>	<u>5,425,664</u>
Total governmental activities.....	<u>\$ 6,787,084</u>	<u>\$ 377,518</u>	<u>\$ (243,359)</u>	<u>\$ 6,921,243</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$ 591,981	\$ 132,267		\$ 724,248
Construction in Progress.....	1,147,263	844,687	(382,550)	1,609,400
Total capital assets, not being depreciated.....	<u>1,739,244</u>	<u>976,954</u>	<u>(382,550)</u>	<u>2,333,648</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	9,352,738	441,911	27,889	9,822,538
Machinery and Equipment.....	487,384	9,791	27,693	524,868
Total capital assets, being depreciated.....	<u>9,840,122</u>	<u>451,702</u>	<u>55,582</u>	<u>10,347,406</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	2,775,047	212,083	(415)	2,986,715
Machinery and Equipment.....	235,873	14,509	(850)	249,532
Total accumulated depreciation.....	<u>3,010,920</u>	<u>226,592</u>	<u>(1,265)</u>	<u>3,236,247</u>
Total capital assets, being depreciated, net.....	<u>6,829,202</u>	<u>225,110</u>	<u>56,847</u>	<u>7,111,159</u>
Total business-type activities.....	<u>\$ 8,568,446</u>	<u>\$ 1,202,064</u>	<u>\$ (325,703)</u>	<u>\$ 9,444,807</u>
Total Capital Assets.....	<u>\$ 15,355,530</u>	<u>\$ 1,579,582</u>	<u>\$ (569,062)</u>	<u>\$ 16,366,050</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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

Governmental activities:	
General government.....	\$ 59,462
Public safety.....	33,784
Streets and sanitation.....	11,040
Transportation.....	217,691
Health.....	1,518
Cultural and recreational.....	21,211
	<u>344,706</u>
Total depreciation expense - governmental activities.....	<u>\$ 344,706</u>
Business-type activities:	
Water.....	\$ 34,557
Sewer.....	19,519
Chicago Midway International Airport.....	36,414
Chicago-O'Hare International Airport.....	122,657
Chicago Skyway.....	13,445
	<u>226,592</u>
Total depreciation expense - business-type activities.....	<u>\$ 226,592</u>

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$17.7 million for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows (dollars in thousands):

2008.....	\$ 17,303
2009.....	15,921
2010.....	14,900
2011.....	14,589
2012.....	13,760
2013 - 2017.....	27,072
	<u>103,545</u>
Total Future Rental Expense.....	<u>\$ 103,545</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.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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-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>
2008.....	\$ 49,100
2009.....	37,838
2010.....	10,303
2011.....	10,215
2012.....	12,731
2013 - 2017.....	45,104
2018 - 2022.....	35,631
2023 - 2027.....	76,370
2028 - 2032.....	<u>167,164</u>
 Total Minimum Future Lease Payments.....	 444,456
Less Interest.....	<u>198,771</u>
 Present Value of Minimum Future Lease Payments.....	 <u>\$ 245,685</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 million) advance refunded all of the outstanding Skyway bonds. The 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.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of \$563.0 million of which \$347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City initially recognized a deferred liability that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized \$5.7 million of revenue and will continue to recognize \$5.7 million for each subsequent year through 2105.

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

**d) Lease Receivables**

Most of the O'Hare land, buildings and terminal space are 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, 2007 (dollars in thousands):

2008.....	\$	29,399
2009.....		28,399
2010.....		16,433
2011.....		15,951
2012.....		15,708
2013 - 2017.....		78,780
2018 - 2022.....		21,035
2023 - 2027.....		8,867
2028 - 2032.....		9,656
2033.....		<u>1,913</u>
Total Minimum Future Rental Income.....	\$	<u><u>226,141</u></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 \$367.8 million, including contingent rentals of \$81.8 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, 2007 (dollars in thousands):

2008.....	\$	11,134
2009.....		10,603
2010.....		10,460
2011.....		10,460
2012.....		7,971
2013 - 2014.....		<u>437</u>
Total Minimum Future Rental Income.....	\$	<u><u>51,065</u></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 \$62.5 million, including contingent rentals of \$26.8 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, 2007, there was minor activity; the balance remained at \$0.7 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

**10) Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2007 was as follows (dollars in thousands):

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt.....	\$ 5,884,548	\$ 1,579,028	\$ 1,084,542	\$ 6,379,034	\$ 177,978
Installment purchase agreement.....	9,200	-	1,700	7,500	2,000
Tax increment.....	355,368	3,374	58,977	299,765	86,136
Revenue.....	518,800	-	6,215	512,585	13,030
	<u>6,767,916</u>	<u>1,582,402</u>	<u>1,151,434</u>	<u>7,198,884</u>	<u>279,144</u>
Less unamortized debt refunding transactions.....	104,962	34,289	4,998	134,253	-
Add unamortized premium.....	113,851	71,479	6,761	178,569	-
Add accretion of capital appreciation bonds.....	171,397	31,895	17,145	186,147	26,708
Less converted portion of conversion bonds.....	27,383	-	16,230	11,153	-
Total bonds, notes and certificates payable.....	<u>6,920,819</u>	<u>1,651,487</u>	<u>1,154,112</u>	<u>7,418,194</u>	<u>305,852</u>
Other liabilities					
Pension obligations.....	1,895,513	484,190	-	2,379,703	-
Lease obligations.....	278,863	12,232	45,410	245,685	49,100
Claims and judgments.....	526,515	99,318	-	625,833	88,743
Total other liabilities.....	<u>2,700,891</u>	<u>595,740</u>	<u>45,410</u>	<u>3,251,221</u>	<u>137,843</u>
Total governmental activities.....	<u>\$ 9,621,710</u>	<u>\$ 2,247,227</u>	<u>\$ 1,199,522</u>	<u>\$ 10,669,415</u>	<u>\$ 443,695</u>
Business-type activities:					
Revenue bonds and notes payable:					
Water.....	\$ 1,199,989	\$ 56,587	\$ 30,765	\$ 1,225,811	\$ 30,008
Sewer.....	790,038	-	19,510	770,528	15,620
Chicago-O'Hare International Airport.....	5,252,020	334,673	101,620	5,485,073	155,860
Chicago Midway International Airport.....	1,282,384	405	13,620	1,269,169	14,505
Chicago Skyway.....	-	-	-	-	-
	<u>8,524,431</u>	<u>391,665</u>	<u>165,515</u>	<u>8,750,581</u>	<u>215,993</u>
Less unamortized debt refunding transactions.....	166,705	-	12,232	154,473	-
Less unamortized discount (premium).....	(68,321)	-	5,308	(63,013)	-
Add accretion of capital appreciation bonds.....	58,461	8,760	(3,198)	64,023	3,488
Total business-type activities.....	<u>\$ 8,484,508</u>	<u>\$ 400,425</u>	<u>\$ 161,789</u>	<u>\$ 8,723,144</u>	<u>\$ 219,481</u>
Total long-term obligations.....	<u>\$ 18,106,218</u>	<u>\$ 2,647,652</u>	<u>\$ 1,361,311</u>	<u>\$ 19,392,559</u>	<u>\$ 663,176</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, 2007 - CONTINUED**

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**b) Issuance of New Debt**

**i) General Obligation Notes**

The General Obligation Tender Notes, Series 2007 (\$31.6 million) were sold in February 2007 at an initial short-term intermediate rate of 3.64 percent through December 6, 2007. The notes mature no later than February 20, 2009. The Series 2007 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 2007 notes.

The letter of credit securing the Series 2007 notes totals \$32.2 million and terminates on the earliest of February 23, 2009 or upon redemption of the notes. Advances under the letter of credit (none at December 31, 2007) are due on the earliest of February 23, 2010 or one year after the redemption of the notes. Advances bear interest from the date of advance through the 7<sup>th</sup> 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 one 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 2007, the City issued \$31.0 million in commercial paper notes for certain operating uses.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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ii) **General Obligation Bonds**

General Obligation Bonds (Modern Schools Across Chicago Program), Series 2007A-K (\$356.0 million) were sold at a premium in January, 2007. The bonds have interest rates ranging from 3.6 percent to 5.0 percent and maturity dates ranging from December 1, 2008 to December 1, 2026. Net proceeds of \$372.8 million will be used to pay for a portion of the costs for construction, renovation, design and acquisition of elementary and high schools that are part of the school system operated by the Board of Education of the City of Chicago (the "Board") and refund certain outstanding obligations of the Board.

General Obligation Bonds (City Colleges of Chicago Capital Improvement Project), Series 2007 (\$39.1 million) were sold at a premium in March 2007. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2009 to January 1, 2039. Net proceeds of \$40.9 million will be used to finance the acquisition, construction, renovation, revitalization and equipping of community college facilities operated by Community College District No. 508 and to fund capitalized interest (\$1.4 million).

General Obligation Bonds, Project and Refunding Series 2007A and B (\$589.6 million) were sold at a premium in May 2007. The bonds have interest rates ranging from 3.75 percent to 5.462 percent and maturity dates from January 1, 2009 to January 1, 2037. Net proceeds of \$616.2 million 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, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; the funding of litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance (\$370.7 million); and to advance refund certain maturities of general obligation bonds outstanding (\$234.5 million); and to fund capitalized interest (\$11.0 million). The advance refunding of the bonds decreased the City's total debt service payments by \$10.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$9.4 million.

General Obligation Bonds, Project and Refunding Series 2007C and D (\$330.9 million) were sold at a premium in November 2007. The bonds have interest rates ranging from 4.0 percent to 5.44 percent and maturity dates from January 1, 2012 to January 1, 2032. Net proceeds of \$344.9 million 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, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; the funding of litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance (\$14.6 million); and to advance refund certain maturities of general obligation bonds outstanding (\$314.8 million); and to fund capitalized interest (\$15.5 million). The advance refunding of the bonds increased the City's total debt service payments by \$23.4 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$0.8 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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General Obligation Variable Rate Demand Bonds, Series 2007E-G (\$200.0 million) were sold in November 2007 at an initial rate of 3.43 percent and maturity dates from January 1, 2033 to January 1, 2042. Net proceeds of \$197.8 million will be used to advance refund certain maturities of general obligation bonds outstanding. The advance refunding of the bonds decreased the City's total debt service payments by \$27.9 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$15.9 million.

In connection with the issuance of the Series 2007E-G bonds, the City entered into two interest rate swap agreements to obtain a fixed interest rate.

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

As part of the City's Tax Increment Financing Neighborhood Improvement Program, the City entered into four tax increment allocation notes. Tax Increment Allocation Notes (119<sup>th</sup> and Halsted Redevelopment Project Area and 119<sup>th</sup>/I-57 Redevelopment Project Area) Taxable Series 2006 closed in January 2007. Each note is for \$1.0 million and has an interest rate of 7.25 percent and maturity dates from January 1, 2008 to January 1, 2014. In 2007, the full amount of the 119<sup>th</sup>/I-57 note was drawn down while \$.9 million of the 119<sup>th</sup> and Halsted note was drawn down. Tax Increment Allocation Note (Devon/Sheridan Redevelopment Project Area) Taxable Series 2007 closed in March 2007. The note is for \$1.0 million (\$.5 million drawn in 2007) and has an interest rate of 7.25 percent and maturity dates from January 1, 2007 to January 1, 2013. Tax Increment Allocation Note (Harrison/Central Redevelopment Project Area) Taxable Series 2007 closed in April 2007. The note is for \$1.0 million and has an interest rate of 8.0 percent and maturity dates from January 1, 2008 to January 1, 2014.

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

During 2007, the Water System issued \$56.5 million of Water System Commercial Paper Notes Series 2004. The proceeds were used to finance authorized projects of the Water Fund.

During 2007, \$334.7 million of Chicago-O'Hare International Airport Commercial Paper Notes, Series A to C were issued. The proceeds were used to finance portions of the cost of authorized airport projects and to repay the expenses of issuing the notes.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2008 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2007 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Installment Purchase		Tax Increment	
	Principal	Interest	Principal	Interest	Principal	Interest
2008.....	\$ 258,995	\$ 302,583	\$ 2,000	543	\$ 79,002	\$ 26,362
2009.....	197,588	277,459	2,000	387	23,393	11,689
2010.....	183,470	269,026	2,300	229	24,423	10,302
2011.....	207,345	280,525	1,200	46	25,845	8,907
2012.....	213,915	274,371	-	-	21,674	7,447
2013 - 2017.....	1,220,901	1,197,509	-	-	77,311	28,082
2018 - 2022.....	1,239,246	919,270	-	-	33,715	4,737
2023 - 2027.....	1,062,589	670,799	-	-	-	-
2028 - 2032.....	910,051	427,654	-	-	-	-
2033 - 2037.....	607,066	245,391	-	-	-	-
2038 - 2042.....	148,711	43,138	-	-	-	-
	<u>\$ 6,249,877</u>	<u>\$ 4,907,725</u>	<u>\$ 7,500</u>	<u>\$ 1,205</u>	<u>\$ 285,363</u>	<u>\$ 97,526</u>

Year Ending December 31,	Revenue		Business-type Activities	
	Principal	Interest	Principal	Interest
2008.....	\$ 13,845	\$ 24,556	\$ 229,648	\$ 402,975
2009.....	14,765	23,852	182,706	391,622
2010.....	15,495	23,123	248,866	382,702
2011.....	16,295	22,324	218,597	370,386
2012.....	17,150	21,474	205,243	359,523
2013 - 2017.....	87,935	93,968	1,316,790	1,642,782
2018 - 2022.....	109,215	70,015	1,383,038	1,321,040
2023 - 2027.....	131,120	40,573	1,695,266	957,009
2028 - 2032.....	83,975	14,033	2,042,535	409,506
2033 - 2037.....	9,760	413	628,210	48,840
2038 - 2042.....	-	-	11,915	463
	<u>\$ 499,555</u>	<u>\$ 334,331</u>	<u>\$ 8,162,814</u>	<u>\$ 6,286,848</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, 2007. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

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, 2007, 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 Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Fixed Rate Paid</b>	<b>Variable Rate Received</b>	<b>Fair Values</b>	<b>Swap Termination Date</b>	<b>Counterparty Credit Rating</b>
GO VRDB (Series 2007EFG).....	\$ 200,000	11/08/2007	3.998%	SIFMA	\$ (4,914)	01/01/2040	Aa3/AA- Aa3/AA-***
GO VRDB (Series 2005D).....	222,790	08/17/2005	4.104	SIFMA	(8,780)	01/01/2040	Aa3/AA- Aa3/AA-*
Chicago Midway International Airport Revenue Bonds (Series 2004C&D).....	152,150	12/14/2004	4.174	SIFMA Plus .05%	(6,774)	01/01/2035	Aa3/AA- Aaa/AA**
Wastewater Transmission Variable Rate Revenue Bonds (Series 2004A).....	332,230	07/29/2004	3.886	67% of LIBOR	(24,461)	01/01/2039	A1/A+ Aa1/AA+ Aa3/AA***
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	497,525	08/05/2004	3.8669	SIFMA	(32,342)	11/01/2031	Aaa/AA- Aaa/AA-**
GO VRDB (Series 2003B).....	202,500	08/07/2003	4.052	66.91% of LIBOR	(7,499)	01/01/2034	A1/A+ A2/AAA****
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B).....	206,700	10/03/2002	3.575	70% of LIBOR	(5,267)	01/01/2037	Aa3/AA Aa1/AA+****
Sales Tax Revenue Refunding Bonds (VRDB Series 2002).....	115,370	06/27/2002	4.230	Actual Rate of Bonds	(9,157)	01/01/2034	Aa3/AA
Tax Increment Allocation Bonds (Near North TIF, Series 1999A).....	44,900	09/01/1999	5.084	67% LIBOR	(6,596)	01/01/2019	Aa1/AA+
Tax Increment Allocation Bonds (Near North TIF, Series 1999B).....	6,700	09/01/1999	6.890	67% LIBOR	(233)	01/01/2010	Aa1/AA
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B).....	<u>9,365</u>	02/10/1997	5.375	SIFMA	<u>(707)</u>	12/01/2014	Aa3/A+
Total.....	<u>\$ 1,990,230</u>				<u>\$ (106,730)</u>		

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

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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- (3) *Fair Value.* As of December 31, 2007, the swaps had a negative fair value of \$106.7 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 SIFMA/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. SIFMA/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.
- (8) *Swap payments and associated debt.* Bonds maturing and interest payable January 1, 2008 have been excluded because funds for their payment have been provided for. As of December 31, 2007, 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):

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

Year Ending December 31,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2008.....	\$ 6,510	\$ 70,188	\$ 9,104	\$ 85,802
2009.....	7,870	70,069	9,012	86,951
2010.....	8,720	69,619	8,916	87,255
2011.....	15,310	69,310	8,820	93,440
2012.....	21,395	68,743	8,704	98,842
2013 - 2017.....	215,080	328,031	41,062	584,173
2018 - 2022.....	390,265	276,858	34,051	701,174
2023 - 2027.....	443,170	200,684	25,223	669,077
2028 - 2032.....	385,120	132,322	17,835	535,277
2033 - 2037.....	360,745	55,764	8,512	425,021
2038 - 2042.....	133,855	9,706	1,678	145,239
	<u>\$ 1,988,040</u>	<u>\$ 1,351,294</u>	<u>\$ 172,917</u>	<u>\$ 3,512,251</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.
- (2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2007, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Trade Date	Variable Rate Paid	Fixed Rate Received	Fair Values	Swap Termination Date	Up-Front Payment
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A).....	\$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	\$ (6,868)	01/01/2024	\$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT)).....	389,335	10/27/1999	SIFMA+ 25bps	5.100	(10,707)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999).....	23,285	06/21/2002	SIFMA+ 30bps	4.984	(167)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998).....	69,275	06/21/2002	SIFMA+ 30bps	5.250	(1,489)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997).....	<u>60,645</u>	06/21/2002	SIFMA+ 30bps	5.375	<u>(1,168)</u>	01/01/2027	<u>1,964</u>
Total.....	<u>\$ 861,210</u>				<u>\$ (20,399)</u>		<u>\$ 42,138</u>

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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- (3) *Fair value.* As of December 31, 2007, the swaptions had a negative fair value of \$20.4 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 SIFMA/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. SIFMA/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, 2007. The Water Rate Stabilization account had a balance in restricted assets of \$51.4 million at December 31, 2007.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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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, 2007.

- 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, 2007. The Sewer Rate Stabilization account had a balance in restricted assets of \$14.6 million at December 31, 2007.

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, 2007.

- iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International 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, 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, 2007.
- 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 projects 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, 2007. 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 Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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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, 2007.

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, 2007 - 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, 2007, not including principal payments due January 1, 2008, are as follows (dollars in thousands):

	<u>Amount</u> <u>Defeased</u>	<u>Outstanding</u>
Emergency Telephone System - Series 1993 .....	\$ 213,730	\$ 163,420
General Obligation Project Bonds - Series 1995B .....	277,810	9,700
General Obligation Project and Refunding Bonds - Series 1998 .....	127,295	126,110
General Obligation Project and Refunding Bonds - Series 1999A .....	174,725	160,665
General Obligation Bonds - Series 2000A .....	233,490	214,840
General Obligation Bonds - Series 2000C .....	109,835	109,835
General Obligation Bonds - Series 2001A .....	338,495	334,760
General Obligation Project and Refunding Bonds - Series 2002A .....	131,275	122,065
General Obligation Project and Refunding Bonds - Series 2003A .....	88,580	88,580
General Obligation Project Bonds - Series 2003C .....	75,375	66,125
General Obligation Project Bonds - Series 2004A .....	160,960	160,960
Neighborhoods Alive 21 Program - Series 2000A .....	175,255	175,255
Neighborhoods Alive 21 Program - Series 2001A .....	203,690	202,220
Neighborhoods Alive 21 Program - Series 2002A .....	19,140	7,550
Neighborhoods Alive 21 Program - Series 2003 .....	56,110	53,940
Lake Millenium Project Parking Facilities Bonds - Series 1998 .....	149,880	149,775
Lake Millenium Project Parking Facilities Bonds - Series 1999 .....	44,495	44,495
Sales Tax Revenue Bonds - Series 1998 .....	11,785	10,000
Sales Tax Revenue Bonds - Series 1999 .....	142,035	137,455
Near South Redevelopment Project Tax Increment - Series 1994A .....	23,000	16,800
Water Revenue Senior Lien Bonds - Series 2000 .....	100,445	100,445
Water Revenue Senior Lien Bonds - Series 2001 .....	235,905	222,430
Wastewater Transmission Revenue Bonds - Series 2000 .....	98,405	93,120
Wastewater Transmission Revenue Bonds - Series 2001 .....	101,650	98,615
Chicago-O'Hare International Airport Bonds Second Lien - Series 1999 .....	43,350	26,115
Chicago Skyway Tollbridge Revenue Bonds - Series 2000 .....	125,120	125,120
Special Transportation Revenue Bonds - Series 2001 .....	118,715	111,650
<b>Total .....</b>	<b><u>\$ 3,580,550</u></b>	<b><u>\$ 3,132,045</u></b>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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**11) Pension Plans**

- a) **Retirement Benefit** - 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 122 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 45 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2007 are as follows: market value of securities loaned \$1,998.0 million, market value of cash collateral from borrowers \$1,978.1 million and market value of non-cash collateral from borrowers \$73.4 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, 2007 - 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).....	8.5%	8.5%	9.0%	9.1%	
Plan members.....	8.5	8.5	9.0	9.1	
Annual required contribution.....	\$ 343,123	\$ 21,726	\$ 312,726	\$ 188,201	\$ 865,776
Interest on net pension obligation.....	(115)	(19,016)	81,371	70,269	132,509
Adjustment to annual required contribution.....	119	19,550	(55,590)	(72,244)	(108,165)
Annual pension cost.....	343,127	22,260	338,507	186,226	890,120
Contributions made.....	139,606	13,256	170,598	72,023	395,483
Increase in net pension obligation.....	203,521	9,004	167,909	114,203	494,637
Net pension obligation (excess), beginning of year.....	\$ (1,443)	\$ (237,696)	\$ 1,017,145	\$ 878,368	\$ 1,656,374
Net pension obligation (excess), end of year.....	\$ 202,078	\$ (228,692)	\$ 1,185,054	\$ 992,571	\$ 2,151,011

	<u>Municipal Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>
Actuarial valuation date.....	12/31/2007	12/31/2007	12/31/2007	12/31/2007
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.....	30 years	30 years	30 years	30 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, 2007 - 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>
<b>Municipal Employees':</b>			
2005.....	\$ 284,587	54.49%	\$ (169,895)
2006.....	325,514	48.25	(1,443)
2007.....	343,127	40.69	202,078
<b>Laborers':</b>			
2005.....	12,138	0.33	(258,125)
2006.....	20,536	0.52	(237,696)
2007.....	22,260	59.25	(228,692)
<b>Policemen's:</b>			
2005.....	263,987	67.53	873,347
2006.....	302,557	52.47	1,017,145
2007.....	338,507	50.40	1,185,054
<b>Firemen's:</b>			
2005.....	163,384	55.16	790,765
2006.....	166,575	47.41	878,368
2007.....	186,226	38.67	992,571

**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>
<b>Municipal Employees':</b>							
2005.....	12/31/05	6,332,379	9,250,212	2,917,833	68%	1,407,323	207%
2006.....	12/31/06	6,509,146	9,692,319	3,183,173	67	1,475,877	216
2007.....	12/31/07	6,890,463	9,968,747	3,078,284	69	1,564,459	197
<b>Laborers':</b>							
2005.....	12/31/05	1,635,595	1,742,300	106,705	94	182,809	58
2006.....	12/31/06	1,664,058	1,809,236	145,178	92	193,176	75
2007.....	12/31/07	1,757,711	1,808,295	50,584	97	192,847	26
<b>Policemen's:</b>							
2005.....	12/31/05	3,914,431	7,722,737	3,808,306	51	948,974	401
2006.....	12/31/06	3,997,991	8,116,543	4,118,552	49	1,012,984	407
2007.....	12/31/07	4,231,682	8,220,353	3,988,671	51	1,038,957	384
<b>Firemen's:</b>							
2005.....	12/31/05	1,203,654	2,882,936	1,679,282	42	341,252	492
2006.....	12/31/06	1,264,497	3,133,142	1,868,645	40	387,442	482
2007.....	12/31/07	1,374,960	3,215,874	1,840,914	43	389,125	473

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

- b) **Other Post-Employment Benefits (OPEB)** - 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. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. 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 post-employment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

**Annual OPEB Cost and Contributions Made**  
**For Fiscal Year Ending December 31, 2007.**

	<u>Municipal</u> <u>Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>	<u>Total</u>
Contribution Rates City:	A portion of the City contributions from the tax levy to finance the health insurance supplement benefit payments.				
Annual Required Contribution	\$ 23,287	\$ 3,568	\$ 11,220	\$ 4,177	\$ 42,252
Interest on Net OPEB Obligation	-	-	-	-	-
Adjustment to Annual - Required Contribution	-	-	-	-	-
Annual OPEB Cost	23,287	3,568	11,220	4,177	42,252
Contributions Made	<u>8,531</u>	<u>2,203</u>	<u>8,108</u>	<u>2,248</u>	<u>21,090</u>
Increase (Decrease) in Net OPEB Obligation	14,756	1,365	3,112	1,929	21,162
Net OPEB Obligation (Excess), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Obligation (Excess), End of Year	<u>\$ 14,756</u>	<u>\$ 1,365</u>	<u>\$ 3,112</u>	<u>\$ 1,929</u>	<u>\$ 21,162</u>

**Actuarial Method and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>
Actuarial Valuation Date	12/31/2007	12/31/2007	12/31/2007	12/31/2007
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	( b )	( c )	( d )	( d )
Healthcare Cost Trend Rate (e):	0.0%	0.0%	0.0%	0.0%

( a ) Compounded Annually

( b ) Service-based increases equivalent to a level annual rate of increase of 2.0 percent over a full career

( c ) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career

( d ) Service-based increases equivalent to a level annual rate of increase of 2.7percent over a full career

( e ) Trend not applicable - fixed dollar subsidy

**OPEB COST SUMMARY**

(dollars in thousands)

	<b>Year</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Obligation</b>	<b>Net OPEB Obligation</b>
Municipal Employees'	2007	\$ 23,287	36.63%	\$14,756
Laborers'	2007	3,568	61.74%	1,365
Policemen's	2007	11,220	72.26%	3,112
Firemen's	2007	4,177	53.83%	1,929

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded (Surplus) UAAL ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ( ( b-a ) / c )
Municipal Employees'	12/31/2007	-	\$ 217,868	\$ 217,868	0%	\$ 1,564,459	13.93%
Laborers'	12/31/2007	-	41,411	41,411	0%	192,847	21.47%
Policemen's	12/31/2007	-	179,040	179,040	0%	1,038,957	17.23%
Firemen's	12/31/2007	-	47,097	47,097	0%	389,125	12.10%

**12) Other Post-employment Benefits – City Obligation**

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with 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 \$54.8 million in 2007 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 2007, the net expense to the City for providing these benefits to approximately 24,350 annuitants plus their dependents was approximately \$87.5 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

**Plan Description Summary** - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

**Funding Policy** - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

**Annual OPEB Cost and Net OPEB Obligation** - The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of six and one-half years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other post employment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2007 is the *Annual OPEB Cost (expense)*.

**Annual OPEB Cost and Contributions Made**  
 (dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	\$ 245,591
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	245,591
Contributions Made	97,245
Increase (Decrease) in Net OPEB Obligation	148,346
Net OPEB Obligation (Excess), Beginning of Year	-
Net OPEB Obligation (Excess), End of Year	\$ 148,346

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2007 is as follows (dollars in thousands):

<b>Schedule of Contributions, OPEB Costs and Net Obligations</b>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 245,591	39.6%	\$ 148,346

The City, as required, adopted GASB 45 in fiscal year 2007. Information is provided for Fiscal Year End 2007 only, the year of adoption. Subsequent years' disclosure will provide information for the reporting year and for the prior two years, as applicable.

**Funded Status and Funding Progress** - As of January 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,301,417 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,502,154 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2006	\$ -	\$ 1,301,417	\$ 1,301,417	0%	\$ 2,502,154

**Actuarial Method and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2007, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 7%. Both rates included a 3% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 4.35% (percent). The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 6.5 years.

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

**Summary of Assumptions and Methods**

	<u>Settlement Health Plan</u>
Actuarial Valuation Date	December 31, 2006
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	6.5 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.35%
Projected Salary Increases	2.5%
Healthcare Inflation Rate	12% initial to 7% ultimate

**13) 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, 2007, the total amount of non-Enterprise Fund claims was \$459.9 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>2007</u>	<u>2006</u>
Balance, January 1.....	\$ 401,237	\$ 400,565
Claims incurred on current and prior year events.....	527,118	467,011
Claims paid on current and prior year events.....	<u>(424,719)</u>	<u>(466,339)</u>
Balance, December 31.....	<u>\$ 503,636</u>	<u>\$ 401,237</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007 - CONTINUED**

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**14) 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, alleged 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.

As of December 31, 2007, the Enterprise Funds have entered into contracts for approximately \$543.6 million for construction projects.

In consideration for being selected as the U. S. candidate city, the City executed a Joinder Agreement (the "Joinder Agreement") for the benefit of the USOC. Under the Joinder Agreement, the City agrees to be liable for any obligations of the City's bid committee and organizing committee for the Games (collectively, the "City Committees") to the USOC, the International Olympics Committee (the "IOC") and the International Paralympics Committee (the "IPC") up to an amount not to exceed \$500 million after all contingency and surplus funds are expended. If the City is not selected by the IOC and the IPC to host the Games, the City will not have any liability under the Joinder Agreement.

In November, 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g., hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. The requirements of Statement No. 49 are effective for financial statements for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 49 on its financial statements.

**15) Subsequent Events**

Chicago Midway International Airport Revenue Bonds Series 2004 C & D – Second Lien bonds ("Midway Bonds") bear interest at rates reset periodically through an auction process conducted by an independent financial institution appointed as an auction agent by the City. From their dates of issue until December 31, 2007, interest rates on the Midway Bonds ranged from 1.45% to 4.55%. The volatility in the financial markets, in part caused by the sub-prime mortgage market and resulting ratings downgrades of various municipal bond insurers, continues to cause increases in the interest rates generally applicable to auction rate securities regardless of the issuer of such securities. During the period from January 1, 2008 through May 30, 2008, interest rates on the Midway Bonds ranged from 3.58% to 4.92%.

In January 2008, the City sold Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2008A-D (\$779.9 million). The bonds were issued at a premium with interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2010 to January 1, 2038. Net proceeds of \$804.0 million will be used to finance various projects at the airport included in the O'Hare Modernization Program (\$496.3 million), repay a portion of outstanding commercial paper (\$241.8 million), and fund capitalized interest (\$65.9 million).

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2007 - CONCLUDED**

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In January 2008, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008A (\$111.4 million). The bonds were issued at a premium with interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2012 to January 1, 2016. Net bond proceeds of \$119.4 million and \$17.9 million of debt service reserve funds will be used to refund all of the outstanding Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 1996A.

In February 2008, the City sold General Obligation Tender Notes, Series 2008 (\$70.4 million). The notes were issued at a short-term intermediate rate of 1.05 percent through February 5, 2009 and will mature no later than February 19, 2010. 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.

In February 2008, the City entered into a constant maturity swap overlay on its General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B (\$202.5 million). This constant maturity swap overlay is in addition to the existing constant maturity swap on the bonds. Therefore, the net effect until the termination date (March 1, 2011) is that the City will pay the fixed rate of 4.052 percent and receive 75 percent of one-month LIBOR. The City also received an upfront payment of \$6.6 million. The purpose of the swap is to mitigate interest rate risk.

In March 2008, the City sold Motor Fuel Tax Revenue Bonds, Series 2008A and B (\$66.6 million). The bonds were issued at a discount with interest rates ranging from 4.0 percent to 5.05 percent and maturity dates from January 1, 2015 to January 1, 2038. Net bond proceeds of \$63.7 million will be used to finance eligible projects (\$60.0 million) and refund a portion of the Motor Fuel Tax Revenue Bonds, Series 1993 (\$3.7 million).

In April 2008, the City sold Second Lien Water Revenue Project and Refunding Bonds, Series 2008 (\$549.9 million). The bonds were issued at a premium with interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from November 1, 2009 to November 1, 2038. Net bond proceeds of \$563.7 million will be used to finance capital projects of the water system (\$318.0 million) and to refund certain outstanding water revenue bonds, and related commercial paper (\$245.7 million).

In June 2008, the City sold General Obligation Project and Refunding Bonds, Series 2008A and Taxable Series 2008B (\$473.7 million). The bonds were issued at a premium with interest rates ranging from 3.0 percent to 5.765 percent and maturity dates from January 1, 2009 to January 1, 2037. Net bond proceeds of \$488.1 million will be used to finance eligible projects (90.0 million), to refund certain outstanding general obligation bonds (\$392.6 Million), and fund capitalized interest (\$5.6 million).

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF CHICAGO, ILLINOIS**  
**OTHER POST-EMPLOYMENT BENEFITS FUNDING PROGRESS**  
**Last One Year (dollars are in thousands)**

	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Unfunded (Surplus) AAL as a Percentage of Covered Payroll (( b-a ) / c )
Municipal Employees'	12/31/2007	-	\$ 217,868	\$ 217,868	0%	\$ 1,564,459	13.93%
Laborer's	12/31/2007	-	41,411	41,411	0%	192,847	21.47%
Policemen's	12/31/2007	-	179,040	179,040	0%	1,038,957	17.23%
Firemen's	12/31/2007	-	47,097	47,097	0%	389,125	12.10%
City of Chicago	12/31/2006	-	1,301,417	1,301,417	0%	2,502,154	52.01%

**Note:** Beginning with fiscal year 2007, the City of Chicago will accumulate three years of data.



**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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>LOCAL TAX REVENUE</b>				
<b>UTILITY TAX:</b>				
Gas .....	\$ 135,000	\$ 135,000	\$ 130,311	\$ (4,689)
Electric .....	97,700	97,700	102,318	4,618
Telecommunication .....	132,000	132,000	154,311	22,311
Commonwealth Edison .....	90,000	90,000	94,563	4,563
Infrastructure Maintenance .....	-	-	126	126
Fiber Optics .....	-	-	60	60
Cable Television .....	17,900	17,900	19,334	1,434
Total Utility Tax .....	<u>472,600</u>	<u>472,600</u>	<u>501,023</u>	<u>28,423</u>
<b>SALES TAX:</b>				
Home Rule Retailers' Occupation .....	<u>259,700</u>	<u>259,700</u>	<u>265,389</u>	<u>5,689</u>
<b>TRANSPORTATION TAX:</b>				
Parking .....	83,500	83,500	88,067	4,567
Vehicle Fuel .....	59,000	59,000	58,082	(918)
Ground Transportation .....	9,000	9,000	9,076	76
Total Transportation Tax .....	<u>151,500</u>	<u>151,500</u>	<u>155,225</u>	<u>3,725</u>
<b>TRANSACTION TAX:</b>				
Real Property .....	235,000	235,000	205,766	(29,234)
Personal Property Lease .....	87,000	87,000	92,052	5,052
Motor Vehicle Lessor .....	6,500	6,500	6,897	397
Total Transaction Tax .....	<u>328,500</u>	<u>328,500</u>	<u>304,715</u>	<u>(23,785)</u>
<b>RECREATION TAX:</b>				
Amusement .....	57,000	57,000	68,821	11,821
Automatic Amusement .....	1,170	1,170	1,317	147
Liquor .....	19,400	19,400	21,005	1,605
Boat Mooring .....	1,000	1,000	1,126	126
Cigarette .....	36,000	36,000	28,379	(7,621)
Off Track Betting .....	2,300	2,300	1,825	(475)
Soft Drink .....	10,500	10,500	11,465	965
Total Recreation Tax .....	<u>127,370</u>	<u>127,370</u>	<u>133,938</u>	<u>6,568</u>
<b>BUSINESS TAX:</b>				
Hotel .....	58,680	58,680	61,912	3,232
Employers' Expense .....	23,000	23,000	23,550	550
Foreign Fire Insurance .....	4,200	4,200	4,389	189
Total Business Tax .....	<u>85,880</u>	<u>85,880</u>	<u>89,851</u>	<u>3,971</u>
<b>TOTAL LOCAL TAX REVENUE .....</b>	<u><b>1,425,550</b></u>	<u><b>1,425,550</b></u>	<u><b>1,450,141</b></u>	<u><b>24,591</b></u>

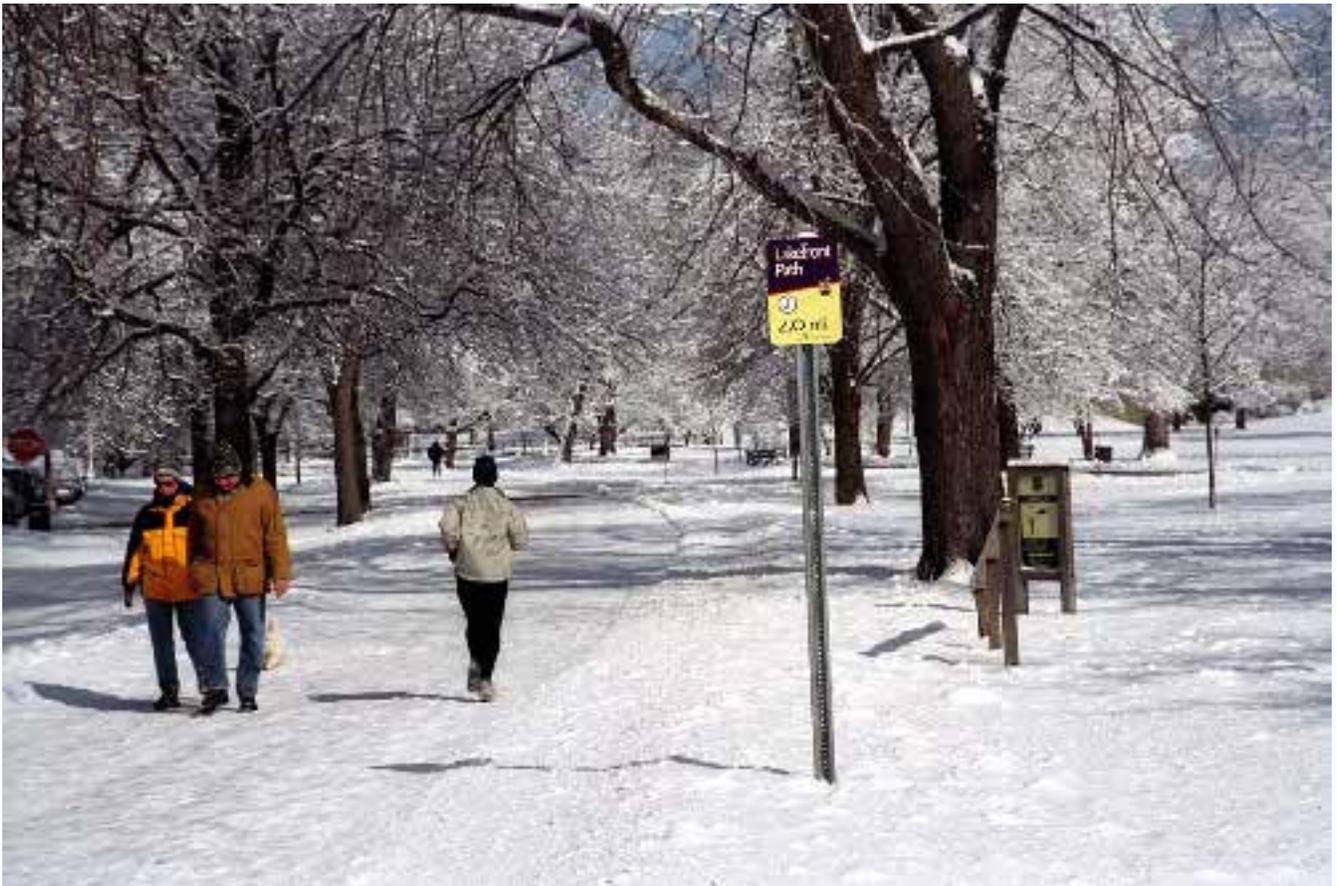
**Schedule A-1 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>INTERGOVERNMENTAL REVENUE</b>				
<b>STATE INCOME TAX:</b>				
Income .....	\$ 245,700	\$ 245,700	\$ 253,529	\$ 7,829
Personal Property Replacement .....	99,000	99,000	124,198	25,198
Total State Income Tax .....	<u>344,700</u>	<u>344,700</u>	<u>377,727</u>	<u>33,027</u>
<b>STATE SALES TAX:</b>				
State Retailers' Occupation .....	<u>271,500</u>	<u>271,500</u>	<u>277,849</u>	<u>6,349</u>
<b>STATE AUTO RENTAL TAX:</b>				
Municipal Auto Rental .....	<u>3,500</u>	<u>3,500</u>	<u>3,782</u>	<u>282</u>
<b>FEDERAL/STATE GRANTS:</b>				
Grants .....	<u>2,000</u>	<u>2,000</u>	<u>3,366</u>	<u>1,366</u>
TOTAL INTERGOVERNMENTAL REVENUE ...	<u>621,700</u>	<u>621,700</u>	<u>662,724</u>	<u>41,024</u>
<b>LOCAL NON-TAX REVENUE</b>				
<b>INTERNAL SERVICE:</b>				
Water Fund .....	52,632	52,632	52,963	331
Chicago-O'Hare International Airport Fund .....	46,055	46,055	34,737	(11,318)
Vehicle Tax Fund .....	21,000	21,000	27,223	6,223
Chicago Midway International Airport Fund .....	9,944	9,944	8,379	(1,565)
Federal Funds .....	14,904	14,904	21,471	6,567
Sewer Fund .....	21,840	21,840	22,222	382
Emergency Communication Fund .....	22,173	22,173	28,245	6,072
Federal Funds - Pensions .....	25,593	25,593	20,148	(5,445)
Indirect Cost Recovery .....	1,087	1,087	1,565	478
Electrical Services .....	8,004	8,004	6,038	(1,966)
Electrical Construction .....	12,520	12,520	9,262	(3,258)
Transportation .....	10,751	10,751	21,827	11,076
Fleet Management .....	20,756	20,756	16,076	(4,680)
Miscellaneous - Planning, Purchasing, etc. ....	9,149	9,149	9,598	449
Other .....	881	881	3,213	2,332
Total Internal Service .....	<u>277,289</u>	<u>277,289</u>	<u>282,967</u>	<u>5,678</u>
<b>LICENSES AND PERMITS:</b>				
Alcoholic Liquor Dealers' License .....	18,000	18,000	17,070	(930)
Building License .....	33,400	33,400	29,723	(3,677)
Building Permits .....	50,500	50,500	51,427	927
Fines and Penalties .....	7,371	7,371	7,521	150
Other .....	43,400	43,400	42,431	(969)
Total Licenses and Permits .....	<u>152,671</u>	<u>152,671</u>	<u>148,172</u>	<u>(4,499)</u>

**Schedule A-1 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2007**  
**(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 .....	\$ 243,800	\$ 243,800	\$ 220,596	\$ (23,204)
INVESTMENT INCOME:				
Interest on Investments .....	7,500	7,500	10,117	2,617
CHARGES FOR SERVICES:				
Health Services .....	945	945	1,091	146
Inspection .....	13,800	13,800	12,437	(1,363)
Information .....	900	900	788	(112)
Safety .....	52,500	52,500	56,109	3,609
Reimbursement of Current Expense .....	7,500	7,500	7,680	180
Other .....	11,500	11,500	12,649	1,149
Total Charges for Services .....	87,145	87,145	90,754	3,609
MUNICIPAL UTILITIES:				
Parking .....	26,000	26,000	28,064	2,064
Total Municipal Utilities .....	26,000	26,000	28,064	2,064
LEASES, RENTALS AND SALES:				
Sale of Land and Buildings .....	13,500	13,500	12,373	(1,127)
Vacation of Streets and Alleys .....	4,200	4,200	3,041	(1,159)
Sale of Impounded Autos .....	200	200	111	(89)
Sale of Materials .....	1,500	1,500	1,988	488
Rentals and Leases .....	7,200	7,200	5,289	(1,911)
Total Leases, Rentals and Sales .....	26,600	26,600	22,802	(3,798)
MISCELLANEOUS:				
Property Damage .....	6	6	161	155
Other .....	14,994	14,994	18,928	3,934
Total Miscellaneous .....	15,000	15,000	19,089	4,089
TOTAL LOCAL NON-TAX REVENUE .....	836,005	836,005	822,561	(13,444)
Issuance of Debt, Net of Original				
Discount .....	23,921	23,921	23,921	-
Budgeted Prior Years' Surplus and Reappropriations .....	57,500	57,500	22,162	(35,338)
Transfers In .....	133,060	133,060	130,561	(2,499)
Total Revenues .....	<u>\$ 3,097,736</u>	<u>\$ 3,097,736</u>	<u>\$ 3,112,070</u>	<u>\$ 14,334</u>

# NONMAJOR GOVERNMENTAL FUNDS



**Schedule B-1**  
**CITY OF CHICAGO, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents .....	\$ 7,506	\$ 5,506	\$ 78,124	\$ 91,136
Investments .....	35,590	5,933	178	41,701
Cash and Investments with Escrow Agent .....	-	238,666	-	238,666
Receivables (Net of Allowances):				
Property Tax .....	353,307	205,100	-	558,407
Accounts .....	3,614	858	16,173	20,645
Due from Other Funds .....	63,046	231	77,705	140,982
Due from Other Governments .....	12,794	250	26,807	39,851
<b>Total Assets .....</b>	<b><u>\$ 475,857</u></b>	<b><u>\$ 456,544</u></b>	<b><u>\$ 198,987</u></b>	<b><u>\$ 1,131,388</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Voucher Warrants Payable .....	\$ 65,585	\$ -	\$ 26,490	\$ 92,075
Bonds, Notes and Other Obligations Payable - Current .....	-	14,400	-	14,400
Accrued Interest .....	-	4,718	-	4,718
Due to Other Funds .....	101,730	-	3,861	105,591
Accrued and Other Liabilities .....	10,201	13	35,573	45,787
Deferred Revenue .....	307,016	182,838	-	489,854
<b>Total Liabilities .....</b>	<b>484,532</b>	<b>201,969</b>	<b>65,924</b>	<b>752,425</b>
Fund Balance:				
Reserved for Encumbrances .....	16,138	-	22,433	38,571
Reserved for Debt Service .....	-	254,575	-	254,575
Unreserved, Undesignated .....	(24,813)	-	110,630	85,817
<b>Total Fund Balance .....</b>	<b>(8,675)</b>	<b>254,575</b>	<b>133,063</b>	<b>378,963</b>
<b>Total Liabilities and Fund Balance .....</b>	<b><u>\$ 475,857</u></b>	<b><u>\$ 456,544</u></b>	<b><u>\$ 198,987</u></b>	<b><u>\$ 1,131,388</u></b>

Schedule B-2  
CITY OF CHICAGO, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2007  
(Amounts are in Thousands of Dollars)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property Tax .....	\$ 314,742	\$ -	\$ -	\$ 314,742
Utility Tax .....	28,838	-	-	28,838
Sales Tax .....	-	2,196	-	2,196
Transportation Tax .....	165,977	-	-	165,977
State Income Tax .....	55,719	-	-	55,719
Special Area Tax .....	-	206,306	-	206,306
Other Taxes .....	17,669	168	-	17,837
Federal/State Grants .....	-	-	-	-
Internal Service .....	19,948	-	-	19,948
Fines .....	19,681	-	-	19,681
Investment Income .....	11,314	10,702	10,745	32,761
Charges for Services .....	32,522	-	-	32,522
Miscellaneous .....	12,682	560	201	13,443
Total Revenues .....	<u>679,092</u>	<u>219,932</u>	<u>10,946</u>	<u>909,970</u>
<b>EXPENDITURES</b>				
Current:				
General Government .....	135,100	-	-	135,100
Health .....	5,986	-	-	5,986
Public Safety .....	3,539	-	-	3,539
Streets and Sanitation .....	107,503	-	-	107,503
Transportation .....	81,493	-	-	81,493
Cultural and Recreational .....	88,256	-	-	88,256
Employee Pensions .....	371,649	-	-	371,649
Other .....	375	-	-	375
Capital Outlay .....	-	-	112,157	112,157
Debt Service:				
Principal Retirement .....	-	91,378	-	91,378
Interest and Other Fiscal Charges .....	7,566	48,514	-	56,080
Total Expenditures .....	<u>801,467</u>	<u>139,892</u>	<u>112,157</u>	<u>1,053,516</u>
Revenues Over (Under) Expenditures .....	<u>(122,375)</u>	<u>80,040</u>	<u>(101,211)</u>	<u>(143,546)</u>

Continued on following page.

**Schedule B-2 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt .....	\$ 38,651	\$ 600	\$ 103,765	\$ 143,016
Payment to Refunded Bond Escrow Agent .....	-	-	-	-
Transfers In .....	45,750	63,807	-	109,557
Transfers Out .....	(20,210)	(70,075)	-	(90,285)
Total Other Financing Sources (Uses) .....	<u>64,191</u>	<u>(5,668)</u>	<u>103,765</u>	<u>162,288</u>
Net Change in Fund Balances .....	(58,184)	74,372	2,554	18,742
Fund Balance - Beginning of Year .....	49,509	180,203	130,509	360,221
Fund Balance - End of Year .....	<u>\$ (8,675)</u>	<u>\$ 254,575</u>	<u>\$ 133,063</u>	<u>\$ 378,963</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.

Schedule C-1  
CITY OF CHICAGO, ILLINOIS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
December 31, 2007  
(Amounts are in Thousands of Dollars)

	Vehicle Tax	Motor Fuel Tax and Project	Pension
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 457	\$ 13	\$ 1,767
Investments .....	172	-	2
Receivables (Net of Allowances):			
Property Tax .....	-	-	353,307
Accounts .....	-	1,499	-
Due from Other Funds .....	25,263	4,323	-
Due from Other Governments .....	-	5,571	-
Total Assets .....	<u>\$ 25,892</u>	<u>\$ 11,406</u>	<u>\$ 355,076</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Voucher Warrants Payable .....	\$ 12,762	\$ 12,032	\$ 26,364
Due to Other Funds .....	41,976	13,410	21,696
Accrued and Other Liabilities .....	2,718	-	-
Deferred Revenue .....	-	-	307,016
Total Liabilities .....	<u>57,456</u>	<u>25,442</u>	<u>355,076</u>
Fund Balance (Deficit):			
Reserve for Encumbrances .....	2,231	9,292	-
Unreserved, Undesignated .....	<u>(33,795)</u>	<u>(23,328)</u>	<u>-</u>
Total Fund Balance (Deficit) .....	<u>(31,564)</u>	<u>(14,036)</u>	<u>-</u>
Total Liabilities and Fund Balance .....	<u>\$ 25,892</u>	<u>\$ 11,406</u>	<u>\$ 355,076</u>

Public Building Commission	Miscellaneous	Chicago Public Library	Special Events, Tourism and Festivals	Health and Welfare	Total Nonmajor Special Revenue Funds
\$ -	\$ 3,384	\$ 43	\$ 1,750	\$ 92	\$ 7,506
-	551	-	125	34,740	35,590
-	-	-	-	-	353,307
-	216	125	1,065	709	3,614
-	21,312	9,405	2,703	40	63,046
881	-	-	6,342	-	12,794
<u>\$ 881</u>	<u>\$ 25,463</u>	<u>\$ 9,573</u>	<u>\$ 11,985</u>	<u>\$ 35,581</u>	<u>\$ 475,857</u>
\$ -	\$ 5,708	\$ 5,776	\$ 2,843	\$ 100	\$ 65,585
-	5,391	4,100	3,439	11,718	101,730
-	62	1,013	6,408	-	10,201
-	-	-	-	-	307,016
<u>-</u>	<u>11,161</u>	<u>10,889</u>	<u>12,690</u>	<u>11,818</u>	<u>484,532</u>
-	1,971	1,109	1,415	120	16,138
881	12,331	(2,425)	(2,120)	23,643	(24,813)
<u>881</u>	<u>14,302</u>	<u>(1,316)</u>	<u>(705)</u>	<u>23,763</u>	<u>(8,675)</u>
<u>\$ 881</u>	<u>\$ 25,463</u>	<u>\$ 9,573</u>	<u>\$ 11,985</u>	<u>\$ 35,581</u>	<u>\$ 475,857</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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Vehicle Tax	Motor Fuel Tax and Project	Pension
<b>Revenues:</b>			
Property Tax .....	\$ -	\$ -	\$ 314,742
Utility Tax .....	-	-	-
Sales Tax .....	-	-	-
Transportation Tax .....	94,489	70,699	-
State Income Tax .....	-	-	55,719
Special Area Tax .....	-	-	-
Other Taxes .....	-	-	-
Federal/State Grants .....	-	-	-
Internal Service .....	19,947	-	-
Fines .....	18,061	-	-
Investment Income .....	-	609	1,188
Charges for Services .....	9,660	-	-
Miscellaneous .....	702	-	-
<b>Total Revenues .....</b>	<b>142,859</b>	<b>71,308</b>	<b>371,649</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government .....	60,740	-	-
Health .....	-	-	-
Public Safety .....	-	-	-
Streets and Sanitation .....	54,948	52,555	-
Transportation .....	49,389	31,808	-
Cultural and Recreational .....	-	-	-
Employee Pensions .....	-	-	371,649
Other .....	-	-	-
Capital Outlay .....	-	-	-
<b>Debt Service:</b>			
Principal Retirement .....	-	-	-
Interest and Other Fiscal Charges .....	-	-	-
<b>Total Expenditures .....</b>	<b>165,077</b>	<b>84,363</b>	<b>371,649</b>
<b>Revenues Over (Under) Expenditures .....</b>	<b>(22,218)</b>	<b>(13,055)</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>			
Issuance of Debt .....	-	-	-
Transfers In .....	-	-	-
Transfers Out .....	-	-	-
<b>Total Other Financing Sources (Uses) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances .....</b>	<b>(22,218)</b>	<b>(13,055)</b>	<b>-</b>
Fund Balance (Deficit) - Beginning of Year .....	(9,346)	(981)	-
Fund Balance (Deficit) - End of Year .....	<b>\$ (31,564)</b>	<b>\$ (14,036)</b>	<b>\$ -</b>

Public Building Commission	Miscellaneous	Chicago Public Library	Special Events, Tourism and Festivals	Health and Welfare	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,742
-	28,838	-	-	-	28,838
-	-	-	-	-	-
-	-	-	789	-	165,977
-	-	-	-	-	55,719
-	-	-	-	-	-
-	-	-	17,669	-	17,669
-	-	-	-	-	-
-	-	-	1	-	19,948
-	-	1,620	-	-	19,681
3,903	1,365	499	114	3,636	11,314
-	70	56	22,736	-	32,522
-	9,247	200	163	2,370	12,682
<u>3,903</u>	<u>39,520</u>	<u>2,375</u>	<u>41,472</u>	<u>6,006</u>	<u>679,092</u>
-	28,394	32,288	5,832	7,846	135,100
-	5,986	-	-	-	5,986
-	3,441	-	98	-	3,539
-	-	-	-	-	107,503
-	-	-	-	296	81,493
-	-	45,543	42,713	-	88,256
-	-	-	-	-	371,649
-	-	-	375	-	375
-	-	-	-	-	-
-	-	-	-	-	-
5,060	-	2,024	-	482	7,566
<u>5,060</u>	<u>37,821</u>	<u>79,855</u>	<u>49,018</u>	<u>8,624</u>	<u>801,467</u>
<u>(1,157)</u>	<u>1,699</u>	<u>(77,480)</u>	<u>(7,546)</u>	<u>(2,618)</u>	<u>(122,375)</u>
-	-	27,940	7,001	3,710	38,651
-	-	45,750	-	-	45,750
-	(1,500)	-	-	(18,710)	(20,210)
<u>-</u>	<u>(1,500)</u>	<u>73,690</u>	<u>7,001</u>	<u>(15,000)</u>	<u>64,191</u>
(1,157)	199	(3,790)	(545)	(17,618)	(58,184)
2,038	14,103	2,474	(160)	41,381	49,509
<u>\$ 881</u>	<u>\$ 14,302</u>	<u>\$ (1,316)</u>	<u>\$ (705)</u>	<u>\$ 23,763</u>	<u>\$ (8,675)</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, 2007  
(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 .....	\$ -	\$ -	\$ 99,500	\$ -
Motor Fuel Tax and Project .....	-	-	72,185	-
Pension .....	317,965	-	-	56,847
Miscellaneous .....	-	22,673	-	-
Chicago Public Library .....	-	-	-	-
Special Events, Tourism and Festivals .....	-	-	809	16,367
Health and Welfare .....	-	-	-	-
Total Original and Final Budgeted Revenues ....	<u>317,965</u>	<u>22,673</u>	<u>172,494</u>	<u>73,214</u>
Actual Revenues:				
Vehicle Tax .....	-	-	94,489	-
Motor Fuel Tax and Project .....	-	-	70,699	-
Pension .....	321,027	-	-	55,719
Miscellaneous .....	-	28,838	-	-
Chicago Public Library .....	-	-	-	-
Special Events, Tourism and Festivals .....	-	-	789	17,669
Health and Welfare .....	-	-	-	-
Total Actual Revenues .....	<u>321,027</u>	<u>28,838</u>	<u>165,977</u>	<u>73,388</u>
Variance Positive (Negative) .....	<u>\$ 3,062</u>	<u>\$ 6,165</u>	<u>\$ (6,517)</u>	<u>\$ 174</u>

Internal Service	Fines	Investment Income	Leases, Rentals, Sales and Charges for Services	Miscellaneous	Proceeds of Debt	Budgeted Prior Years' Surplus and Operating Transfers In/ Other	Total Nonmajor Special Revenue Funds
\$ 23,987	\$ 13,900	\$ -	\$ 10,250	\$ 1,000	\$ -	\$ (1,274)	\$ 147,363
-	-	600	-	-	-	15,740	88,525
-	-	-	-	-	30,180	-	404,992
-	-	-	-	9,152	-	2,097	33,922
-	1,200	1,100	200	-	27,939	58,018	88,457
-	-	50	21,100	-	7,000	758	46,084
-	-	-	-	-	3,712	46,876	50,588
<u>23,987</u>	<u>15,100</u>	<u>1,750</u>	<u>31,550</u>	<u>10,152</u>	<u>68,831</u>	<u>122,215</u>	<u>859,931</u>
19,947	18,061	-	9,660	702	-	-	142,859
-	-	609	-	-	-	-	71,308
-	-	1,188	-	-	-	-	377,934
-	-	1,365	70	9,247	-	-	39,520
-	1,620	499	56	200	27,940	45,750	76,065
1	-	114	22,736	163	7,001	-	48,473
-	-	3,636	-	2,370	3,710	-	9,716
<u>19,948</u>	<u>19,681</u>	<u>7,411</u>	<u>32,522</u>	<u>12,682</u>	<u>38,651</u>	<u>45,750</u>	<u>765,875</u>
<u>\$ (4,039)</u>	<u>\$ 4,581</u>	<u>\$ 5,661</u>	<u>\$ 972</u>	<u>\$ 2,530</u>	<u>\$ (30,180)</u>	<u>\$ (76,465)</u>	<u>\$ (94,056)</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, 2007**  
**(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 .....	\$ 58,877	\$ -	\$ -	\$ 52,046
Motor Fuel Tax and Project .....	-	-	-	49,394
Pension .....	-	-	-	-
Miscellaneous .....	28,673	1,664	3,585	-
Chicago Public Library .....	31,836	-	-	-
Special Events, Tourism and Festivals .....	4,888	-	98	-
Health and Welfare .....	3,000	-	-	-
Total Original and Final Budget .....	<u>127,274</u>	<u>1,664</u>	<u>3,683</u>	<u>101,440</u>
Actual Expenditures and Encumbrances:				
Vehicle Tax .....	60,579	-	-	52,351
Motor Fuel Tax and Project .....	-	-	-	56,380
Pension .....	-	-	-	-
Miscellaneous .....	30,275	106	3,875	-
Chicago Public Library .....	32,498	-	-	-
Special Events, Tourism and Festivals .....	6,387	-	98	-
Health and Welfare .....	7,847	-	-	-
Total Actual Expenditures and Encumbrances ...	<u>137,586</u>	<u>106</u>	<u>3,973</u>	<u>108,731</u>
Variance Positive (Negative) .....	<u>\$ (10,312)</u>	<u>\$ 1,558</u>	<u>\$ (290)</u>	<u>\$ (7,291)</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>
\$ 36,440	\$ -	\$ -	\$ -	\$ -	\$ 147,363
39,108	-	-	-	23	88,525
-	-	404,992	-	-	404,992
-	-	-	-	-	33,922
-	53,538	-	-	3,083	88,457
-	41,098	-	-	-	46,084
-	-	-	46,835	753	50,588
<u>75,548</u>	<u>94,636</u>	<u>404,992</u>	<u>46,835</u>	<u>3,859</u>	<u>859,931</u>
50,454	-	-	-	-	163,384
37,273	-	-	-	1	93,654
-	-	371,630	-	-	371,630
-	-	-	-	-	34,256
-	45,745	-	-	2,052	80,295
-	44,710	-	-	-	51,195
-	-	-	18,710	482	27,039
<u>87,727</u>	<u>90,455</u>	<u>371,630</u>	<u>18,710</u>	<u>2,535</u>	<u>821,453</u>
<u>\$ (12,179)</u>	<u>\$ 4,181</u>	<u>\$ 33,362</u>	<u>\$ 28,125</u>	<u>\$ 1,324</u>	<u>\$ 38,478</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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 3,263	\$ 1,226	\$ 73,635	\$ -	\$ 78,124
Investments .....	55	12	111	-	178
Accounts Receivable (Net of Allowances) .....	6	-	652	15,515	16,173
Due from Other Funds .....	-	-	77,705	-	77,705
Due from Other Governments .....	-	-	-	26,807	26,807
<b>Total Assets .....</b>	<b><u>\$ 3,324</u></b>	<b><u>\$ 1,238</u></b>	<b><u>\$ 152,103</u></b>	<b><u>\$ 42,322</u></b>	<b><u>\$ 198,987</u></b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Voucher Warrants Payable .....	\$ 121	\$ -	\$ 26,369	\$ -	\$ 26,490
Due to Other Funds .....	-	-	3,861	-	3,861
Accrued and Other Liabilities .....	-	-	241	35,332	35,573
<b>Total Liabilities .....</b>	<b><u>121</u></b>	<b><u>-</u></b>	<b><u>30,471</u></b>	<b><u>35,332</u></b>	<b><u>65,924</u></b>
<b>Fund Balance:</b>					
Reserved for Encumbrances .....	-	90	22,343	-	22,433
Unreserved, Undesignated .....	3,203	1,148	99,289	6,990	110,630
<b>Total Fund Balance .....</b>	<b><u>3,203</u></b>	<b><u>1,238</u></b>	<b><u>121,632</u></b>	<b><u>6,990</u></b>	<b><u>133,063</u></b>
<b>Total Liabilities and Fund Balance .....</b>	<b><u>\$ 3,324</u></b>	<b><u>\$ 1,238</u></b>	<b><u>\$ 152,103</u></b>	<b><u>\$ 42,322</u></b>	<b><u>\$ 198,987</u></b>

Schedule D-2  
**CITY OF CHICAGO, ILLINOIS**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
<b>REVENUES</b>					
Investment Income .....	\$ 111	\$ 75	\$ 9,398	\$ 1,161	\$ 10,745
Miscellaneous .....	-	-	201	-	201
Total Revenues .....	<u>111</u>	<u>75</u>	<u>9,599</u>	<u>1,161</u>	<u>10,946</u>
<b>EXPENDITURES</b>					
Capital Outlay .....	116	-	112,041	-	112,157
Total Expenditures .....	<u>116</u>	<u>-</u>	<u>112,041</u>	<u>-</u>	<u>112,157</u>
Revenues Over (Under) Expenditures .....	<u>(5)</u>	<u>75</u>	<u>(102,442)</u>	<u>1,161</u>	<u>(101,211)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt .....	-	-	103,765	-	103,765
Total Other Financing Sources (Uses) .....	<u>-</u>	<u>-</u>	<u>103,765</u>	<u>-</u>	<u>103,765</u>
Net Change in Fund Balance .....	(5)	75	1,323	1,161	2,554
Fund Balance - Beginning of Year .....	3,208	1,163	120,309	5,829	130,509
Fund Balance - End of Year .....	<u>\$ 3,203</u>	<u>\$ 1,238</u>	<u>\$ 121,632</u>	<u>\$ 6,990</u>	<u>\$ 133,063</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, 2007**  
**(Amounts are in Thousands of Dollars)**

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
<b>ASSETS:</b>						
Cash,						
January 1, 2007.....	\$ 63,665	\$ 16,787	\$ 43,253	\$ 35,645	\$ 4,292	\$ 163,642
Additions.....	3,651,419	613	530,472	62,332	3,223	4,248,059
Deductions.....	3,706,588	10,807	536,465	77,041	3,589	4,334,490
Cash,						
December 31, 2007....	8,496	6,593	37,260	20,936	3,926	77,211
Investments,						
January 1, 2007.....	31	613	24,541	4,605	15	29,805
Additions.....	41	807	40,549	6,006	1,454	48,857
Deductions.....	31	613	33,357	4,605	1,449	40,055
Investments,						
December 31, 2007....	41	807	31,733	6,006	20	38,607
Cash and Investments with Escrow Agent,						
January 1, 2007.....	-	-	17,104	118	-	17,222
Additions.....	-	-	17,485	2	-	17,487
Deductions.....	-	-	20,834	-	-	20,834
Cash and Investments with Escrow Agent,						
December 31, 2007....	-	-	13,755	120	-	13,875
Accounts Receivables,						
January 1, 2007.....	14	3,846	95,477	50,286	1,481	151,104
Additions.....	48,933	10,000	85,512	62,303	52	206,800
Deductions.....	14	-	108,346	52,092	284	160,736
Accounts Receivables,						
December 31, 2007....	48,933	13,846	72,643	60,497	1,249	197,168

**Schedule E-1 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
<b>ASSETS - Concluded:</b>						
Total Assets,						
January 1, 2007.....	\$ 63,710	\$ 21,246	\$ 180,375	\$ 90,654	\$ 5,788	\$ 361,773
Additions.....	3,700,393	11,420	674,018	130,643	4,729	4,521,203
Deductions.....	<u>3,706,633</u>	<u>11,420</u>	<u>699,002</u>	<u>133,738</u>	<u>5,322</u>	<u>4,556,115</u>
Total Assets,						
December 31, 2007.....	<u>\$ 57,470</u>	<u>\$ 21,246</u>	<u>\$ 155,391</u>	<u>\$ 87,559</u>	<u>\$ 5,195</u>	<u>\$ 326,861</u>
<b>LIABILITIES:</b>						
Voucher Warrants Payable,						
January 1, 2007.....	\$ 68,565	\$ 34	\$ 39,311	\$ 3,414	\$ 4	\$ 111,328
Additions.....	8,247,684	-	355,918	32,508	1,786	8,637,896
Deductions.....	<u>8,258,969</u>	<u>-</u>	<u>381,219</u>	<u>32,747</u>	<u>1,785</u>	<u>8,674,720</u>
Voucher Warrants Payable,						
December 31, 2007.....	<u>57,280</u>	<u>34</u>	<u>14,010</u>	<u>3,175</u>	<u>5</u>	<u>74,504</u>
Accrued Liabilities,						
January 1, 2007.....	(4,855)	21,212	141,064	87,240	5,784	250,445
Additions.....	1,124,141	-	101,502	20,099	618	1,246,360
Deductions.....	<u>1,119,096</u>	<u>-</u>	<u>101,185</u>	<u>22,955</u>	<u>1,212</u>	<u>1,244,448</u>
Accrued Liabilities,						
December 31, 2007.....	<u>190</u>	<u>21,212</u>	<u>141,381</u>	<u>84,384</u>	<u>5,190</u>	<u>252,357</u>
Total Liabilities,						
January 1, 2007.....	63,710	21,246	180,375	90,654	5,788	361,773
Additions.....	9,371,825	-	457,420	52,607	2,404	9,884,256
Deductions.....	<u>9,378,065</u>	<u>-</u>	<u>482,404</u>	<u>55,702</u>	<u>2,997</u>	<u>9,919,168</u>
Total Liabilities,						
December 31, 2007.....	<u>\$ 57,470</u>	<u>\$ 21,246</u>	<u>\$ 155,391</u>	<u>\$ 87,559</u>	<u>\$ 5,195</u>	<u>\$ 326,861</u>

Schedule E-2  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 4,985	\$ 80,054	\$ 136,714	\$ 54,100	\$ 275,853
Receivables					
Employer and Other .....	249,934	16,845	380,239	76,822	723,840
Interest and Dividends .....	17,722	5,290	11,569	10,907	45,488
Total Receivables .....	267,656	22,135	391,808	87,729	769,328
Due from City .....	8,322	-	9,145	4,229	21,696
Investments, at Fair Value					
Bonds and U.S. Government Obligations .....	1,718,198	573,439	882,981	203,536	3,378,154
Stocks .....	4,454,813	1,090,796	2,655,963	1,033,309	9,234,881
Mortgages and Real Estate .....	330,533	38,994	65,241	25,483	460,251
Other .....	396,462	43,227	447,652	69,594	956,935
Total Investments .....	6,900,006	1,746,456	4,051,837	1,331,922	14,030,221
Invested Securities Lending					
Collateral .....	1,037,232	200,893	516,052	232,617	1,986,794
Total Assets .....	8,218,201	2,049,538	5,105,556	1,710,597	17,083,892
<b>LIABILITIES</b>					
Voucher Warrants Payable .....	171,444	65,828	256,270	8,527	502,069
Securities Lending Collateral .....	1,037,233	200,893	516,052	232,616	1,986,794
Total Liabilities .....	1,208,677	266,721	772,322	241,143	2,488,863
Net Assets Held in Trust for					
Pension Benefits .....	\$ 7,009,524	\$ 1,782,817	\$ 4,333,234	\$ 1,469,454	\$ 14,595,029

**Schedule E-3**  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
<b>ADDITIONS</b>					
Contributions					
Employees .....	\$ 132,442	\$ 18,413	\$ 93,300	\$ 41,120	\$ 285,275
City .....	148,137	15,459	178,678	74,271	416,545
Total Contributions .....	<u>280,579</u>	<u>33,872</u>	<u>271,978</u>	<u>115,391</u>	<u>701,820</u>
Investment Income					
Net Appreciation in Fair					
Value of Investments .....	339,014	87,863	265,358	123,711	815,946
Interest, Dividends and Other ....	171,746	46,418	97,155	31,601	346,920
Investment Expense .....	(25,914)	(8,068)	(14,679)	(7,543)	(56,204)
Net Investment Income .....	<u>484,846</u>	<u>126,213</u>	<u>347,834</u>	<u>147,769</u>	<u>1,106,662</u>
Securities Lending Transactions					
Securities Lending Income .....	55,763	11,465	33,942	13,929	115,099
Securities Lending Expense .....	(54,683)	(12,474)	(31,834)	(12,730)	(111,721)
Net Securities Lending Transactions .....	<u>1,080</u>	<u>(1,009)</u>	<u>2,108</u>	<u>1,199</u>	<u>3,378</u>
Total Additions .....	<u>766,505</u>	<u>159,076</u>	<u>621,920</u>	<u>264,359</u>	<u>1,811,860</u>
<b>DEDUCTIONS</b>					
Benefits and Refunds of					
Deductions .....	590,577	112,567	477,685	183,305	1,364,134
Administrative and General .....	7,532	3,353	3,077	3,084	17,046
Total Deductions .....	<u>598,109</u>	<u>115,920</u>	<u>480,762</u>	<u>186,389</u>	<u>1,381,180</u>
Net Increase in Net Assets .....	<u>168,396</u>	<u>43,156</u>	<u>141,158</u>	<u>77,970</u>	<u>430,680</u>
Net Assets Held in Trust for					
Pension Benefits:					
Beginning of Year .....	<u>6,841,128</u>	<u>1,739,661</u>	<u>4,192,076</u>	<u>1,391,484</u>	<u>14,164,349</u>
End of Year .....	<u>\$ 7,009,524</u>	<u>\$ 1,782,817</u>	<u>\$ 4,333,234</u>	<u>\$ 1,469,454</u>	<u>\$ 14,595,029</u>



# PART III

## STATISTICAL SECTION (UNAUDITED)

This part of the City of Chicago's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the city's overall financial health.

### Contents

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the city's financial performance and well being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning that year.

**Table 1**  
**CITY OF CHICAGO**  
**NET ASSETS BY COMPONENT**  
**Last Six Fiscal Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in capital assets, net of related debt .....	\$ 1,418,685	\$ 1,091,893	\$ 813,964	\$ 514,271	\$ 574,393	\$ 570,665
Restricted .....	997,687	1,216,595	1,346,754	2,632,804	2,451,160	2,980,207
Unrestricted (deficit) .....	(827,376)	(1,202,113)	(1,397,160)	(1,597,634)	(2,003,328)	(3,435,506)
Total governmental activities net assets .....	<u>\$ 1,588,996</u>	<u>\$ 1,106,375</u>	<u>\$ 763,558</u>	<u>\$ 1,549,441</u>	<u>\$ 1,022,225</u>	<u>\$ 115,366</u>
Business-type activities:						
Invested in capital assets, net of related debt .....	\$ 1,744,719	\$ 1,560,539	\$ 1,610,788	\$ 1,879,343	\$ 1,940,069	\$ 2,168,833
Restricted .....	716,704	897,313	877,781	886,488	971,669	881,908
Unrestricted .....	(23,929)	(16,955)	(117,238)	(1,603,766)	(1,587,939)	(1,561,634)
Total business type activities, net assets .....	<u>\$ 2,437,494</u>	<u>\$ 2,440,897</u>	<u>\$ 2,371,331</u>	<u>\$ 1,162,065</u>	<u>\$ 1,323,799</u>	<u>\$ 1,489,107</u>
Primary Government:						
Invested in capital assets, net of related debt .....	\$ 3,163,404	\$ 2,652,432	\$ 2,424,752	\$ 2,393,614	\$ 2,514,462	\$ 2,739,498
Restricted .....	1,714,391	2,113,908	2,224,535	3,519,292	3,422,829	3,862,115
Unrestricted .....	(851,305)	(1,219,068)	(1,514,398)	(3,201,400)	(3,591,267)	(4,997,140)
Total primary government, net assets .....	<u>\$ 4,026,490</u>	<u>\$ 3,547,272</u>	<u>\$ 3,134,889</u>	<u>\$ 2,711,506</u>	<u>\$ 2,346,024</u>	<u>\$ 1,604,473</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ended 2002.

**Table 2**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Six Fiscal Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
Governmental Activities:						
General Government .....	\$ 1,587,322	\$ 1,738,548	\$ 1,642,072	\$ 1,842,353	\$ 2,088,299	\$ 2,452,145
Public Safety .....	1,623,340	1,646,760	1,853,887	1,834,008	2,300,048	2,435,437
Employee Pensions .....	328,518	354,819	299,810	388,053	-	-
Streets and Sanitation .....	318,982	335,727	334,878	353,976	337,103	367,222
Transportation .....	240,572	304,580	275,536	285,598	292,679	333,401
Health .....	178,741	174,780	164,830	147,376	170,769	175,577
Cultural and Recreational .....	102,516	100,725	95,924	114,504	119,193	128,003
Other .....	10,332	10,771	10,581	9,892	-	-
Interest on Long-term Debt .....	280,347	301,181	352,119	335,373	371,523	385,305
Total Governmental Activities Expenses .....	<u>4,670,670</u>	<u>4,967,891</u>	<u>5,029,637</u>	<u>5,311,133</u>	<u>5,679,614</u>	<u>6,277,090</u>
Business-type Activities:						
Water .....	305,246	318,925	297,902	326,444	324,075	350,181
Sewer .....	146,286	144,420	135,013	132,727	130,471	136,961
Chicago Midway International Airport .....	117,117	128,550	138,404	170,959	188,092	211,082
Chicago-O'Hare International Airport .....	611,484	636,653	645,437	692,575	697,497	751,351
Chicago Skyway .....	34,790	37,544	42,373	16,915	12,752	13,555
Total Business-type Activities .....	<u>1,214,923</u>	<u>1,266,092</u>	<u>1,259,129</u>	<u>1,339,620</u>	<u>1,352,887</u>	<u>1,463,130</u>
Total Primary Government .....	<u>\$ 5,885,593</u>	<u>\$ 6,233,983</u>	<u>\$ 6,288,766</u>	<u>\$ 6,650,753</u>	<u>\$ 7,032,501</u>	<u>\$ 7,740,220</u>

**NOTE:**

Employee Pensions and Other have been reclassified by function.  
The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ended 2002.

**Table 2 - Continued**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Six Fiscal Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007
<b>Program Revenues</b>						
Governmental Activities:						
Licenses, Permits, Fines and						
Charges for Services:						
General Government .....	\$ 337,809	\$ 350,643	\$ 362,973	\$ 363,196	\$ 385,082	\$ 422,363
Public Safety .....	91,392	99,907	112,721	120,853	151,835	155,529
Streets and Sanitation .....	26,937	24,420	31,494	36,980	36,058	41,467
Transportation .....	14,216	21,697	23,589	23,260	10,224	13,262
Health .....	3,135	6,083	12,333	4,165	5,529	2,795
Cultural and Recreational .....	18,977	20,217	21,423	24,288	23,127	24,412
Other .....	-	-	-	1	-	-
Operating Grants and Contributions .....	710,906	680,939	649,066	637,654	659,279	610,974
Capital Grants and Contributions .....	352,189	236,676	173,529	133,673	142,705	137,613
<b>Total Governmental Activities .....</b>	<b>1,555,561</b>	<b>1,440,582</b>	<b>1,387,128</b>	<b>1,344,070</b>	<b>1,413,839</b>	<b>1,408,415</b>
Business-type Activities:						
Licenses, Permits, Fines and						
Charges for Services:						
Water .....	315,458	317,455	327,514	344,267	330,439	334,377
Sewer .....	141,330	142,373	144,988	143,522	136,437	138,681
Chicago Midway International Airport .....	89,858	78,973	85,608	92,228	105,570	107,253
Chicago-O'Hare International Airport .....	451,046	481,957	442,569	532,877	545,916	652,763
Chicago Skyway .....	43,232	39,770	41,191	1,896	-	-
Capital Grants and Contributions .....	194,922	179,626	210,915	228,467	273,320	268,331
<b>Total Business-type activities and</b>						
Program Revenues .....	1,235,846	1,240,154	1,252,785	1,343,257	1,391,682	1,501,405
<b>Total Primary Government</b>						
Program Revenues .....	\$ 2,791,407	\$ 2,680,736	\$ 2,639,913	\$ 2,687,327	\$ 2,805,521	\$ 2,909,820
<b>Net (Expenses)/Revenues</b>						
Governmental Activities .....	\$ (3,115,109)	\$ (3,527,309)	\$ (3,642,509)	\$ (3,967,063)	\$ (4,265,775)	\$ (4,868,675)
Business-type Activities .....	20,923	(25,938)	(6,344)	3,637	38,795	38,275
<b>Total Primary Government Net Expense .....</b>	<b>\$ (3,094,186)</b>	<b>\$ (3,553,247)</b>	<b>\$ (3,648,853)</b>	<b>\$ (3,963,426)</b>	<b>\$ (4,226,980)</b>	<b>\$ (4,830,400)</b>

**Table 2 - Concluded**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Six Fiscal Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007
<b>General Revenues and Other</b>						
<b>Changes in Net Assets</b>						
Governmental Activities:						
Taxes						
Property Tax .....	\$ 692,867	\$ 706,666	\$ 693,411	\$ 696,085	\$ 700,636	\$ 732,415
Utility Tax .....	488,419	512,567	504,800	539,325	522,089	552,179
Sales Tax .....	190,462	187,152	203,251	248,807	288,052	293,078
Transportation Tax .....	322,811	330,926	322,018	337,993	337,780	332,459
Transaction Tax .....	232,168	242,212	278,584	325,227	339,020	304,715
Special Area Tax .....	150,077	277,401	350,293	386,537	460,940	533,260
Other Taxes .....	162,951	166,671	165,607	205,811	233,620	245,408
Grants and Contributions Not						
Restricted to Specific Programs .....	506,452	498,205	522,951	606,509	654,017	714,661
Unrestricted Investment Earnings .....	52,377	24,414	27,377	80,728	148,631	182,700
Transfers .....	27,662	-	96,000	1,236,099	2,000	1,000
Miscellaneous .....	74,187	98,474	135,400	89,825	51,774	69,941
Total Governmental Activities .....	<u>2,900,433</u>	<u>3,044,688</u>	<u>3,299,692</u>	<u>4,752,946</u>	<u>3,738,559</u>	<u>3,961,816</u>
Business-type Activities:						
Investment Earnings .....	42,094	28,093	27,109	57,916	97,556	100,720
Miscellaneous .....	6,132	1,248	5,669	(34,720)	27,383	27,313
Transfers .....	(27,662)	-	(96,000)	(1,236,099)	(2,000)	(1,000)
Total Business-type Activities .....	<u>20,564</u>	<u>29,341</u>	<u>(63,222)</u>	<u>(1,212,903)</u>	<u>122,939</u>	<u>127,033</u>
Total Primary Government .....	<u>\$ 2,920,997</u>	<u>\$ 3,074,029</u>	<u>\$ 3,236,470</u>	<u>\$ 3,540,043</u>	<u>\$ 3,861,498</u>	<u>\$ 4,088,849</u>
<b>Change in Net Assets</b>						
Governmental Activities .....	(214,676)	(482,621)	(342,817)	785,883	(527,216)	(906,859)
Business-type Activities .....	41,487	3,403	(69,566)	(1,209,266)	161,734	165,308
Total Primary Government .....	<u>\$ (173,189)</u>	<u>\$ (479,218)</u>	<u>\$ (412,383)</u>	<u>\$ (423,383)</u>	<u>\$ (365,482)</u>	<u>\$ (741,551)</u>

**Table 3**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**Last Ten Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

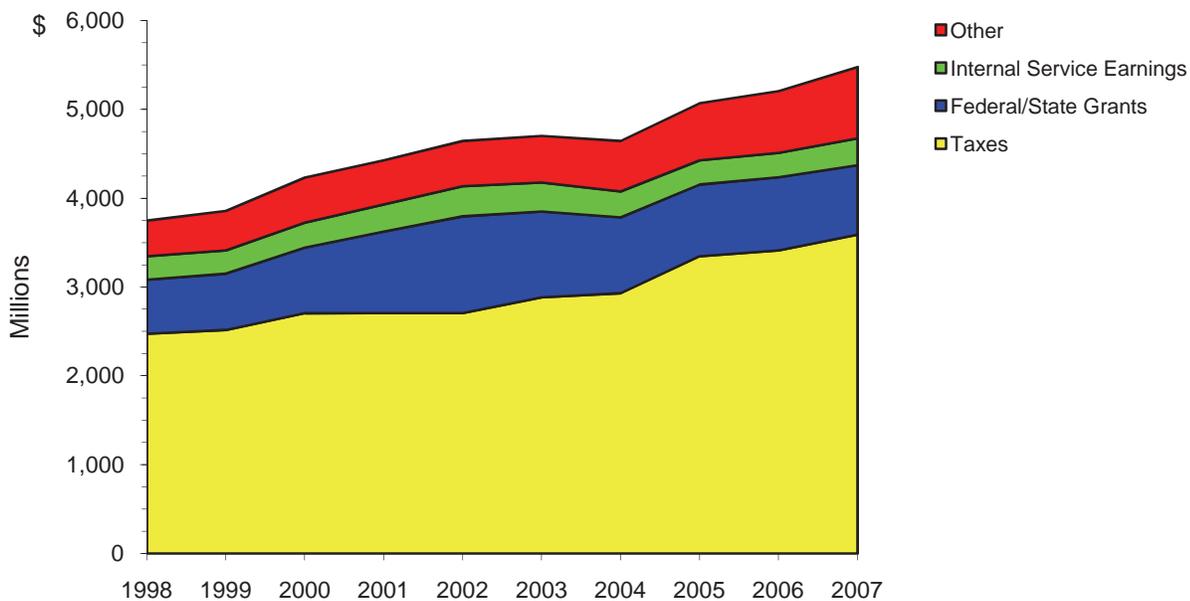
	1998	Percent of Total	1999	Percent of Total	2000	Percent of Total
Revenues:						
Property Tax .....	\$ 677,426	18.1 %	\$ 642,692	16.7 %	\$ 664,007	15.7 %
Utility Tax .....	440,178	11.7	456,011	11.8	482,610	11.4
Sales Tax .....	384,056	10.2	408,842	10.6	436,320	10.3
Transportation Tax .....	272,246	7.3	277,554	7.2	319,214	7.5
State Income Tax .....	300,088	8.0	303,431	7.9	336,011	7.9
Transaction Tax .....	174,039	4.6	187,871	4.9	200,804	4.7
Special Area Tax .....	63,034	1.7	80,417	2.1	97,510	2.3
Other Taxes .....	163,674	4.3	160,706	4.2	169,340	4.0
Total Taxes .....	<u>2,474,741</u>	<u>66.0</u>	<u>2,517,524</u>	<u>65.3</u>	<u>2,705,816</u>	<u>63.9</u>
Federal/State Grants .....	608,433	16.2	632,835	16.4	738,055	17.4
Internal Service .....	263,231	7.0	261,056	6.8	282,458	6.7
Licenses and Permits .....	58,418	1.6	64,464	1.7	70,269	1.7
Fines .....	114,824	3.1	110,039	2.9	134,259	3.2
Investment Income .....	86,376	2.3	89,762	2.3	121,760	2.9
Charges for Services .....	101,655	2.7	93,723	2.4	109,703	2.6
Miscellaneous .....	40,053	1.1	86,788	2.3	70,409	1.7
Total Revenues .....	<u>\$ 3,747,731</u>	<u>100.0 %</u>	<u>\$ 3,856,191</u>	<u>100.0 %</u>	<u>\$ 4,232,729</u>	<u>100.0 %</u>
	2005	Percent of Total	2006	Percent of Total	2007	Percent of Total
Revenues:						
Property Tax .....	\$ 739,419	14.6 %	\$ 665,990	12.8 %	\$ 661,707	12.1 %
Utility Tax .....	539,325	10.6	522,089	10.0	552,179	10.1
Sales Tax .....	499,228	9.8	559,156	10.7	570,927	10.4
Transportation Tax .....	337,993	6.7	337,780	6.5	332,459	6.1
State Income Tax .....	354,022	7.0	380,111	7.3	433,446	7.9
Transaction Tax .....	325,227	6.4	339,020	6.5	304,715	5.6
Special Area Tax .....	346,580	6.8	374,342	7.2	488,193	8.9
Other Taxes .....	205,811	4.1	233,620	4.5	245,408	4.5
Total Taxes .....	<u>3,347,605</u>	<u>66.0</u>	<u>3,412,108</u>	<u>65.5</u>	<u>3,589,034</u>	<u>65.6</u>
Federal/State Grants .....	806,472	15.9	823,504	15.8	781,967	14.3
Internal Service .....	273,516	5.4	275,191	5.3	303,827	5.5
Licenses and Permits .....	120,904	2.4	117,689	2.3	148,172	2.7
Fines .....	210,850	4.2	221,819	4.3	240,277	4.4
Investment Income .....	80,728	1.6	148,631	2.9	182,700	3.3
Charges for Services .....	131,139	2.6	155,215	3.0	151,369	2.8
Miscellaneous .....	97,093	1.9	51,774	1.0	79,956	1.4
Total Revenues .....	<u>\$ 5,068,307</u>	<u>100.0 %</u>	<u>\$ 5,205,931</u>	<u>100.0 %</u>	<u>5,477,302</u>	<u>100.0 %</u>

**NOTE:**

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

2001	Percent of Total	2002	Percent of Total	2003	Percent of Total	2004	Percent of Total
\$ 641,351	14.5 %	\$ 662,919	14.3 %	\$ 729,458	15.5 %	\$ 651,950	14.0 %
503,971	11.4	488,419	10.5	512,567	10.9	504,800	10.9
430,637	9.7	419,491	9.0	414,425	8.8	441,579	9.5
309,502	7.0	322,811	7.0	330,926	7.0	322,018	6.9
314,581	7.1	273,535	5.9	266,512	5.7	282,676	6.1
216,550	4.9	232,168	5.0	242,212	5.2	278,584	6.0
128,108	2.9	145,365	3.1	222,263	4.7	284,127	6.1
163,492	3.7	162,951	3.5	166,671	3.5	165,607	3.6
2,708,192	61.2	2,707,659	58.3	2,885,034	61.4	2,931,341	63.1
914,844	20.7	1,088,585	23.4	965,885	20.6	852,050	18.3
307,627	7.0	339,761	7.3	324,745	6.9	293,339	6.3
82,044	1.8	83,148	1.8	96,678	2.1	104,627	2.3
150,525	3.4	181,711	3.9	192,746	4.1	202,536	4.4
96,252	2.2	52,377	1.1	24,414	0.5	27,377	0.6
103,977	2.3	116,581	2.5	120,376	2.6	150,879	3.2
62,816	1.4	74,128	1.6	90,375	1.9	81,645	1.8
<b>\$ 4,426,277</b>	<b>100.0 %</b>	<b>\$ 4,643,950</b>	<b>100.0 %</b>	<b>\$ 4,700,253</b>	<b>100.0 %</b>	<b>\$ 4,643,794</b>	<b>100.0 %</b>

### REVENUE SOURCES



**Table 4**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)**  
**Last Ten Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

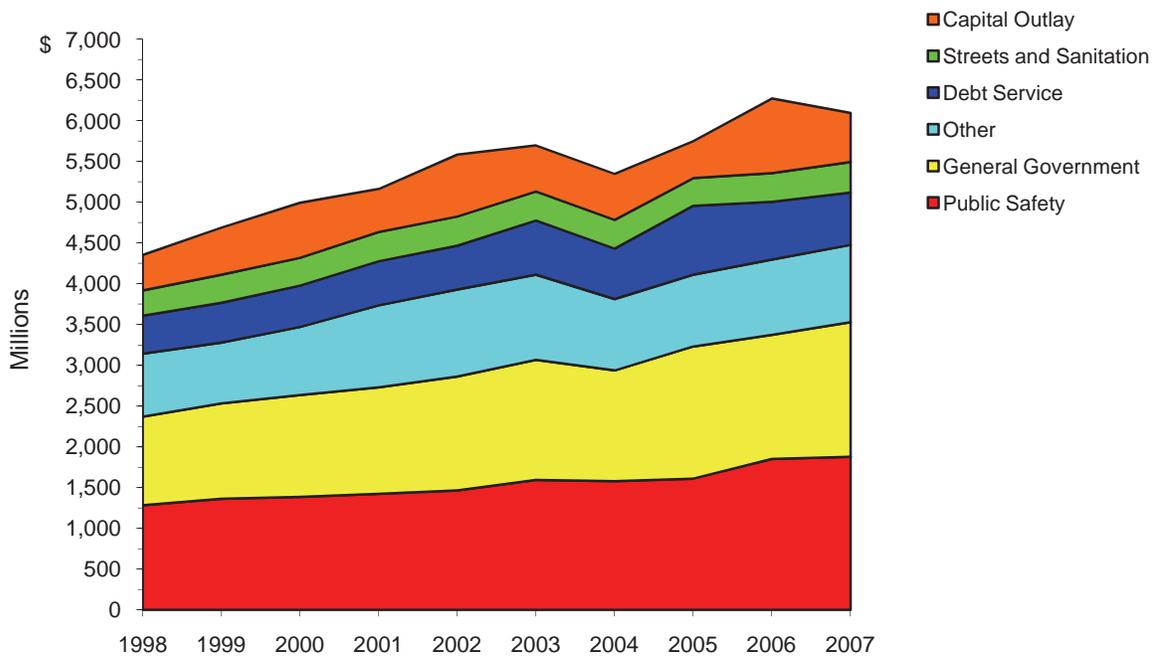
	1998	Percent of Total	1999	Percent of Total	2000	Percent of Total
Expenditures:						
Current:						
Public Safety .....	\$ 1,283,192	29.5 %	\$ 1,362,215	29.0 %	\$ 1,385,262	27.7 %
General Government .....	1,088,252	25.0	1,172,273	25.0	1,251,368	25.1
Employee Pensions .....	347,826	8.0	329,034	7.0	328,353	6.6
Streets and Sanitation .....	308,697	7.1	345,177	7.4	340,418	6.8
Transportation .....	221,009	5.1	208,034	4.4	252,283	5.1
Health .....	119,271	2.7	116,678	2.5	145,979	2.9
Cultural and Recreational .....	77,956	1.8	81,618	1.7	87,774	1.8
Other .....	5,542	0.1	11,082	0.2	20,645	0.4
Capital Outlay .....	435,585	10.0	577,135	12.3	675,067	13.5
Debt Service:						
Principal Retirement .....	305,542	7.0	303,597	6.5	287,468	5.8
Interest and Other Fiscal Charges .....	161,806	3.7	183,041	3.9	219,955	4.4
Total Expenditures .....	<u>\$ 4,354,678</u>	<u>100.0 %</u>	<u>\$ 4,689,884</u>	<u>100.0 %</u>	<u>\$ 4,994,572</u>	<u>100.0 %</u>
Debt Service as a Percentage of Non Capital Expenditures (2) ....						
	2005	Percent of Total	2006	Percent of Total	2007	Percent of Total
Expenditures:						
Current:						
Public Safety .....	\$ 1,611,923	28.0 %	\$ 1,851,356	29.5 %	\$ 1,880,599	30.8 %
General Government .....	1,620,307	28.2	1,523,482	24.3	1,650,679	27.1
Employee Pensions .....	388,053	6.7	396,923	6.3	371,649	6.1
Streets and Sanitation .....	339,760	5.9	353,828	5.6	377,485	6.1
Transportation .....	221,377	3.9	244,381	3.9	267,476	4.4
Health .....	166,580	2.9	173,594	2.8	195,254	3.2
Cultural and Recreational .....	95,153	1.7	99,841	1.6	108,527	1.8
Other .....	9,382	0.2	9,112	0.1	4,427	0.1
Capital Outlay .....	452,284	7.9	915,311	14.6	602,433	9.9
Debt Service:						
Principal Retirement .....	543,413	9.5	375,028	6.0	297,503	4.9
Interest and Other Fiscal Charges .....	301,662	5.2	331,507	5.3	342,489	5.6
Total Expenditures .....	<u>\$ 5,749,894</u>	<u>100.0 %</u>	<u>\$ 6,274,363</u>	<u>100.0 %</u>	<u>\$ 6,098,521</u>	<u>100.0 %</u>
Debt Service as a Percentage of Non Capital Expenditures (2) ....						
		<u>15.8 %</u>		<u>12.9 %</u>		<u>11.4 %</u>

**NOTES:**

- (1) Includes General, Special Revenue, Debt Service and Capital Project Funds.  
(2) Non Capital Expenditures include all expenditures except Capital Outlay and Capital Expenditures included with Transportation.

2001	Percent of Total	2002	Percent of Total	2003	Percent of Total	2004	Percent of Total
\$ 1,426,100	27.6 %	\$ 1,464,970	26.2 %	\$ 1,594,333	28.0 %	\$ 1,579,014	29.5 %
1,305,306	25.3	1,399,128	25.0	1,474,984	25.9	1,358,469	25.4
339,379	6.6	328,518	5.9	354,819	6.2	299,810	5.6
359,420	7.0	357,924	6.4	356,512	6.3	353,020	6.6
401,289	7.8	467,902	8.4	421,665	7.4	308,535	5.8
163,405	3.2	177,993	3.2	174,412	3.1	179,531	3.3
88,659	1.7	83,509	1.5	81,637	1.4	77,661	1.5
11,883	0.2	10,388	0.2	10,684	0.2	10,191	0.2
527,171	10.2	758,356	13.6	564,519	9.9	563,975	10.5
292,980	5.7	285,688	5.1	396,748	7.0	303,755	5.7
248,768	4.8	251,162	4.5	267,734	4.7	315,916	5.9
<b>\$ 5,164,360</b>	<b>100.0 %</b>	<b>\$ 5,585,538</b>	<b>100.0 %</b>	<b>\$ 5,698,047</b>	<b>100.0 %</b>	<b>\$ 5,349,877</b>	<b>100.0 %</b>
					12.8 %		12.7 %

### EXPENDITURES BY FUNCTION



**Table 4A**  
**CITY OF CHICAGO, ILLINOIS**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**  
**Modified Accrual Basis of Accounting**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Excess of revenues over (under) expenditures .....	\$ (606,947)	\$ (833,693)	\$ (761,843)	\$ (738,083)
Other Financing Sources (Uses):				
Issuance of Debt, including premium/discount .....	\$ 1,006,782	\$ 1,368,597	\$ 1,193,249	\$ 965,745
Payment to Refunded Bond Escrow Agent .....	(297,074)	(352,143)	(267,086)	(127,821)
Transfers in .....	76,749	88,373	108,616	213,346
Transfers out .....	(74,726)	(83,875)	(105,650)	(105,616)
Total other financing sources (uses) .....	<u>711,731</u>	<u>1,020,952</u>	<u>929,129</u>	<u>945,654</u>
Net change in fund balances .....	<u>\$ 104,784</u>	<u>\$ 187,259</u>	<u>\$ 167,286</u>	<u>\$ 207,571</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>\$ 941,588</u>	<u>\$ (997,794)</u>	<u>\$ (706,083)</u>	<u>\$ (681,587)</u>	<u>\$ (1,068,432)</u>	<u>\$ (621,219)</u>
\$ 917,326	\$ 1,322,827	\$ 720,357	\$ 1,871,896	\$ 762,833	\$ 1,653,881
(132,289)	(173,725)	(143,143)	(1,186,065)	(276,607)	(951,419)
138,882	166,798	200,780	1,469,857	670,035	332,016
(111,220)	(166,798)	(104,780)	(233,758)	(668,035)	(331,016)
<u>812,699</u>	<u>1,149,102</u>	<u>673,214</u>	<u>1,921,930</u>	<u>488,226</u>	<u>703,462</u>
<u>\$ 1,754,287</u>	<u>\$ 151,308</u>	<u>\$ (32,869)</u>	<u>\$ 1,240,343</u>	<u>\$ (580,206)</u>	<u>\$ 82,243</u>

**Table 5**  
**CITY OF CHICAGO, ILLINOIS**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years Ended December 31, 2007**  
**(Amounts Are in Thousands of Dollars)**  
**(Modified Accrual Basis of Accounting)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund:				
Reserved .....	\$ 62,181	\$ 71,077	\$ 85,744	\$ 113,208
Unreserved .....	177,254	108,107	80,653	33,241
Total General Fund .....	<u>239,435</u>	<u>179,184</u>	<u>166,397</u>	<u>146,449</u>
Other Governmental Funds:				
Reserved .....	372,070	498,734	439,737	477,172
Unreserved, Reported in:				
Special Revenue Funds .....	84,069	47,327	84,981	127,474
Capital Projects Funds .....	613,251	773,294	974,231	1,122,892
Debt Service Funds .....	-	-	-	-
Permanent Fund (1) .....	-	-	-	-
Total All Other Governmental Funds .....	<u>1,069,390</u>	<u>1,319,355</u>	<u>1,498,949</u>	<u>1,727,538</u>
Total Governmental Funds .....	<u>\$ 1,308,825</u>	<u>\$ 1,498,539</u>	<u>\$ 1,665,346</u>	<u>\$ 1,873,987</u>

**NOTES:**

(1) This balance represents the Reserve Fund, Unreserved. Designated for future Appropriations balance.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 124,447	\$ 40,897	\$ 30,981	\$ 53,171	\$ 35,557	\$ 39,673
13,014	19,458	42,246	57,648	26,834	4,634
<u>137,461</u>	<u>60,355</u>	<u>73,227</u>	<u>110,819</u>	<u>62,391</u>	<u>44,307</u>
453,902	481,563	488,985	1,350,927	800,546	1,191,674
109,027	200,175	294,690	525,769	723,353	816,551
1,039,993	1,149,095	999,816	832,129	696,630	906,603
-	-	-	-	-	(556,819)
-	-	-	274,272	231,017	191,391
<u>1,602,922</u>	<u>1,830,833</u>	<u>1,783,491</u>	<u>2,983,097</u>	<u>2,451,546</u>	<u>2,549,400</u>
<u>\$ 1,740,383</u>	<u>\$ 1,891,188</u>	<u>\$ 1,856,718</u>	<u>\$ 3,093,916</u>	<u>\$ 2,513,937</u>	<u>\$ 2,593,707</u>

**Table 6**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2003 (3)	2004 (4)	2005 (4)	2006 (4)	2007 (4)
<b>Revenues:</b>					
Utility Tax .....	\$ 467,735	\$ 460,596	\$ 492,109	\$ 475,482	\$ 501,023
Sales Tax .....	385,891	412,909	471,069	537,441	543,238
State Income Tax .....	214,413	258,378	307,462	314,559	377,727
Other Taxes .....	532,874	570,002	669,041	708,706	687,511
Federal/State Grants .....	4,420	1,947	2,066	2,802	3,366
Other Revenues (1) .....	717,387	698,168	722,366	729,999	822,561
Total Revenues .....	<u>2,322,720</u>	<u>2,402,000</u>	<u>2,664,113</u>	<u>2,768,989</u>	<u>2,935,426</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety .....	1,566,645	1,540,686	1,546,359	1,783,993	1,845,497
General Government .....	754,807	692,090	884,040	783,059	860,976
Other (2) .....	329,541	323,410	301,466	328,081	349,616
Debt Service .....	10,109	11,472	7,705	7,069	6,930
Total Expenditures .....	<u>2,661,102</u>	<u>2,567,658</u>	<u>2,739,570</u>	<u>2,902,202</u>	<u>3,063,019</u>
Revenues Under Expenditures .....	<u>(338,382)</u>	<u>(165,658)</u>	<u>(75,457)</u>	<u>(133,213)</u>	<u>(127,593)</u>
<b>Other Financing Sources (Uses):</b>					
<b>Issuance of Debt, Net of Original</b>					
Discount/Including Premium .....	194,292	87,465	15,050	-	23,921
Transfers In .....	67,487	92,666	118,244	115,058	130,561
Transfers Out .....	-	-	(17,100)	(30,500)	(42,500)
Total Other Financing Sources (Uses) ..	<u>261,779</u>	<u>180,131</u>	<u>116,194</u>	<u>84,558</u>	<u>111,982</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	(76,603)	14,473	40,737	(48,655)	(15,611)
Fund Balance - Beginning of Year .....	137,461	60,355	73,227	110,819	62,391
Change in Inventory .....	<u>(503)</u>	<u>(1,601)</u>	<u>(3,145)</u>	<u>227</u>	<u>(2,473)</u>
Fund Balance - End of Year .....	<u>\$ 60,355</u>	<u>\$ 73,227</u>	<u>\$ 110,819</u>	<u>\$ 62,391</u>	<u>\$ 44,307</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, 2003.
- (4) Source: City of Chicago Basic Financial Statements for years ended December 31, 2004-2007.

**Table 7**  
**CITY OF CHICAGO, ILLINOIS**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2003 (3)	2004 (4)	2005 (4)	2006 (4)	2007 (4)
<b>Revenues:</b>					
Property Tax .....	\$ 301,943	\$ 265,026	\$ 310,543	\$ 302,772	\$ 314,742
Utility Tax .....	28,503	33,559	31,675	24,299	28,838
Sales Tax .....	256	126	93	76	5
State Income Tax .....	52,099	24,298	46,560	65,552	55,719
Other Taxes .....	272,635	299,498	334,580	382,232	465,533
Federal/State Grants .....	961,465	850,103	804,406	820,702	778,601
Other Revenues (1) .....	90,905	98,869	107,150	115,023	114,906
Total Revenues .....	<u>1,707,806</u>	<u>1,571,479</u>	<u>1,635,007</u>	<u>1,710,656</u>	<u>1,758,344</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety .....	27,688	38,328	65,564	67,363	35,102
General Government .....	720,177	666,379	736,267	740,423	789,703
Employee Pensions .....	354,819	299,810	388,053	396,923	371,649
Other (2) .....	715,369	605,528	530,786	552,675	603,553
Capital Outlay .....	6,591	4,137	16,513	8,110	16,674
Debt Service .....	4,170	4,557	80,129	6,356	7,603
Total Expenditures .....	<u>1,828,814</u>	<u>1,618,739</u>	<u>1,817,312</u>	<u>1,771,850</u>	<u>1,824,284</u>
Revenues Under Expenditures .....	<u>(121,008)</u>	<u>(47,260)</u>	<u>(182,305)</u>	<u>(61,194)</u>	<u>(65,940)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of Debt, Net of Original Discount/Including Premium .....	173,457	84,990	104,750	79,250	144,614
Payment to Refunded Bond Escrow Agent ...	-	-	(134,148)	-	-
Transfers In .....	65,902	77,469	521,879	193,850	108,045
Transfers Out .....	(31,990)	(21,948)	(55,168)	(38,177)	(86,470)
Total Other Financing Sources (Uses) ....	<u>207,369</u>	<u>140,511</u>	<u>437,313</u>	<u>234,923</u>	<u>166,189</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	86,361	93,251	255,008	173,729	100,249
Fund Balance - Beginning of Year .....	<u>174,499</u>	<u>260,860</u>	<u>354,111</u>	<u>609,119</u>	<u>782,848</u>
Fund Balance - End of Year .....	<u>\$ 260,860</u>	<u>\$ 354,111</u>	<u>\$ 609,119</u>	<u>\$ 782,848</u>	<u>\$ 883,097</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, 2003.
- (4) Source: Major and Nonmajor Special Revenue Funds for years ended December 31, 2004-2007.

**Table 8**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2003 (2)	2004 (3)	2005 (3)	2006 (3)	2007 (3)
Revenues:					
Property Tax .....	\$ 427,515	\$ 386,924	\$ 428,876	\$ 363,218	\$ 346,965
Utility Tax .....	16,329	10,645	15,541	22,308	22,318
Sales Tax .....	28,278	28,544	28,066	21,639	27,684
Other Taxes .....	156,563	180,836	211,990	193,824	217,731
Other Revenues (1) .....	2,396	7,222	32,522	33,368	30,594
Total Revenues .....	<u>631,081</u>	<u>614,171</u>	<u>716,995</u>	<u>634,357</u>	<u>645,292</u>
Expenditures:					
Debt Service .....	650,203	603,642	757,241	693,110	625,459
Total Expenditures .....	<u>650,203</u>	<u>603,642</u>	<u>757,241</u>	<u>693,110</u>	<u>625,459</u>
Revenues Over (Under) Expenditures .....	<u>(19,122)</u>	<u>10,529</u>	<u>(40,246)</u>	<u>(58,753)</u>	<u>19,833</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original Discount/Including Premium .....	310,081	178,694	1,513,417	302,658	777,151
Payment to Refunded Bond Escrow Agent .....	(173,725)	(143,143)	(1,051,917)	(276,607)	(951,419)
Transfers In .....	22,671	7,723	2,107	8,741	63,807
Transfers Out .....	(63,574)	(45,762)	(93,246)	(509,884)	(73,325)
Total Other Financing Sources (Uses) .....	<u>95,453</u>	<u>(2,488)</u>	<u>370,361</u>	<u>(475,092)</u>	<u>(183,786)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	76,331	8,041	330,115	(533,845)	(163,953)
Fund Balance - Beginning of Year .....	<u>274,400</u>	<u>350,731</u>	<u>358,772</u>	<u>688,887</u>	<u>155,042</u>
Fund Balance - End of Year .....	<u>\$ 350,731</u>	<u>\$ 358,772</u>	<u>\$ 688,887</u>	<u>\$ 155,042</u>	<u>\$ (8,911)</u>

**NOTES:**

(1) Includes Investment Income and Miscellaneous Revenues.

(2) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2003.

(3) Source: Major (Bond, Note Redemption and Interest) and Nonmajor (Special Taxing Areas) Debt Service Funds for years ended December 31, 2004-2007.

**Table 9**  
**CITY OF CHICAGO, ILLINOIS**  
**CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	2003 (2)	2004 (3)	2005 (3)	2006 (3)	2007 (3)
Revenues:					
Other Revenues (1) .....	\$ 38,646	\$ 56,144	\$ 34,676	\$ 56,687	\$ 76,666
Total Revenues .....	<u>38,646</u>	<u>56,144</u>	<u>34,676</u>	<u>56,687</u>	<u>76,666</u>
Expenditures:					
Capital Outlay .....	557,928	559,838	435,771	907,201	585,759
Total Expenditures .....	<u>557,928</u>	<u>559,838</u>	<u>435,771</u>	<u>907,201</u>	<u>585,759</u>
Revenues Under Expenditures .....	<u>(519,282)</u>	<u>(503,694)</u>	<u>(401,095)</u>	<u>(850,514)</u>	<u>(509,093)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original Discount/Including Premium .....	644,997	369,208	238,679	380,925	708,195
Transfers In .....	10,738	22,922	2,627	352,386	29,603
Transfers Out .....	(71,234)	(37,070)	-	(10,977)	(27,521)
Total Other Financing Sources (Uses) ..	<u>584,501</u>	<u>355,060</u>	<u>241,306</u>	<u>722,334</u>	<u>710,277</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	65,219	(148,634)	(159,789)	(128,180)	201,184
Fund Balance - Beginning of Year .....	<u>1,154,023</u>	<u>1,219,242</u>	<u>1,070,608</u>	<u>910,819</u>	<u>782,639</u>
Fund Balance - End of Year .....	<u>\$ 1,219,242</u>	<u>\$ 1,070,608</u>	<u>\$ 910,819</u>	<u>\$ 782,639</u>	<u>\$ 983,823</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, 2003.  
(3) Source: Major (Community Development and Improvement Projects) and Nonmajor (Capital Projects Funds) for years ended December 31, 2004-2007.

**Table 10**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY TAX LEVIES BY FUND (1)**  
**Five Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	<u>2003</u>	<u>2004</u>	<u>Percent Change</u>
Note Redemption and Interest (2) .....	\$ 179,638	\$ 138,122	(23.11) %
Bond Redemption and Interest .....	248,222	282,400	13.77
Policemen's Annuity and Benefit (3) .....	122,548	119,826	(2.22)
Municipal Employees' Annuity and Benefit (3) .....	116,087	126,624	9.08
Firemen's Annuity and Benefit (3) .....	<u>53,200</u>	<u>52,808</u>	(0.74)
Total .....	<u>\$ 719,695</u>	<u>\$ 719,780</u>	0.01

**NOTES:**

- (1) See Table 11 - PROPERTY TAXES FOR ALL CITY FUNDS, COLLECTIONS AND ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES 1998 - 2007. 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.

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<u>2005</u>	<u>Percent Change</u>	<u>2006</u>	<u>Percent Change</u>	<u>2007</u>	<u>Percent Change</u>
\$ 81,223	(41.19) %	\$ 60,116	(25.99) %	\$ 32,970	(45.16) %
312,780	10.76	316,858	1.30	381,145	20.29
137,284	14.57	135,528	(1.28)	141,080	4.10
137,412	8.52	137,228	(0.13)	128,378	(6.45)
<u>49,372</u>	(6.51)	<u>69,500</u>	40.77	<u>65,242</u>	(6.13)
<u>\$ 718,071</u>	(0.24)	<u>\$ 719,230</u>	0.16	<u>\$ 748,815 (4)</u>	4.11

**Table 11**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY LEVIES, COLLECTIONS AND**  
**ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES**  
**Last Ten Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

Tax Year (1)	Total Tax Levy for Fiscal Year (2)	Collected Within Fiscal Year		Collections in Subsequent Years	Total Collections to Date		Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
		Amount	Percen- tage of Levy		Amount	Percen- tage of Levy		
1998 .....	\$ 678,260	\$ 631,009	93.03 %	\$ 30,898	\$ 661,907	97.59 %	\$ 16,353	\$ -
1999 .....	657,731	638,228	97.03	8,806	647,034	98.37	10,697	-
2000 .....	672,104	646,409	96.18	9,967	656,376	97.66	15,728	-
2001 .....	687,381	664,393	96.66	13,969	678,362	98.69	9,019	-
2002 .....	707,181	676,997	95.73	14,804	691,801	97.83	15,380	-
2003 .....	719,695 (3)	674,325	93.70	30,206	704,531	97.89	15,164	-
2004 .....	719,780 (3)	694,214	96.45	16,459	710,673	98.73	8,942	165
2005 .....	718,071 (3)	694,593	96.73	17,969	712,562	99.23	5,399	110
2006 .....	719,230 (3)	630,666	87.69	-	630,666	87.69	21,391	67,173
2007 .....	748,815 (3), (4)	-	N/A	-	-	N/A	29,953	718,862
Total Net Outstanding Taxes Receivable .....								<u>\$ 786,310</u>

**NOTES:**

- (1) Taxes for each year become due and payable in the following year. For example, taxes for the 2007 tax levy become due and payable in 2008.
- (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 12**  
**CITY OF CHICAGO, ILLINOIS**  
**TOP TEN ESTIMATED EQUALIZED ASSESSED VALUATION (EAV)**  
**Current Year and Nine Years Ago (2)**  
**(Amounts are in Thousands of Dollars)**

Property	2006 EAV	Rank	Percent- tage of Total EAV	1997 EAV	Rank	Percent- tage of Total EAV
Sears Tower .....	\$ 493,803	1	0.71 %	\$ 291,617	1	0.87 %
AON Building (3) .....	356,510	2	0.51	212,586	2	0.64
One First National Plaza .....	-			183,285	4	0.55
Chicago Mercantile Exchange .....	-		0.00	199,582	3	0.60
Prudential Plaza .....	279,532	4	0.40	161,832	5	0.49
AT&T Corporate Center 1 .....	283,387	3	0.41	157,286	6	0.47
Citicorp Plaza .....	205,854	7	0.30	128,484	9	0.39
Three First National Plaza .....	196,044	9	0.28	129,100	7	0.39
900 North Michigan .....	-			123,974	10	0.37
Leo Burnett Building .....	201,662	8	0.29	-		
Chase Plaza .....	238,266	5	0.34	-		
Water Tower Place .....	219,995	6	0.32	-		
Hyatt Regency Hotel .....	-		0.00	128,846	8	0.39
UBS Tower .....	189,061	10	0.27	-		
Totals .....	<u>\$ 2,664,114</u>		<u>3.83 %</u>	<u>\$ 1,716,592</u>		<u>5.16 %</u>

**NOTES:**

- (1) Source: Cook County Treasurer's Office, Cook County Assessor's Office.
- (2) 2007 information not available at time of publication.
- (3) AON Building formerly known as AMOCO Building.

**Table 13**  
**CITY OF CHICAGO, ILLINOIS**  
**ASSESSED AND ESTIMATED FAIR MARKET VALUE OF ALL TAXABLE PROPERTY**  
**Last Ten Years**  
**(Amounts are in Thousands of Dollars)**

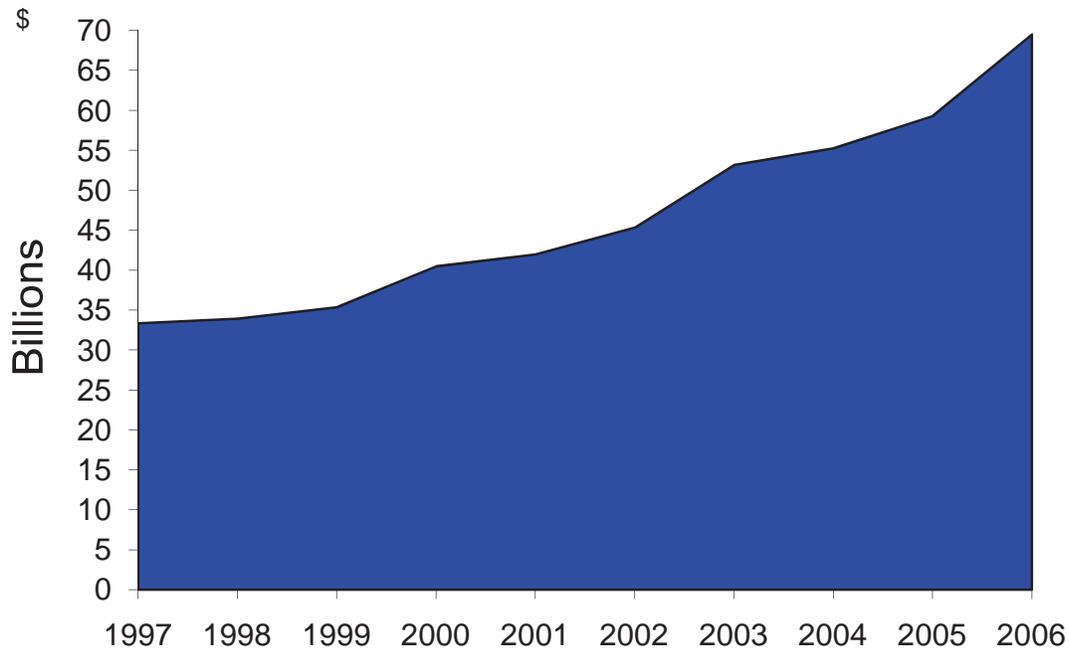
Tax Year	Assessed Values (1)				
	Class 2 (2)	Class 3 (3)	Class 5 (4)	Other (5)	Total
1997	\$ 6,554,716	\$ 2,077,043	\$ 7,809,485	\$ 357,517	\$ 16,798,761
1998	6,646,198	2,047,577	7,848,335	267,007	16,809,117
1999	6,777,400	2,021,411	7,910,838	282,255	16,991,904
2000	8,758,682	1,966,921	8,807,444	342,943	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	12,988,216	1,883,048	10,401,429	465,462	25,738,154
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948
2006 (9)	18,521,873	2,006,898	12,157,149	688,868	33,374,788

**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) 2007 information not available at time of publication.
- (10) 2006 information not available at time of publication.

State Equalization Factor (6)	Total Equalized Assessed Value (7)	Total Direct Tax Rate	Total Estimated Fair Market Value (8)	Ratio of Total Equalized Assessed to Total Estimated Fair Market Value (9)
2.1489	\$ 33,349,557	\$ 2.024	\$ 111,679,906	29.86 %
2.1799	33,940,146	1.998	122,726,446	27.66
2.2505	35,354,802	1.860	135,522,333	26.09
2.2235	40,480,077	1.660	162,593,364	24.90
2.3098	41,981,912	1.637	185,912,246	22.58
2.4689	45,330,892	1.591	201,938,231	22.45
2.4598	53,168,632	1.380	223,572,427	23.78
2.5757	55,277,096	1.302	262,080,627	21.09
2.7320	59,304,530	1.243	286,354,518	20.71
2.7080	69,517,264	1.062	N/A (10)	N/A (10)

### EQUALIZED ASSESSED VALUE



**Table 14**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**Per \$100 OF EQUALIZED ASSESSED VALUATION**  
**Last Ten Years**

Tax Year	City	Chicago School Finance Authority	Board of Education	Community College District No. 508
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	1.302	0.177	3.104	0.242
2005	1.243	0.127	3.026	0.234
2006 (1)	1.062	0.118	2.697	0.205

**NOTE:**

(1) 2007 information not available from Cook County Clerk's Office at time of publication.

**Table 15**  
**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)**

Tax Year	Total City Tax Extension	Bond, Note Redemption and Interest	Chicago Public Library Bond, Note Redemption and Interest	Policemen's Annuity and Benefit
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	719,780 (2)	0.647396	0.113280	0.216752
2005	718,071 (2)	0.606566	0.090041	0.231467
2006 (1)	719,230 (2)	0.519706	0.049968	0.194953

**NOTES:**

(1) 2007 information not available from Cook County Clerk's Office 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.

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Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
\$ 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
0.443	0.315	0.060	0.533	5.981
0.379	0.284	0.057	0.500	5.302

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Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Public Building Commission	Total
\$ 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
0.231683	0.083243	-	-	1.243
0.197399	0.099974	-	-	1.062

**Table 16**  
**CITY OF CHICAGO, ILLINOIS**  
**RATIO OF GENERAL 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)	G. O. Bonds	G. O. Notes	General Obligation Certificates and Other
1998	2,783,726	\$ 33,940,146	\$ 1,874,458	\$ 424,990	\$ 198,297
1999	2,783,726	35,354,802	2,372,227	393,940	243,949
2000	2,896,016	40,480,077	2,916,540	357,199	241,088
2001	2,896,016	41,981,912	3,574,098	293,710	237,928
2002	2,896,016	45,330,892	4,114,093	274,753	234,087
2003	2,896,016	53,168,632	4,555,253	378,733	367,027
2004	2,896,016	55,277,096	4,983,428	226,427	362,592
2005	2,896,016	59,304,530	5,077,434	112,495	344,426
2006	2,896,016	69,517,264	5,394,802	72,530	322,145
2007	2,896,016	N/A (4)	5,759,573	77,998	458,654

**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 17**  
**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
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
2006 .....	201,865	273,190	475,055	6,274,363	7.6
2007 .....	143,575	267,698	411,273	6,098,521	6.7

<u>Total Gross Bonded Debt (3)</u>	<u>Less Reserve for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Equalized Assessed Value</u>	<u>Net Bonded Debt Per Capita (5)</u>
\$ 2,497,745	\$ 135,220	\$ 2,362,525	6.96 %	\$ 848.69
3,010,116	125,509	2,884,607	8.16	1,036.24
3,514,827	146,584	3,368,243	8.32	1,163.06
4,105,736	125,816	3,979,920	9.48	1,374.27
4,622,933	112,700	4,510,233	9.95	1,557.39
5,301,013	183,347	5,117,666	9.63	1,767.14
5,572,447	135,795	5,436,652	9.84	1,877.29
5,534,355	133,011	5,401,344	9.11	1,865.09
5,789,477	102,951	5,686,526	8.18	1,963.57
6,296,225	70,543	6,225,682	N/A (4)	2,149.74

**Table 18**  
**CITY OF CHICAGO, ILLINOIS**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**December 31, 2007**  
**(Amounts are in Thousands of Dollars)**

	<u>City of Chicago Direct Debt</u>	<u>Net Direct Long-term Debt (1)</u>	<u>Percentage of Overlapping Bonded Debt (2)</u>	<u>Net Debt Applicable</u>
City of Chicago G. O. Bonds and Notes (Includes Commercial Paper) .....	\$ 5,837,571			
Add (Deduct):				
General Obligation Tender Notes Series 2006 (3) .....	<u>(31,650)</u>	\$ 5,805,921	100.00 %	\$ 5,805,921
Board of Education .....		4,719,935	100.00	4,719,935
Chicago School Finance Authority .....		127,795	100.00	127,795
Chicago Park District .....		855,270	100.00	855,270
Community College District No. 508 .....		-	100.00	-
Cook County .....		2,953,610	48.16	1,422,459
Cook County Forest Preserve District .....		121,270	48.16	58,404
Metropolitan Water Reclamation District of Greater Chicago .....		<u>1,465,854</u>	49.14	<u>720,321</u>
Net Direct and Overlapping Long-term Debt .....		<u>\$ 16,049,655</u>		<u>\$ 13,710,105</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 2007 that have a nominal maturity no later than January 31, 2009 are excluded from Net Direct Long-term Debt. All other outstanding Tender Notes are included in Net Direct Long-term debt.

**Table 19**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT STATISTICS**  
**Last Ten Years**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

	1998	1999	2000	2001
Direct Debt	\$ 2,088,913	\$ 2,571,412	\$ 3,094,839	\$ 3,722,403
Overlapping Debt	4,893,943	5,481,771	5,680,450	6,419,427
<b>Total Debt</b>	<b>\$ 6,982,856</b>	<b>\$ 8,053,183</b>	<b>\$ 8,775,289</b>	<b>\$ 10,141,830</b>
Equalized				
Assessed Valuation (1)	\$ 33,940,146	\$ 35,354,802	\$ 40,480,077	\$ 41,981,912
Direct Debt Burden (2)	6.26%	7.58%	8.75%	9.20%
Total Debt Burden (2)	20.94%	23.73%	24.82%	25.05%
Estimated Fair Market				
Value (FMV) (5)	\$ 122,726,446	\$ 135,522,333	\$ 162,593,364	\$ 185,912,246
% of Direct Debt to FMV	1.70%	1.90%	1.90%	2.00%
% of Total Direct Debt to FMV	5.69%	5.94%	5.40%	5.46%
Population (3)	2,783,726	2,783,726	2,896,016	2,896,016
Direct Debt Per Capita (4)	\$ 750.40	\$ 923.73	\$ 1,068.65	\$ 1,285.35
Total Debt Per Capita (4)	2,508.46	2,892.95	3,030.12	3,501.99

**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 1997 is \$33,349,557.
- (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.

2002	2003	2004	2005	2006	2007
\$ 4,257,256	\$ 4,798,541	\$ 5,113,565	\$ 5,123,729	\$ 5,422,232	\$ 5,805,921
6,644,501	7,150,282	7,429,853	7,574,950	7,750,883	7,904,184
<u>\$ 10,901,757</u>	<u>\$ 11,948,823</u>	<u>\$ 12,543,418</u>	<u>\$ 12,698,679</u>	<u>\$ 13,173,115</u>	<u>\$ 13,710,105</u>
\$ 45,330,892	\$ 53,168,632	\$ 55,277,096	\$ 59,304,530	69,517,264	N/A (6)
10.14%	10.59%	9.62%	9.27%	9.14%	8.35%
25.97%	26.36%	23.59%	22.97%	22.21%	19.72%
\$ 201,938,231	\$ 223,572,427	\$ 262,080,627	\$ 286,354,518	N/A (6)	N/A (6)
2.11%	2.15%	1.95%	1.79%	N/A (6)	N/A (6)
5.40%	5.34%	4.79%	4.43%	N/A (6)	N/A (6)
2,896,016	2,896,016	2,896,016	2,896,016	2,896,016	2,896,016
\$ 1,470.04	\$ 1,656.95	\$ 1,765.72	\$ 1,769.23	\$ 1,872.31	\$ 2,004.80
3,764.40	4,125.95	4,331.27	4,384.88	4,548.70	4,734.13

**Table 20**  
**CITY OF CHICAGO, ILLINOIS**  
**REVENUE BOND COVERAGE**  
**Last Ten Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Year	Proprietary Funds						
	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
1998	\$ 1,110,741	\$ 629,178	\$ 481,563	\$ 58,000	\$ 207,834	\$ 265,834	181 %
1999	1,142,051	691,159	450,892	64,135	202,943	267,078	169
2000	1,184,672	718,995	465,677	70,125	226,130	296,255	157
2001	1,216,685	747,528	469,157	76,696	252,804	329,500	142
2002	1,232,203	751,884	480,319	87,653	269,777	357,430	134
2003	1,241,829	769,871	471,958	82,610	292,688	375,298	126
2004	1,235,290	721,879	513,411	102,559	318,733	421,292	122
2005	1,344,175	776,318	567,857	543,460 (3)	315,585	859,045	66
2006	1,422,873	779,168	643,705	210,891	397,341	608,232	106
2007	1,550,299	856,550	693,749	168,712	416,810	585,522	118

**Table 20 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**REVENUE BOND COVERAGE**  
**Last One Year Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Tax Increment Financing Funds							
Year	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
2006 (4)	\$ 400,404	\$ 124,905	\$ 275,499	\$ 75,248	\$ 31,553	\$ 106,801	258%
2007	509,238	238,757	270,481	91,378	48,514	139,892	193%

Sales Tax and Motor Fuel Tax Funds						
Year	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage	
		Principal	Interest	Total		
2006 (4)	\$ 643,343	\$ 6,215	\$ 25,930	\$ 32,145	2001%	
2007	652,883	13,030	25,595	38,625	1690%	

**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.
- (4) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data for TIF and Sales Tax and Motor Fuel Tax Funds.

**Table 21**  
**CITY OF CHICAGO, ILLINOIS**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Years Ended December 31, 2007**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Governmental Funds							
Year	Net General Obligation Debt	Tax Increment Allocation Bonds and Notes	Motor Fuel and Sales Tax Revenue	Installment Purchase Agreement	Capital Leases	Water Revenue Bonds	Skyway
1998	\$ 2,498,162	\$ 290,036	\$ 316,440	\$ 19,500	\$ -	\$ 577,099	\$ 179,765
1999	3,010,116	354,091	467,905	18,600	-	655,092	179,765
2000	3,514,827	508,663	458,945	17,500	-	786,236	490,195
2001	3,867,808	532,811	449,520	16,400	-	1,032,055	437,910
2002	4,622,933	519,646	454,220	15,200	-	1,003,787	437,910
2003	5,301,013	471,846	543,380	13,800	31,332	974,014	437,910
2004	5,572,447	470,688	533,530	12,400	32,263	1,022,433	423,600
2005	5,534,355	407,709	518,800	10,900	309,813	1,031,089	-
2006	5,789,477	351,776	512,585	9,200	278,861	1,169,224	-
2007	6,296,225	285,363	499,555	7,500	245,685	1,195,803	-

**NOTES:**

- (1) See Table 13 for Estimated Fair Market Value
- (2) Amounts in Dollars
- (3) 2006 information not available at time of publication.
- (4) 2007 information not available at time of publication.

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Proprietary Fund Revenue Bonds

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Chicago O'Hare International Airport Revenue Bonds	Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds	Chicago Midway Airport Revenue Bonds	Wastewater Transmission Revenue Bonds	Total Primary Government	Ratio of Bonded Debt to Estimated Fair Market Value (1)	Per Capita (2)
\$ 2,457,425	\$ 250,000	\$ 847,840	\$ 481,678	\$ 7,917,945	6.45 %	2,734.08
2,427,610	239,885	843,975	471,913	8,668,952	6.40	2,993.41
2,420,531	229,210	667,785	575,158	9,669,050	5.95	3,338.74
2,402,415	918,000	1,129,185	683,673	11,469,777	6.17	3,960.54
2,487,040	903,875	1,145,435	669,388	12,259,434	6.07	4,233.21
3,218,040	880,326	1,164,353	654,363	13,690,377	6.12	4,727.31
3,195,155	854,533	1,279,455	747,463	14,143,967	5.40	4,883.94
4,387,805	1,215,416	1,272,115	731,963	15,419,965	5.38	5,324.54
4,353,685	796,715	1,268,764	770,528	15,300,815	N/A (3)	5,283.40
4,562,956	766,255	1,254,664	754,908	15,868,914	N/A (4)	5,479.57

**Table 22**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR GENERAL LONG-TERM DEBT (1)**  
**December 31, 2007**

Year Ended December 31,	General Obligation Debt		Installment Purchase Agreements		Sales Tax and Motor Fuel Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 . . . . .	\$ 258,995,082	\$ 302,582,998	\$ 2,000,000	\$ 542,500	\$ 13,845,000	\$ 24,555,923
2009 . . . . .	197,587,421	277,459,244	2,000,000	387,500	14,765,000	23,852,066
2010 . . . . .	183,470,188	269,025,795	2,300,000	228,625	15,495,000	23,123,313
2011 . . . . .	207,345,322	280,525,472	1,200,000	46,500	16,295,000	22,323,941
2012 . . . . .	213,915,246	274,371,128	-	-	17,150,000	21,474,509
2013 . . . . .	227,296,568	261,562,021	-	-	18,040,000	20,580,380
2014 . . . . .	235,229,425	252,183,713	-	-	16,180,000	19,639,763
2015 . . . . .	249,376,371	239,083,406	-	-	17,010,000	18,805,106
2016 . . . . .	260,036,761	228,160,983	-	-	17,885,000	17,932,544
2017 . . . . .	248,961,947	216,518,672	-	-	18,820,000	17,009,733
2018 . . . . .	242,916,972	205,414,435	-	-	19,770,000	16,058,504
2019 . . . . .	246,903,700	194,464,732	-	-	20,765,000	15,059,231
2020 . . . . .	251,564,018	183,348,452	-	-	21,800,000	14,044,931
2021 . . . . .	248,217,640	171,985,374	-	-	22,875,000	12,983,179
2022 . . . . .	249,643,300	164,057,053	-	-	24,005,000	11,868,827
2023 . . . . .	228,853,719	153,154,842	-	-	25,200,000	10,699,201
2024 . . . . .	221,516,512	143,040,526	-	-	26,445,000	9,471,079
2025 . . . . .	205,927,471	133,517,808	-	-	27,755,000	8,182,051
2026 . . . . .	199,356,663	124,777,024	-	-	29,125,000	6,828,934
2027 . . . . .	206,934,720	116,308,372	-	-	22,595,000	5,391,890
2028 . . . . .	196,860,206	107,440,238	-	-	15,270,000	4,282,000
2029 . . . . .	191,950,565	92,664,129	-	-	15,990,000	3,578,714
2030 . . . . .	189,542,120	83,952,789	-	-	16,760,000	2,842,122
2031 . . . . .	167,864,596	75,528,080	-	-	17,560,000	2,069,919
2032 . . . . .	163,833,762	68,069,043	-	-	18,395,000	1,260,718
2033 . . . . .	171,551,194	61,188,463	-	-	9,760,000	412,848
2034 . . . . .	138,517,377	53,926,426	-	-	-	-
2035 . . . . .	114,202,607	48,008,738	-	-	-	-
2036 . . . . .	108,096,559	43,354,779	-	-	-	-
2037 . . . . .	74,697,925	38,912,610	-	-	-	-
2038 . . . . .	50,866,380	35,902,778	-	-	-	-
2039 . . . . .	47,575,000	4,097,918	-	-	-	-
2040 . . . . .	24,625,000	2,077,366	-	-	-	-
2041 . . . . .	25,645,000	1,059,901	-	-	-	-
	<u>\$ 6,249,877,337</u>	<u>\$ 4,907,725,308</u>	<u>\$ 7,500,000</u>	<u>\$ 1,205,125</u>	<u>\$ 499,555,000</u>	<u>\$ 334,331,426</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, 2008, 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, 2007. 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,
\$ 79,001,777	\$ 26,361,725	\$ 353,841,859	\$ 354,043,146	..... 2008
23,393,374	11,689,334	237,745,795	313,388,144	..... 2009
24,422,738	10,301,936	225,687,926	302,679,669	..... 2010
25,844,920	8,906,512	250,685,242	311,802,425	..... 2011
21,674,559	7,447,484	252,739,805	303,293,121	..... 2012
30,263,905	6,212,326	275,600,473	288,354,727	..... 2013
15,236,762	11,852,928	266,646,187	283,676,404	..... 2014
8,965,000	3,950,522	275,351,371	261,839,034	..... 2015
11,160,000	3,400,094	289,081,761	249,493,621	..... 2016
11,685,000	2,666,019	279,466,947	236,194,424	..... 2017
14,940,000	1,970,857	277,626,972	223,443,796	..... 2018
5,025,000	1,105,663	272,693,700	210,629,626	..... 2019
3,165,000	821,307	276,529,018	198,214,690	..... 2020
3,440,000	598,388	274,532,640	185,566,941	..... 2021
7,145,000	241,144	280,793,300	176,167,024	..... 2022
-	-	254,053,719	163,854,043	..... 2023
-	-	247,961,512	152,511,605	..... 2024
-	-	233,682,471	141,699,859	..... 2025
-	-	228,481,663	131,605,958	..... 2026
-	-	229,529,720	121,700,262	..... 2027
-	-	212,130,206	111,722,238	..... 2028
-	-	207,940,565	96,242,843	..... 2029
-	-	206,302,120	86,794,911	..... 2030
-	-	185,424,596	77,597,999	..... 2031
-	-	182,228,762	69,329,761	..... 2032
-	-	181,311,194	61,601,311	..... 2033
-	-	138,517,377	53,926,426	..... 2034
-	-	114,202,607	48,008,738	..... 2035
-	-	108,096,559	43,354,779	..... 2036
-	-	74,697,925	38,912,610	..... 2037
-	-	50,866,380	35,902,778	..... 2038
-	-	47,575,000	4,097,918	..... 2039
-	-	24,625,000	2,077,366	..... 2040
-	-	25,645,000	1,059,901	..... 2041
<u>\$ 285,363,035</u>	<u>\$ 97,526,239</u>	<u>\$ 7,042,295,372</u>	<u>\$ 5,340,788,098</u>	

**Table 23**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION DEBT (1)**  
**December 31, 2007**

Year Ended December 31,	General Obligation Bonds		General Obligation Tender Notes	
	Principal	Interest	Principal	Interest
2008 . . . . .	\$ 162,481,391	\$ 267,775,551	\$ -	\$ 1,152,060
2009 . . . . .	152,467,421	259,749,567	31,650,000	163,209
2010 . . . . .	168,440,188	252,075,402	-	-
2011 . . . . .	187,695,322	264,223,792	-	-
2012 . . . . .	193,070,246	259,024,310	-	-
2013 . . . . .	205,621,568	247,182,197	-	-
2014 . . . . .	213,214,425	238,846,179	-	-
2015 . . . . .	226,536,371	226,714,916	-	-
2016 . . . . .	235,491,761	216,905,201	-	-
2017 . . . . .	220,006,947	206,471,092	-	-
2018 . . . . .	212,071,972	196,805,935	-	-
2019 . . . . .	216,823,700	187,398,632	-	-
2020 . . . . .	217,769,018	177,777,277	-	-
2021 . . . . .	224,107,640	168,092,924	-	-
2022 . . . . .	230,448,300	161,358,703	-	-
2023 . . . . .	206,933,719	151,410,992	-	-
2024 . . . . .	211,091,512	142,386,489	-	-
2025 . . . . .	204,607,471	133,383,671	-	-
2026 . . . . .	197,931,663	124,707,499	-	-
2027 . . . . .	206,934,720	116,308,372	-	-
2028 . . . . .	196,860,206	107,440,238	-	-
2029 . . . . .	191,950,565	92,664,129	-	-
2030 . . . . .	189,542,120	83,952,789	-	-
2031 . . . . .	167,864,596	75,528,080	-	-
2032 . . . . .	163,833,762	68,069,043	-	-
2033 . . . . .	171,551,194	61,188,463	-	-
2034 . . . . .	138,517,377	53,926,426	-	-
2035 . . . . .	114,202,607	48,008,738	-	-
2036 . . . . .	108,096,559	43,354,779	-	-
2037 . . . . .	74,697,925	38,912,610	-	-
2038 . . . . .	50,866,380	35,902,778	-	-
2039 . . . . .	47,575,000	4,097,918	-	-
2040 . . . . .	24,625,000	2,077,366	-	-
2041 . . . . .	25,645,000	1,059,901	-	-
	<u>\$ 5,759,573,646</u>	<u>\$ 4,714,781,959</u>	<u>\$ 31,650,000</u>	<u>\$ 1,315,269</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, 2008, 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, 2007. 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,
\$ 96,513,691	\$ 33,655,387	\$ 258,995,082	\$ 302,582,998	\$ 561,578,080	..... 2008
13,470,000	17,546,468	197,587,421	277,459,244	475,046,665	..... 2009
15,030,000	16,950,393	183,470,188	269,025,795	452,495,983	..... 2010
19,650,000	16,301,680	207,345,322	280,525,472	487,870,794	..... 2011
20,845,000	15,346,818	213,915,246	274,371,128	488,286,374	..... 2012
21,675,000	14,379,824	227,296,568	261,562,021	488,858,589	..... 2013
22,015,000	13,337,534	235,229,425	252,183,713	487,413,138	..... 2014
22,840,000	12,368,490	249,376,371	239,083,406	488,459,777	..... 2015
24,545,000	11,255,782	260,036,761	228,160,983	488,197,744	..... 2016
28,955,000	10,047,580	248,961,947	216,518,672	465,480,619	..... 2017
30,845,000	8,608,500	242,916,972	205,414,435	448,331,407	..... 2018
30,080,000	7,066,100	246,903,700	194,464,732	441,368,432	..... 2019
33,795,000	5,571,175	251,564,018	183,348,452	434,912,470	..... 2020
24,110,000	3,892,450	248,217,640	171,985,374	420,203,014	..... 2021
19,195,000	2,698,350	249,643,300	164,057,053	413,700,353	..... 2022
21,920,000	1,743,850	228,853,719	153,154,842	382,008,561	..... 2023
10,425,000	654,037	221,516,512	143,040,526	364,557,038	..... 2024
1,320,000	134,137	205,927,471	133,517,808	339,445,279	..... 2025
1,425,000	69,525	199,356,663	124,777,024	324,133,687	..... 2026
-	-	206,934,720	116,308,372	323,243,092	..... 2027
-	-	196,860,206	107,440,238	304,300,444	..... 2028
-	-	191,950,565	92,664,129	284,614,694	..... 2029
-	-	189,542,120	83,952,789	273,494,909	..... 2030
-	-	167,864,596	75,528,080	243,392,676	..... 2031
-	-	163,833,762	68,069,043	231,902,805	..... 2032
-	-	171,551,194	61,188,463	232,739,657	..... 2033
-	-	138,517,377	53,926,426	192,443,803	..... 2034
-	-	114,202,607	48,008,738	162,211,345	..... 2035
-	-	108,096,559	43,354,779	151,451,338	..... 2036
-	-	74,697,925	38,912,610	113,610,535	..... 2037
-	-	50,866,380	35,902,778	86,769,158	..... 2038
-	-	47,575,000	4,097,918	51,672,918	..... 2039
-	-	24,625,000	2,077,366	26,702,366	..... 2040
-	-	25,645,000	1,059,901	26,704,901	..... 2041
<u>\$ 458,653,691</u>	<u>\$ 191,628,080</u>	<u>\$ 6,249,877,337</u>	<u>\$ 4,907,725,308</u>	<u>\$ 11,157,602,645</u>	

**Table 24**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR PROPRIETARY FUNDS (1)**  
**December 31, 2007**

Year Ended December 31,	Water Revenue Bonds		Wastewater Transmission Revenue Bonds	
	Principal	Interest	Principal	Interest
2008 .....	\$ 30,008,118	\$ 52,675,634	\$ 21,145,000	\$ 32,741,389
2009 .....	31,011,230	51,669,156	22,260,000	31,661,997
2010 .....	32,161,179	50,514,992	23,405,000	30,578,401
2011 .....	33,441,919	49,250,483	24,625,000	29,348,508
2012 .....	34,813,258	47,898,495	25,895,000	28,094,808
2013 .....	32,000,380	50,722,312	27,210,000	26,795,858
2014 .....	32,703,580	50,050,520	28,650,000	25,400,433
2015 .....	33,460,723	49,310,778	30,150,000	23,930,895
2016 .....	34,422,301	48,376,589	31,675,000	22,378,482
2017 .....	35,458,137	47,367,897	33,160,000	20,978,990
2018 .....	36,549,229	46,322,943	34,740,000	19,497,362
2019 .....	43,433,064	39,464,631	28,961,631	25,091,338
2020 .....	45,174,249	37,778,465	27,742,538	26,284,941
2021 .....	52,398,338	30,640,858	28,564,394	25,529,674
2022 .....	54,678,779	28,453,796	29,500,543	24,692,871
2023 .....	56,839,892	26,129,846	30,427,418	23,841,427
2024 .....	59,438,769	23,630,647	41,680,430	13,016,827
2025 .....	62,097,747	21,080,886	24,392,250	29,816,165
2026 .....	64,725,000	18,415,594	25,038,805	29,231,181
2027 .....	67,640,000	15,630,974	25,720,414	28,586,247
2028 .....	66,260,000	12,718,065	24,935,000	8,072,175
2029 .....	69,310,000	10,046,986	26,240,000	6,876,373
2030 .....	72,505,000	7,216,186	15,605,000	5,617,684
2031 .....	28,180,000	4,241,408	16,280,000	4,978,410
2032 .....	10,980,000	3,033,250	16,995,000	4,311,236
2033 .....	11,525,000	2,484,250	17,735,000	3,614,493
2034 .....	12,105,000	1,908,000	18,515,000	2,887,101
2035 .....	12,710,000	1,302,750	19,320,000	2,127,448
2036 .....	13,345,000	667,250	10,985,000	1,334,452
2037 .....	-	-	11,440,000	907,575
2038 .....	-	-	11,915,000	463,017
	<u>\$ 1,169,375,892</u>	<u>\$ 829,003,641</u>	<u>\$ 754,908,423</u>	<u>\$ 558,687,758</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, 2008, 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, 2007. Amounts above exclude Commercial Paper issues as the timing of payments is not certain.

Chicago-O'Hare International Airport and Chicago Midway International Airport Bonds					Year Ended
Principal		Totals		Total	December 31,
Principal	Interest	Principal	Interest	Total	
\$ 178,495,000	\$ 317,558,104	\$ 229,648,118	\$ 402,975,127	\$ 632,623,245	..... 2008
129,435,000	308,290,352	182,706,230	391,621,505	574,327,735	..... 2009
193,300,000	301,608,467	248,866,179	382,701,860	631,568,039	..... 2010
160,530,000	291,786,981	218,596,919	370,385,972	588,982,891	..... 2011
144,535,000	283,529,922	205,243,258	359,523,225	564,766,483	..... 2012
190,075,000	276,009,117	249,285,380	353,527,287	602,812,667	..... 2013
207,850,000	266,145,355	269,203,580	341,596,308	610,799,888	..... 2014
189,150,000	255,322,010	252,760,723	328,563,683	581,324,406	..... 2015
200,285,000	245,330,777	266,382,301	316,085,848	582,468,149	..... 2016
210,540,000	234,661,670	279,158,137	303,008,557	582,166,694	..... 2017
175,950,000	223,647,066	247,239,229	289,467,371	536,706,600	..... 2018
188,720,000	214,255,478	261,114,695	278,811,447	539,926,142	..... 2019
216,415,000	204,324,276	289,331,787	268,387,682	557,719,469	..... 2020
205,060,000	192,930,467	286,022,732	249,100,999	535,123,731	..... 2021
215,150,000	182,126,223	299,329,322	235,272,890	534,602,212	..... 2022
226,285,000	170,678,719	313,552,310	220,649,992	534,202,302	..... 2023
238,310,000	158,612,782	339,429,199	195,260,256	534,689,455	..... 2024
246,945,000	146,032,495	333,434,997	196,929,546	530,364,543	..... 2025
256,070,000	132,950,061	345,833,805	180,596,836	526,430,641	..... 2026
269,655,000	119,355,088	363,015,414	163,572,309	526,587,723	..... 2027
455,000,000	105,022,027	546,195,000	125,812,267	672,007,267	..... 2028
309,510,000	83,686,858	405,060,000	100,610,217	505,670,217	..... 2029
325,400,000	67,795,394	413,510,000	80,629,264	494,139,264	..... 2030
320,765,000	51,134,589	365,225,000	60,354,407	425,579,407	..... 2031
284,570,000	34,755,375	312,545,000	42,099,861	354,644,861	..... 2032
264,815,000	21,327,034	294,075,000	27,425,777	321,500,777	..... 2033
223,970,000	9,462,802	254,590,000	14,257,903	268,847,903	..... 2034
5,740,000	540,270	37,770,000	3,970,468	41,740,468	..... 2035
6,005,000	276,230	30,335,000	2,277,932	32,612,932	..... 2036
-	-	11,440,000	907,575	12,347,575	..... 2037
-	-	11,915,000	463,017	12,378,017	..... 2038
<u>\$ 6,238,530,000</u>	<u>\$ 4,899,155,989</u>	<u>\$ 8,162,814,315</u>	<u>\$ 6,286,847,388</u>	<u>\$ 14,449,661,703</u>	

**Table 25**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2007**

Long-term Debt is comprised of the following issues at December 31, 2007 (dollars in thousands):

	Original Principal	Outstanding at December 31, 2007
General Long-term Debt:		
General Obligation Debt:		
General Obligation Bonds:		
Refunding Series of 1991 - 5.75% to 7.0% .....	\$ 54,743	\$ 7,154
Refunding Series of 1992 - 5.0% to 6.4% .....	48,070	17,825
Tender Bonds Series B of 1992 - Variable Rate (3.4% at December 31, 2007) .....	35,000	8,490
Refunding Series of 1993 A - 3.8% to 5.5% .....	92,260	42,795
Refunding Series of 1993 B - 4.25% to 5.125% .....	153,280	126,965
Project and Refunding Series 1995 A-2 - 5.0% to 6.25% .....	220,390	142,510
Tender Bonds 1996 B - Variable Rate (3.4% at December 31, 2007) .....	1,500	1,500
Tender Bonds 1997 - Variable Rate (3.4% at December 31, 2007) .....	5,500	2,275
Project and Refunding Series 1998 - 3.85% to 5.5% .....	426,600	284,410
Project and Refunding Series 1999 A - 4.0% to 5.375% .....	300,000	105,745
Variable Rate Demand Bonds Project Series 1999 B - (4.86% at December 31, 2007) .....	25,300	24,500
Emergency Telephone System Refunding Series 1999 - 4.5% to 5.5% .....	213,110	166,355
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	8,655
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	105,765
Project and Refunding Series 2001 A - 4.0% to 5.65% .....	580,338	174,853
Neighborhoods Alive 21 Program Series 2001 A and B - 4.0% to 5.5% .....	238,975	12,690
Project and Refunding Series 2002 A - 4.0% to 5.65% .....	169,765	12,330
Variable Rate Demand Bonds Project Series 2002 B - (3.44% at December 31, 2007) .....	185,360	185,360
Neighborhoods Alive 21 Program Series 2002 A - 4.0% to 5.25% .....	51,500	22,030
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	45,280
Project and Refunding Series 2003 A - 4.625% to 5.25% .....	157,990	69,410
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	113,240
Emergency Telephone System Series 2004 - 3.0% to 6.9% .....	64,665	57,450
Project and Refunding Series 2004 - 1.92% to 5.5% .....	489,455	289,435
Refunding Series 2005 A - 2.5% to 5.0% .....	441,090	438,390
Project and Refunding Series 2005 B and C - 3.5% to 5.0% .....	339,275	328,880
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	106,176
Direct Access Bonds, Series 2006 - 3.5% to 4.4% .....	35,753	35,728
Project and Refunding Series 2006 A and B - 3.5% to 5.375% .....	649,995	642,565
Project and Refunding Series 2007 A and B - 3.75% to 5.462% .....	589,590	589,590
City Colleges of Chicago Capital Improvement Project Series 2007 - 4.0% to 5.0% .....	39,110	39,110
Project and Refunding Series 2007 C and D - 4.0% to 5.44% .....	330,890	330,890
Project and Refunding Series 2007 E to G - 3.998% .....	200,000	200,000
Total General Obligation Bonds .....	<u>8,240,541</u>	<u>5,759,573</u>

**Table 25 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2007**

	Original Principal	Outstanding at December 31, 2007
General Obligation Notes:		
Commercial Paper Notes - Variable Rate (4.7% to 4.84% at December 31, 2007) .....	\$ 46,348	\$ 46,348
Tender Notes Series 2007 - Variable Rate (3.2% at December 31, 2007) .....	31,650	31,650
Total General Obligation Notes .....	<u>77,998</u>	<u>77,998</u>
 Total General Obligation Bonds and Notes .....	 <u>8,318,539</u>	 <u>5,837,571</u>
General Obligation Certificates and Other Obligations:		
Building Acquisition Certificates (Limited Tax) Series 1997 - 4.4% to 5.4% .....	28,800	19,375
Central Loop Redevelopment Project - Series 2003 - 2.3% to 4.07% .....	137,002	83,274
Modern Schools Across Chicago Program - Series 2007 - 3.6% to 5.0% .....	356,005	356,005
Total General Obligation Certificates and Other Obligations .....	<u>521,807</u>	<u>458,654</u>
Total General Obligation Debt .....	<u>8,840,346</u>	<u>6,296,225</u>
 Installment Purchase Agreement - 7.75% .....	 <u>24,700</u>	 <u>7,500</u>
Tax Increment Allocation Bonds and Notes:		
Chinatown Square Tax Increment - Series 1990 A - 8.25% .....	5,591	1,141
Division-North Branch Tax Increment - Series of 1991 - 8.75% .....	2,615	750
Read-Dunning Redevelopment Project Tax Increment - Series 1996 B - 7.25% .....	7,035	4,375
Stockyards Industrial Tax Increment - Series 1996 A - 5.375% .....	14,800	5,880
Stockyards Southeast Tax Increment - Series 1996 B - 5.375% .....	20,000	3,485
Sanitary Drainage Tax Increment - Series 1997 A - 7.375% to 7.75% .....	5,530	3,620
Bryn Mawr-Broadway Tax Increment - Series 1997 - 8.4% .....	1,800	410
95th and Western Avenue Tax Increment - Series 1998 - 8.5% .....	2,600	1,310
Lincoln/Belmont/Ashland Tax Increment - Series 1998 - 4.0% to 11.0% .....	12,375	8,890
Irving/Cicero Tax Increment - Series 1998 - 7.0% .....	4,470	3,075
Near South Tax Increment - Series 1999 A and B - 4.0% to 5.65% .....	50,000	26,030
Near North Tax Increment - Series 1999 A and B - 5.084% to 6.89% .....	55,000	49,800
Neighborhood Improvement Fund Tax Increment Notes - 7.0% to 9.5% .....	16,920	10,809
Goose Island Redevelopment Tax Increment - Series 2000 - 7.45% .....	16,800	16,165
Near West Redevelopment Tax Increment - Series 2000 - 4.625% to 6.0% .....	11,560	4,730
Pulaski Corridor Redevelopment Tax Increment - Series 2000 - 6.175% .....	1,685	968
Jefferson Park Redevelopment Tax Increment - Series 2000 - 8.5% .....	790	335
Central Loop Redevelopment Tax Increment - Series 2000 A and B - 6.55% to 6.8% .....	142,347	21,848
Central Loop Redevelopment Subordinate Tax Increment - Series 2000 A - 6.25% to 6.5% .....	98,900	35,500
Near South Tax Increment - Series 2001 A and B - 4.75% to 6.25% .....	46,242	32,242
Chatham Ridge Redevelopment Project, Series 2002 - 3.3% to 6.05% .....	17,935	11,365
Pilsen Redevelopment Project - Series 2004 - 4.35% to 6.75% .....	49,520	42,635
Total Tax Increment Allocation Bonds and Notes .....	<u>584,515</u>	<u>285,363</u>

**Table 25 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2007**

	Original Principal	Outstanding at December 31, 2007
Motor Fuel Tax and Sales Tax Revenue Bonds:		
Motor Fuel Tax Revenue Bonds - Refunding Series 1993 - 4.05% to 6.125% .....	\$ 70,175	\$ 32,545
Motor Fuel Tax Revenue Bonds - Series 2003 - 2.25% to 5.25% .....	115,645	114,390
Sales Tax Revenue Bonds - Series 1998 - 4.5% to 5.5% .....	125,000	92,780
Sales Tax Revenue Bonds - Series 1999 - 4.0% to 5.75% .....	160,000	2,685
Sales Tax Revenue Bonds - Series 2002 - 4.23% .....	116,595	114,980
Sales Tax Revenue Refunding Bonds - Series 2005 - 3.25% to 5.0% .....	142,825	142,175
Total Motor Fuel Tax and Sales Tax Revenue Bonds .....	<u>730,240</u>	<u>499,555</u>
 Total General Long-term Debt .....	 <u>\$ 10,179,801</u>	 <u>\$ 7,088,643</u>
Proprietary Fund Revenue Bonds:		
Water Revenue Bonds:		
Refunding Series 1993 - 4.125% to 6.5% .....	\$ 49,880	\$ 37,525
Series 1995 - 3.6% to 5.75% .....	157,805	93,495
Series 1997 - 3.9% to 5.25% .....	277,911	51,783
Series 2000 - 2nd Lien - Variable Rate (3.4% at December 31, 2007) .....	100,000	100,000
Series 2000 - 4.375% to 5.875% .....	156,819	41,849
Series 2001 - 3.0% to 5.75% .....	353,905	106,070
Series 2004 - 2nd Lien - 3.867% .....	500,000	494,925
Series 2006A - 2nd Lien - 4.5% to 5.0% .....	215,400	208,740
Commercial Paper Notes - Variable Rate (2.72% at December 31, 2007) .....	56,435	56,435
Illinois Environmental Protection Agency Loan - 2.905% .....	3,605	2,777
Illinois Environmental Protection Agency Loan - 2.57% .....	2,444	2,203
Chicago-O'Hare International Airport Revenue Bonds:		
Series of 1984 - 2nd Lien - Variable Rate (3.27% at December 31, 2007) .....	100,000	21,715
Series of 1988 - 2nd Lien - Variable Rate (3.4% at December 31, 2007) .....	150,000	15,500
Refunding Series of 1993 A - 4.8% to 5.0% .....	324,270	72,795
Refunding Series of 1993 C - 2nd Lien - 4.9% to 5.75% .....	320,430	125,900
Series of 1994 B - 2nd Lien - Variable Rate (3.4% at December 31, 2007) .....	68,700	42,700
Series of 1994 C - 2nd Lien - Variable Rate (3.4% at December 31, 2007) .....	83,800	52,500
Series of 1996 A and B - 2nd Lien - 4.7% to 7.1% .....	216,075	91,625
Refunding Series of 1999 - 2nd Lien - 5.5% .....	409,850	306,935
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	135,475
Series of 2004 A - H - 3rd Lien - 3.49% to 5.35% .....	385,045	249,930
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 (3.47% at December 31, 2007) .....	300,000	300,000
Series of 2006 A - D - 3rd Lien - 4.55% to 5.5% .....	156,150	136,385
Commercial Paper Notes - Variable Rate (2.75% at December 31, 2007) .....	334,671	334,671

**Table 25 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2007**

	Original Principal	Outstanding at December 31, 2007
Proprietary Fund Revenue Bonds - Concluded:		
Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds:		
Series of 1996 A and B - 5.0% to 6.0% .....	\$ 250,000	\$ 136,340
Series of 2001 A through E - 2nd Lien - 3.4% to 5.75% .....	700,000	629,915
Chicago Midway International Airport Revenue Bonds:		
Series 1996 A and B - 4.8% to 6.5% .....	254,040	151,160
Series 1998 A, B and C - 4.3% to 5.5% .....	397,715	386,465
Series 1998 - 2nd Lien A and B - Variable Rate (3.8% at December 31, 2007) .....	171,000	171,000
Series 2001 A and B - 5.0% to 5.5% .....	295,855	283,650
Series 2002 A - 2nd Lien - Variable Rate (4.45% at December 31, 2007) .....	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
Commercial Paper Notes - Variable Rate (2.72% at December 31, 2007) .....	10,674	10,674
Wastewater Transmission Revenue Bonds:		
Refunding Series 1993 - 5.125% to 6.5% .....	232,880	60,815
Refunding Series 1998 A - 4.55% to 5.0% .....	62,423	62,253
Series 1998 B - 2nd Lien - 4.0% to 5.25% .....	47,575	3,550
Series 2000 - 2nd Lien - 5.0% to 6.0% .....	115,000	7,310
Series 2001 - 2nd Lien - 3.5% to 5.5% .....	187,685	79,535
Series 2004 A - 2nd Lien - 3.886% .....	332,230	332,230
Refunding Series 2004 B - 2nd Lien - 3.0% to 5.25% .....	61,925	56,730
Series 2006 A and B - 2nd Lien - 4.5% to 5.0% .....	155,030	152,485
Total Proprietary Fund Revenue Bonds .....	<u>\$ 11,075,097</u>	<u>\$ 8,534,585</u>

**NOTE:**

The balance outstanding at December 31, 2007 listed above for each year excluded amounts payable January 1, 2008. In addition, the balance outstanding of water revenue bonds at December 31, 2007 excludes payments due on November 1, 2008.

**Table 26**  
**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>Unemployment Rate (3)</u>	<u>Per Capita Income (4)</u>	<u>Total Income</u>
1998 .....	2,783,726	34.2	1,002,300	5.9 %	\$ 31,677	\$ 88,180,088,502
1999 .....	2,783,726	34.7	1,026,900	5.9	32,704	91,038,975,104
2000 .....	2,896,016	31.5	1,061,928	5.9	34,918	101,123,086,688
2001 .....	2,896,016	34.8	1,074,200	7.2	35,157	101,815,234,512
2002 .....	2,896,016	31.9	1,059,960	8.5	35,085	101,606,721,360
2003 .....	2,896,016	32.6	1,067,823	8.2	35,464	102,704,311,424
2004 .....	2,896,016	32.6	1,051,018	7.2	37,169	107,642,018,704
2005 .....	2,896,016	33.0	1,045,282	7.0	38,439	111,319,959,024
2006 .....	2,896,016	33.5	1,040,000	5.2	41,887	121,305,422,192
2007 .....	2,896,016	33.7	1,033,328	5.7	N/A (5)	N/A (5)

**NOTES:**

(1) Source: U.S. Census Bureau.

(2) Source: World Business Chicago Website, Claritas data estimates; Cook County's Website.

(3) Source: Bureau of Labor Statistics 2007, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.

(4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area (in 2007 dollars).

(5) N/A means not available at time of publication.

**Table 27**  
**CITY OF CHICAGO, ILLINOIS**  
**PRINCIPAL EMPLOYERS (NON-GOVERNMENT)**  
**Curent Year and Nine Years Ago (See Note at the End of this Page)**

Employer	2007			1998		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
J. P. Morgan Chase .....	9,114	1	0.73 %	7,290	2	0.58 %
United Airlines .....	6,102	2	0.49	8,125	1	0.65
Jewel Food Stores, Inc. ....	5,424	3	0.43	4,918	5	0.39
Northern Trust .....	4,787	4	0.38	5,083	4	0.40
Accenture LLP .....	4,283	5	0.34	-	-	-
SBC/AT&T .....	4,002	6	0.32	5,569	3	0.44
American Airlines .....	3,645	7	0.29	-	-	-
Ford Motor Company .....	3,367	8	0.27	-	-	-
Bank of America .....	-	-	-	3,185	10	0.25
CVS Corporation .....	3,120	9	0.25	-	-	-
Deloitte & Touche .....	2,988	10	0.24	-	-	-
Commonwealth Edison Company .....	-	-	-	4,178	6	0.33
Andersen Consulting .....	-	-	-	3,756	7	0.30
Arthur Andersen, LLP .....	-	-	-	3,675	8	0.29
Marshall Field's and Company .....	-	-	-	3,661	9	0.29

**NOTE:**

- (1) Source: City of Chicago, Department of Revenue, Employer's Expense Tax Return, June 30, 2007.
- (2) J. P. Morgan Chase formerly known as Banc One.
- (3) SBC/AT&T formerly known as Ameritech.

**Table 28**  
**CITY OF CHICAGO, ILLINOIS**  
**FULL TIME EQUIVALENT CITY OF CHICAGO EMPLOYEES BY FUNCTION**  
**Last Two Years (See Note at the End of this Page)**

Function	Budgeted Full Time Equivalent Positions	
	2007	2006
General Government .....	5,195	5,214
Public Safety .....	23,397	23,345
Streets and Sanitation .....	3,609	3,578
Transportation .....	829	862
Health .....	1,554	1,570
Cultural and Recreational .....	1,608	1,620
Business-Type Activities .....	4,015	4,108
Total .....	<u>40,207</u>	<u>40,297</u>

**NOTES:**

- (1) Source: City of Chicago 2008 Program and Budget Summary
- (2) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data.

**Table 29**  
**CITY OF CHICAGO, ILLINOIS**  
**OPERATING INDICATORS BY FUNCTION/DEPARTMENT**  
**Last Two Years (See Note at the End of this Page)**

---

<u>Function/Program</u>	<u>2007</u>	<u>2006</u>
Police		
Physical Arrests .....	221,915	227,576
Fire		
Emergency Responses .....	402,403	300,971
Refuse Collection		
Refuse Collected (Tons per Day) .....	4,320	4,451
Cultural		
Volumes in Library .....	5,891,306	5,700,000
Water		
Average Daily Consumption (Thousand of Gallons) .....	860,285	884,970

---

**Table 30**  
**CITY OF CHICAGO, ILLINOIS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Two Years (See Note at the End of this Page)**

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<u>Function</u>	<u>2007</u>	<u>2006</u>
Police Stations .....	25	25
Fire Stations .....	102	102
Other Public Works		
Streets ( Miles) .....	3,775	3,775
Streetlights .....	192,511	190,000
Traffic Signals .....	2,727	2,795
Water Mains (Miles) .....	4,236	4,230
Sewers Mains (Miles) .....	4,500	4,500

**NOTE:**

(1) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data.

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# CITY OF CHICAGO

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2008



Richard M. Daley, Mayor

Gene R. Saffold, Chief Financial Officer

Steven J. Lux, City Comptroller

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# CITY OF CHICAGO

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2008



Richard M. Daley, Mayor

Gene R. Saffold, Chief Financial Officer

Steven J. Lux, City Comptroller

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OFFICE OF THE MAYOR  
CITY OF CHICAGO

RICHARD M. DALEY  
MAYOR

To the Citizens of Chicago and the Financial Community:

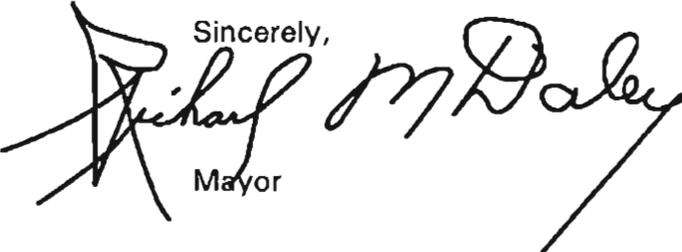
As Mayor of Chicago, I am proud to present the Comprehensive Annual Financial Report (CAFR) of the City of Chicago for the fiscal year 2008.

In the past year, we have worked to ensure that City government provides essential services to Chicago residents today and in the years and decades to come. In these difficult economic times, we are investing in our infrastructure and training our workers to compete in the global economy.

Through capital spending, we have created new jobs, especially in the construction industry. We have helped to rebuild community anchors, streets, alleys and sidewalks, and are working every day to improve the education of our students, which is essential to our long-term economic health and vitality.

We were able to use proceeds from leased City assets to assist in balancing our budget. Most importantly, we were able to reach an agreement with our unions to responsibly reduce personnel. Proceeds from our public-private partnerships were also used to invest in programs for people in need for the next several years, as well as provide critical stability to our budget in both the short and long term.

While there may be tough times ahead, we will get through them if we continue to act early, make the right financial choices, and work towards making Chicago an even better place to live, work and raise families.

Sincerely,  
  
Mayor

**CITY OF CHICAGO  
THE CITY COUNCIL  
As of December 31, 2008  
RICHARD M. DALEY, Mayor**

---

1st Ward	.....	MANUEL FLORES
2nd Ward	.....	ROBERT FIORETTI
3rd Ward	.....	PAT DOWELL
4th Ward	.....	TONI PRECKWINKLE
5th Ward	.....	LESLIE A. HAIRSTON
6th Ward	.....	FREDDRENNA M. LYLE
7th Ward	.....	SANDI JACKSON
8th Ward	.....	MICHELLE A. HARRIS
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	.....	TONI FOULKES
16th Ward	.....	JOANN THOMPSON
17th Ward	.....	LATASHA R. THOMAS
18th Ward	.....	LONA LANE
19th Ward	.....	VIRGINIA A. RUGAI
20th Ward	.....	WILLIE COCHRAN
21st Ward	.....	HOWARD BROOKINS, JR.
22nd Ward	.....	RICARDO MUÑOZ
23rd Ward	.....	MICHAEL R. ZALEWSKI
24th Ward	.....	SHARON DENISE DIXON
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	.....	SCOTT WAGUESPACK
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	.....	BRENDAN REILLY
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	.....	JOSEPH A. MOORE
50th Ward	.....	BERNARD L. STONE

**2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF CHICAGO**

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**PART I**

**INTRODUCTORY SECTION**





City of Chicago  
Richard M. Daley, Mayor

Department of Finance

Steven J. Lux  
City Comptroller

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June 26, 2009

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, 2008. 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 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 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 on 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.** In 2007, the United States Olympic Committee selected Chicago as the U.S. candidate city to host the 2016 Olympic games and 2016 Paralympic Games. The City will now compete with candidate cities from other countries to host the games. The International Olympic Committee is expected to award the Games to one of the candidate cities in October of 2009.

Chicago continues to enjoy one of the most diverse economies in the nation and a geographic location that makes Chicago the nation’s transportation hub whether by rail, air or water. Chicago’s economy is based on manufacturing, printing and publishing, finance and insurance as primary sectors. The source of nationally distributed magazines, catalogs, educational materials, encyclopedias, and specialized publications, Chicago ranks second only to New York in the publishing industry. Chicago also has a significant financial presence with such institutions as the CME Group, (formerly the financial exchanges of the Board of Trade and the Chicago Mercantile Exchange) and the Chicago Climate Exchange. Chicago consistently leads the nation in business investment and expansion, and 2008 was no exception. The City garnered direct investment and welcomed many new additions to its diverse economy. In July 2008, MillerCoors announced it will locate its headquarters in downtown Chicago, bringing between 300-400 executive and management jobs to the city in 2009. Additionally, Ariva, the world’s fifth largest insurance company, also selected Chicago for its new North American executive offices. Real estate activity has

---

decreased but significant development remains. The City continues to be a destination for both business and leisure travelers as tourism and convention activity continues to grow.

There are many local attractions, museums, festivals and professional sports teams 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.

**Long-term Financial Planning.** The City continues to look at innovative ways to finance improvements through private public partnerships such as the concession leases of the Chicago Skyway, Chicago Downtown Public Parking System and the Chicago Parking Meter System. In addition, the City has realized savings through advance refundings as interest rates have changed. The City is also evaluating other revenues to assist in financing capital assets.

**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 comprised of 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' 64 percent, the Laborers' and Retirement Board Employees' 89 percent, the Policemen's Annuity and Benefit Fund 48 percent and the Firemen's Annuity and Benefit Fund 40 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 2008, there were approximately 24,323 annuitants and their dependents enrolled in the plan.

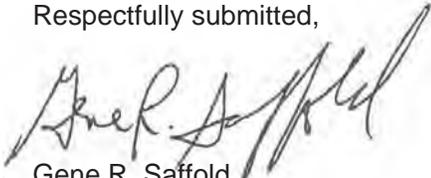
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**Awards and Acknowledgments.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chicago for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the fifteenth 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.

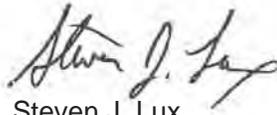
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Gene R. Saffold  
Chief Financial Officer



Steven J. Lux  
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, 2007

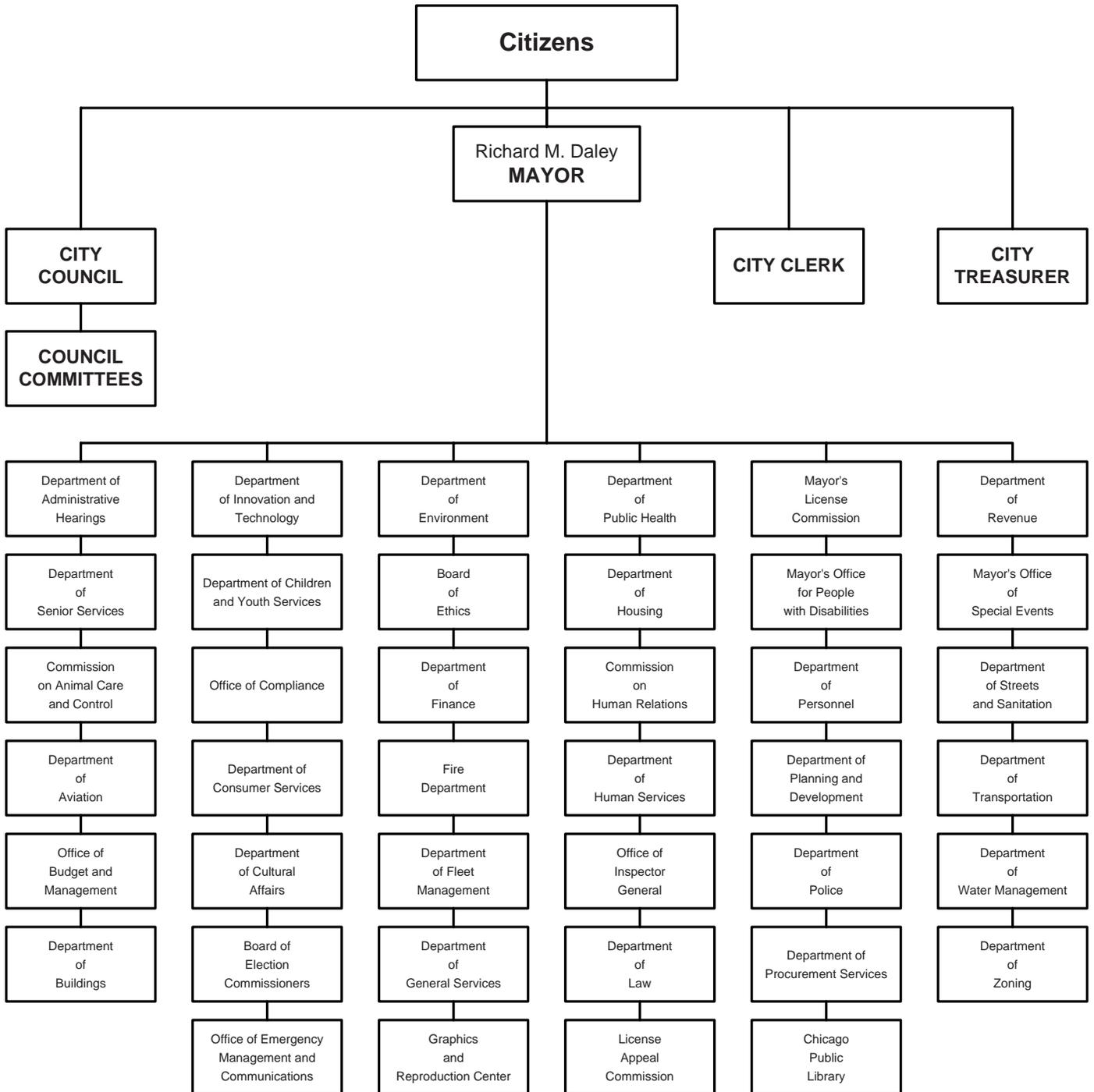
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**CITY OF CHICAGO  
ORGANIZATION CHART  
AS OF 12/31/2008**



**PART II**

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT,  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
THE BASIC 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, 2008, 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 solely 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above 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, as of December 31, 2008, 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 and Schedule of Other Postemployment Benefits Funding Progress, as listed in the foregoing table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, 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 report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

June 26, 2009

### 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, 2008. 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 2008 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 \$830.1 million (*net assets*). Of this amount, \$5,610.3 million is an unrestricted deficit, while \$2,818.3 million is invested in capital assets, net of related debt and \$3,622.0 million is restricted for specific purposes.
- The City's total assets increased by \$580.2 million. The increase relates to \$1,054.4 million increase in capital assets as a result of the City's capital improvement program and \$492.2 million decrease in unrestricted and restricted cash and cash equivalents and investments as a result of debt financing used to support the capital plan.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2008 were \$6,673.7 million, a decrease of \$789.5 million (10.6 percent) from 2007.
- The General Fund, also in the fund financial statements, ended 2008 with a total Fund Balance of \$48.4 million. Total Fund Balance increased from 2007 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by \$1.4 million. Fund Balance at December 31, 2008 of \$30.1 million was reserved for commitments. Unreserved Fund Balance was \$.2 million at December 31, 2008, compared to a balance of \$4.6 million at the end of 2007.
- The City's general obligation bonds and notes outstanding increased by \$76.9 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan.

#### 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, 2008 - Continued**

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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, 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 six 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 six major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas 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 Chicago 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, 2008 - Continued**

**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 \$830.1 million at December 31, 2008.

A large portion of the City's net assets, \$2,818.3 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)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 5,112.5	\$ 5,646.2	\$ 3,332.3	\$ 3,272.8	\$ 8,444.8	\$ 8,919.0
Capital assets	<u>7,208.5</u>	<u>6,921.2</u>	<u>10,211.9</u>	<u>9,444.8</u>	<u>17,420.4</u>	<u>16,366.0</u>
Total assets	12,321.0	12,567.4	13,544.2	12,717.6	25,865.2	25,285.0
Long-term liabilities						
outstanding	11,732.3	11,226.2	11,284.1	10,497.6	23,016.4	21,723.8
Other liabilities	<u>1,344.0</u>	<u>1,225.8</u>	<u>674.7</u>	<u>730.9</u>	<u>2,018.7</u>	<u>1,956.7</u>
Total Liabilities	13,076.3	12,452.0	11,958.8	11,228.5	25,035.1	23,680.5
Net assets:						
Invested in capital assets,						
net of related debt	494.9	570.7	2,323.4	2,168.8	2,818.3	2,739.5
Restricted	2,842.2	2,980.2	779.9	881.9	3,622.1	3,862.1
Unrestricted	<u>(4,092.4)</u>	<u>(3,435.5)</u>	<u>(1,517.9)</u>	<u>(1,561.6)</u>	<u>(5,610.3)</u>	<u>(4,997.1)</u>
Total net assets	\$ <u>(755.3)</u>	\$ <u>115.4</u>	\$ <u>1,585.4</u>	\$ <u>1,489.1</u>	\$ <u>830.1</u>	\$ <u>1,604.5</u>

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

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An additional portion of the City's net assets (\$3,622.1 million) represent resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** Net assets of the City's governmental activities decreased \$870.7 million to a deficit of \$755.3 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.) net of related debt. Consequently, unrestricted net assets showed a \$4,092.4 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, pollution and casualty claims (\$642.4 million), Municipal employees, Policemen's and Firemen's net pension obligation (\$2,874.7 million) and post-employment benefits (\$269.3 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining long-term lease obligation of \$551.1 million will be amortized into income over the life of the concession lease agreement.

Over half of the City's revenue comes from taxes. Total taxes increased by 3.3 percent. Total taxes include an increase in property taxes of \$67.5 million (9.2 percent) relating to the increase in the amount levied. Other taxes increased by \$33.0 million (1.5 percent). 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 2008 were \$6,264.0 million. This reflects a decrease of \$13.0 million (.2 percent) over 2007. Public Safety was the largest component of current expenses, accounting for 38.9 percent of total expenses. Expenses remained consistent with 2007 expenses.

The cost of all governmental activities was \$6,264.0 million.

- The amount that taxpayers paid for these activities through City taxes was only \$3,094.0 million.
  - ◆ Some of the cost was paid by those who directly benefited from the programs (\$653.1 million), or
  - ◆ By other governments and organizations that subsidized certain programs with grants and contributions (\$764.3 million).

The City paid for the "public benefit" portion with \$881.9 million with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were \$1,585.4 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.

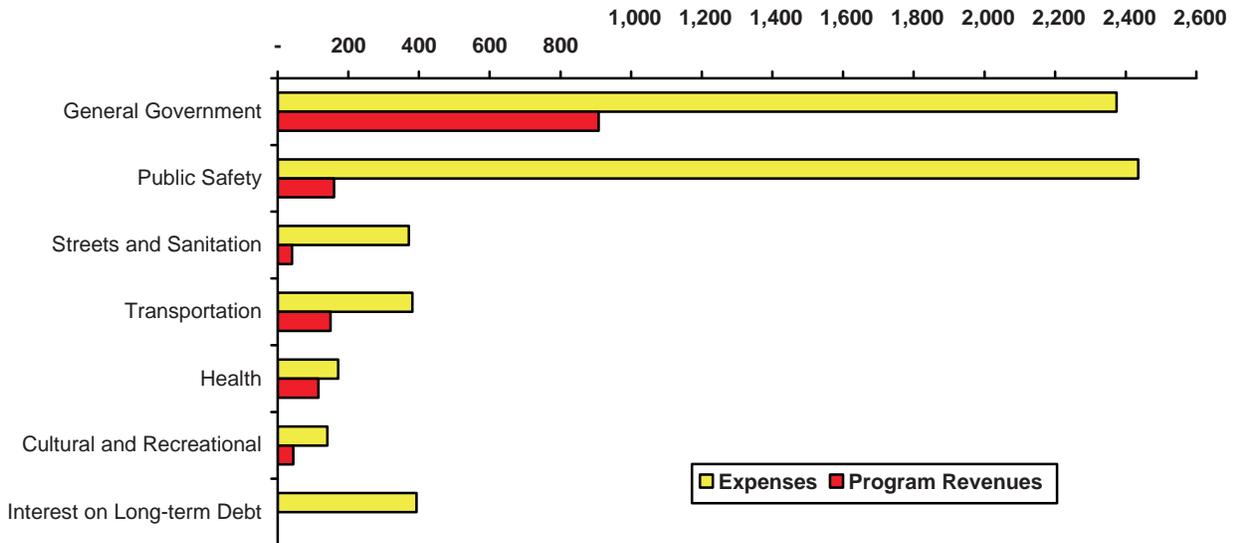
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

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

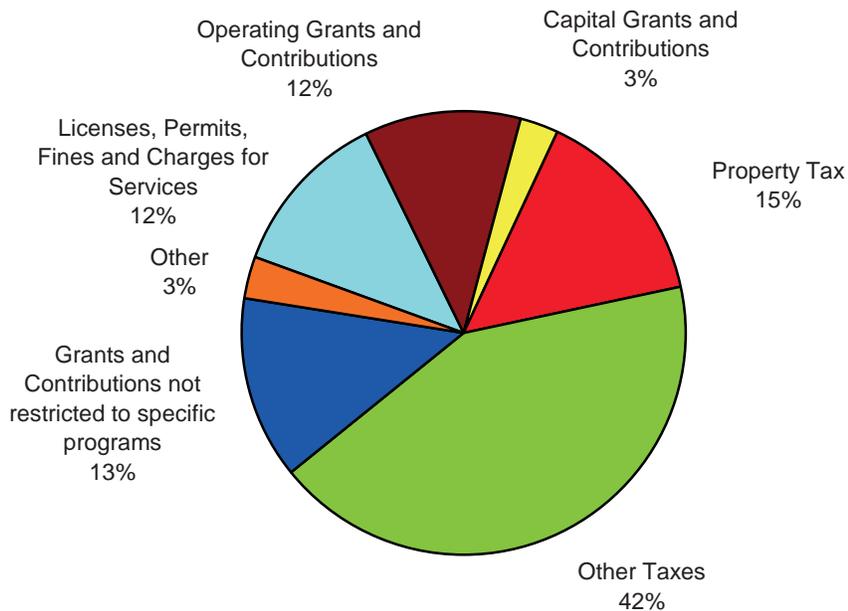
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and Charges for Services	\$ 653.1	\$ 659.8	\$ 1,339.5	\$ 1,233.1	\$ 1,992.6	\$ 1,892.9
Operating Grants and Contributions	624.4	611.0	-	-	624.4	611.0
Capital Grants and Contributions	139.9	137.6	224.8	268.3	364.7	405.9
General Revenues:						
Property Taxes	799.9	732.4	-	-	799.9	732.4
Other Taxes	2,294.1	2,261.1	-	-	2,294.1	2,261.1
Grants and Contributions not Restricted to Specific Programs	712.4	714.7	-	-	712.4	714.7
Other	<u>169.5</u>	<u>252.6</u>	<u>95.1</u>	<u>128.0</u>	<u>264.6</u>	<u>380.6</u>
Total Revenues	<u>5,393.3</u>	<u>5,369.2</u>	<u>1,659.4</u>	<u>1,629.4</u>	<u>7,052.7</u>	<u>6,998.6</u>
Expenses:						
General Government	2,384.6	2,452.1	-	-	2,384.6	2,452.1
Public Safety	2,434.8	2,435.4	-	-	2,434.8	2,435.4
Streets and Sanitation	371.1	367.2	-	-	371.1	367.2
Transportation	381.1	333.4	-	-	381.1	333.4
Health	170.8	175.6	-	-	170.8	175.6
Cultural and Recreational	140.1	128.0	-	-	140.1	128.0
Interest on Long-term Debt	381.5	385.3	-	-	381.5	385.3
Water	-	-	371.4	350.2	371.4	350.2
Sewer	-	-	158.3	137.0	158.3	137.0
Midway International Airport	-	-	217.6	211.1	217.6	211.1
Chicago-O'Hare International Airport	-	-	803.4	751.3	803.4	751.3
Chicago Skyway	-	-	12.4	13.5	12.4	13.5
Total Expenses	<u>6,264.0</u>	<u>6,277.0</u>	<u>1,563.1</u>	<u>1,463.1</u>	<u>7,827.1</u>	<u>7,740.1</u>
Change in Net Assets Before Transfers	(870.7)	(907.8)	96.3	166.3	(774.4)	(741.5)
Transfers	-	1.0	-	(1.0)	-	-
Change in Net Assets	(870.7)	(906.8)	96.3	165.3	(774.4)	(741.5)
Net Assets, Beginning of Year	<u>115.4</u>	<u>1,022.2</u>	<u>1,489.1</u>	<u>1,323.8</u>	<u>1,604.5</u>	<u>2,346.0</u>
Net Assets, End of Year	<u>\$ (755.3)</u>	<u>\$ 115.4</u>	<u>\$ 1,585.4</u>	<u>\$ 1,489.1</u>	<u>\$ 830.1</u>	<u>\$ 1,604.5</u>

**Expenses and Program Revenues - Governmental Activities**

(in millions of dollars)



**Revenues by Source - Governmental Activities**



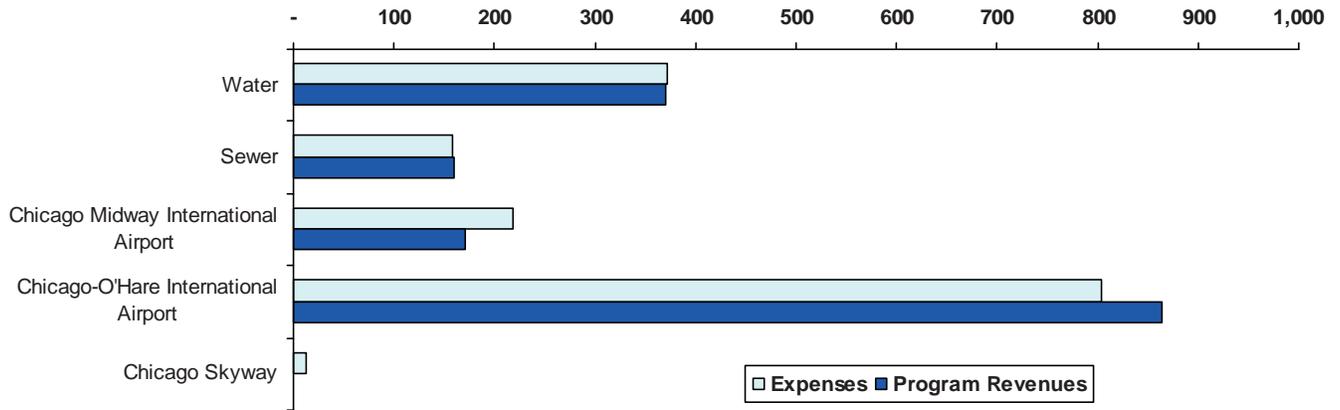
**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

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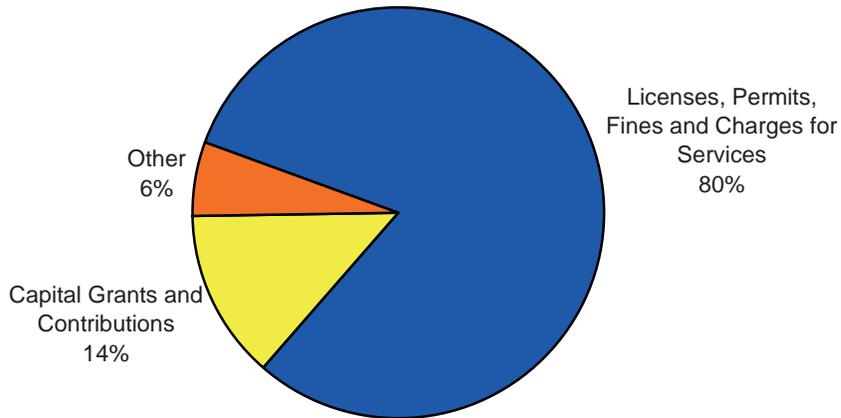
**Business-type Activities.** Revenues of the City's business-type activities increased by \$30.0 million in 2008 due primarily to increases in charges for services. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's revenues for 2008 increased by 10.7 percent from 2007 due to an increase in water rates. Operating expenses in 2008 increased by 6.1 percent primarily due to an increase in materials and depreciation.
- The Sewer Fund's revenues increased 15.4 percent during fiscal year 2008, as the result of an increase in water and sewer rates. Administrative and general costs increased by \$8.0 million as a result of additional costs associated with sewer cleaning and administrative functions.
- Chicago Midway International Airport Fund's operating revenues for 2008 increased by \$17.7 million compared to prior year operating revenues. This increase is principally due to increased rents, concessions and other charges. Operating expenses increased by \$1.9 million primarily due to increased depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2008 increased by \$31.5 million (4.8 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by \$34.4 million as a result of an increase in contractual services, repairs and maintenance, and other expenses.
- 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 upfront payment is being amortized into non-operating revenue over the period of the lease (\$18.5 million annually).

**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, 2008 - Continued**

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**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, 2008, the City's governmental funds reported combined ending fund balances of \$1,951.0 million, a decrease of \$642.7 million in comparison with the prior year. Of this total amount (\$780.6 million) constitutes *undesignated 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 (\$149.2 million), 2) to pay debt service (\$313.6 million), 3) to provide a long-term reserve (\$500.0 million), 4) for future appropriations (\$160.3 million), and 5) for a variety of other restricted purposes (\$47.2 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 \$.2 million with a total fund balance of \$48.4 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. Total General Fund balance represents 1.6 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$4.1 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by \$1.4 million.

The Federal, State and Local Grants Fund has a total fund balance of \$13.1 million, \$29.1 million of which is reserved for the resale property, while there is an unreserved, undesignated deficit of \$16.1 million.

The Special Taxing Areas Fund has a total fund balance of \$1,004.2 million, of which \$31.9 million is reserved for encumbrances, and the remaining \$972.3 million is unreserved, undesignated.

The Bond, Note Redemption and Interest Fund has a total fund deficit of \$368.0 million. The net decrease in fund balance during the current year in the Bond, Note Redemption and Interest Fund was \$104.5 million primarily resulting from an increase of debt retirement of \$276.3 million.

The Community Development and Improvement Projects Fund has a total fund balance of \$400.0 million, of which \$49.8 million is reserved for encumbrances and the remaining \$350.2 million is unreserved, undesignated. The decrease in fund balance during the current year in the Community Development and Improvement Projects Fund was \$450.7 million.

The Reserve Fund has a total fund balance of \$660.3 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 2.0 percent or \$107.5 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 Chicago Midway International Airport Funds at the end of the year amounted to a deficit of \$1,517.9 million. The total increase in unrestricted net assets related to changes in the \$2,323.4 million of net assets invested in capital assets, net of related debt and the \$779.9 million of net assets restricted is primarily due to assets being reserved for debt service,

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

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construction, and rehabilitation. Other factors 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 2008 Original General Fund Budget is \$3,218.5 million. This budget reflects an increase of \$120.8 million (3.9 percent) over the 2007 Budget. The City's 2008 General Fund Budget was approved by the City Council on November 13, 2007.

The General Fund revenues and expenditures in 2008 ended the current fiscal year with an available unreserved fund balance of \$.2 million, which is a \$4.4 million decrease over 2007.

The General Fund revenues on a budgetary basis were \$83.5 million less than the final budget as a result of lower than expected sales, transaction and income taxes. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and leases, rentals and sales. Expenditures were \$83.5 million less than budgeted as a result of favorable variances in general government, primarily as a result of certain labor contracts not being finalized during 2008 as was budgeted. 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, 2008 amount to \$17,420.3 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:

- The City continued its LEED Strategy with new libraries, police stations and fire engine company construction projects totaling \$128.0 million in 2008.
- The City also continued its commitment to libraries with the addition of \$13.0 million of books and equipment in 2008.
- The City also completed \$39.0 million in sidewalk, curb and gutter projects. An additional \$62.0 million in bridge and viaduct reconstruction projects were also completed. The City completed street construction and resurfacing projects totaling \$107.0 million in 2008
- The City also completed \$31.0 million in various lighting programs throughout the City of Chicago in 2008.
- During 2008 the Water Fund expended \$251.5 million for capital projects such as structures and improvements, water mains, distribution plants and equipment. The 2008 Water Main Replacement Program completed 38 miles of water mains. Major completed capital projects in 2008 totaling \$76.0 million.
- The 2008 Sewer Main Replacement Program completed 8.6 miles of sewer mains and 27.3 miles of relining of existing sewer mains at a cost of \$96.0 million.
- Chicago Midway International Airport had capital asset additions in 2008 of \$30.8 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2008 of \$633.0 million principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, water drainage and sewer, heating and refrigeration, runway, roadway and parking improvements.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,271.6	\$ 1,253.1	\$ 791.3	\$ 724.2	\$ 2,062.9	\$ 1,977.3
Works of Art and Historical Collections	11.6	10.4	-	-	11.6	10.4
Construction in Progress	345.5	232.1	1,135.0	1,609.4	1,480.5	1,841.5
Buildings and Other Improvements	1,512.0	1,552.2	8,005.8	6,835.8	9,517.8	8,388.0
Machinery and Equipment	344.2	323.6	279.7	275.4	623.9	599.0
Infrastructure	<u>3,723.6</u>	<u>3,549.8</u>	-	-	<u>3,723.6</u>	<u>3,549.8</u>
Total	<u>\$ 7,208.5</u>	<u>\$ 6,921.2</u>	<u>\$ 10,211.8</u>	<u>\$ 9,444.8</u>	<u>\$ 17,420.3</u>	<u>\$ 16,366.0</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 \$5,846.8 million in General Obligation Bonds and Notes and \$609.2 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: \$210.1 million in Motor Fuel Tax Revenue Bonds; \$352.6 million of Sales Tax Revenue Bonds; \$210.2 million in Tax Increment Financing Bonds; \$5.5 million in Installment Purchase Agreements; and \$9,467.7 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to the Long-term Obligations note in the Basic Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation	\$ 6,456.0	\$ 6,379.0	\$ -	\$ -	\$ 6,456.0	\$ 6,379.0
Installment Purchase Agreement	5.5	7.5	-	-	5.5	7.5
Tax Increment	210.2	299.8	-	-	210.2	299.8
Revenue Bonds	<u>562.7</u>	<u>512.6</u>	<u>9,467.7</u>	<u>8,750.6</u>	<u>10,030.4</u>	<u>9,263.2</u>
Total	<u>\$ 7,234.4</u>	<u>\$ 7,198.9</u>	<u>\$ 9,467.7</u>	<u>\$ 8,750.6</u>	<u>\$ 16,702.1</u>	<u>\$ 15,949.5</u>

During 2008, the City issued the following:

General Obligation Bonds and Notes:

- General Obligation Bonds, Project and Refunding Series 2008A and B (\$473.7 million)
- General Obligation Tender Notes Series 2008 (\$70.4 million)
- General Obligation Commercial Paper Notes (\$165.5 million)

Revenue Bonds:

- Motor Fuel Tax Revenue Bonds Series 2008A and B (\$66.6 million)

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Continued**

Enterprise Fund Revenue Bonds and Notes:

- Second Lien Wastewater Transmission Revenue Series 2008A (\$167.6 million)
- Second Lien Wastewater Transmission Revenue Refunding Series 2008C (\$332.0 million)
- Second Lien Water Revenue Project and Refunding Series 2008 (\$549.9 million)
- Chicago-O'Hare International Airport Third Lien Revenue Series 2008A-D (\$779.9 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Refunding Series 2008A (\$111.4 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes (\$35.6 million)

At December 31, 2008 the City had credit ratings with each of the three major rating agencies as follows:

<b>Rating Agency</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Fitch</b>
General Obligation:			
City	Aa3	AA-	AA
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	Aa3	AA	AA+
Second Lien General Airport Revenue Bonds	A1	AA-	AA
Third Lien General Airport Revenue Bonds	A1	A-	A
First Lien Passenger Facility Charge (PFC)	A1	A	A+
Midway Airport:			
First Lien	A2	A	A+
Second Lien	A3	A-	A
Water:			
First Lien	Aa3	AA	AA+
Second Lien	A1	AA-	AA
Wastewater:			
First Lien	n/a	AA-	n/a
Junior Lien	A2	A+	AA-
Sales Tax	Aa3	AAA	AA
Motor Fuel Tax	A1	AA+	A+

In 2007, the City closed and extinguished the First Lien Passenger Facility Charge (PFC) bonds. All outstanding PFC bonds exist within the same lien status.

**Economic Factors and Next Year's Budgets and Rates**

The City's finances are closely tied with the global and national economies. As a result, the City's economically sensitive taxes and tax collections decreased. Nationally the pace of new-home construction was 45 percent below 2007 levels. Additionally, 33 percent less housing units were started in 2008, the worst year for housing starts on record. Therefore, real estate transaction tax collections decreased by 42.0 percent from 2007 collections. Additionally, 2008 transportation tax and sales tax collections decreased by 4.4 percent and 8.9 percent respectively. The business tax, however, increased slightly in 2008 by 2.65 percent over 2007 collections; and the utility tax collection increased by 4.5 percent.

Chicago is a center of tourism and conventions. Chicago's business district includes more than 30,000 hotel rooms within a five-mile range of McCormick Place, the convention facility that contains 2.6 million square feet of exhibit halls. A combination of economic factors and an increase in supply resulted in hotel occupancy declining to 71.8% in 2008 while prices remained steady. Hotel projects completed in 2008 included the Hotel Dana with 216 rooms and the Trump Tower Chicago Hotel with 339 condo/hotel rooms.

In the fourth quarter of 2008, the national unemployment rate reached a sixteen year high of 7.2%. The City's unemployment rate increased to 6.4 percent in 2008 up from 5.6 percent in 2007.

**CITY OF CHICAGO, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2008 - Concluded**

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On November 19, 2008, the City Council approved the City's 2009 General Fund Budget in the amount of \$3,186.5 million. This budget reflects a decrease over the 2008 General Fund budget of \$32.0 million (1.0 percent). The City's 2009 budget contains an increase to the top-tier of the parking tax from \$2.25 to \$3.00 per day. Additionally, the City imposed an increase in the amusement tax from 4 percent to 5 percent on live theater and from 8 percent to 9 percent on other amusements. Also implemented for the 2009 budget are various increases to use and permit fees to recover the City's costs. These include safety related charges for services, residential parking permits, certain public vehicle licenses and investigation fees.

**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, 2008**  
**(Amounts are in Thousands of Dollars)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 1,092,143	\$ 139,796	\$ 1,231,939
Investments .....	763,171	33,890	797,061
Cash and Investments with Escrow Agent .....	440,339	-	440,339
Receivables (Net of Allowances):			
Property Tax .....	1,279,226	-	1,279,226
Accounts .....	702,437	238,999	941,436
Internal Balances .....	(17,630)	17,630	-
Inventories .....	18,116	15,696	33,812
Restricted Assets:			
Cash and Cash Equivalents .....	-	1,001,842	1,001,842
Investments .....	521,224	1,377,647	1,898,871
Other Assets .....	313,519	506,828	820,347
Capital Assets:			
Land, Improvements, Art, and Construction in Progress .....	1,628,682	1,926,341	3,555,023
Other Capital Assets, net of Accumulated Depreciation .....	5,579,807	8,285,529	13,865,336
Total Capital Assets .....	<u>7,208,489</u>	<u>10,211,870</u>	<u>17,420,359</u>
Total Assets .....	<u>\$ 12,321,034</u>	<u>\$ 13,544,198</u>	<u>\$ 25,865,232</u>
<b>LIABILITIES</b>			
Voucher Warrants Payable .....	\$ 469,214	\$ 315,741	\$ 784,955
Short-term Debt .....	672	-	672
Accrued Interest .....	135,152	183,367	318,519
Accrued and Other Liabilities .....	674,492	107,963	782,455
Unearned Revenue .....	64,519	67,597	132,116
Long-term Liabilities:			
Due Within One Year .....	309,552	247,491	557,043
Long-term Purchase Obligation .....	-	14,513	14,513
Long-term Lease Obligation .....	551,137	1,756,061	2,307,198
Due in More Than One Year .....	10,871,605	9,266,068	20,137,673
Total Liabilities .....	<u>13,076,343</u>	<u>11,958,801</u>	<u>25,035,144</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt .....	494,930	2,323,394	2,818,324
Restricted for:			
Capital Projects .....	99,046	199,535	298,581
Long-term Reserve .....	660,333	-	660,333
Debt Service .....	1,064,186	-	1,064,186
Federal, State and Local Grants .....	13,050	-	13,050
Special Taxing Areas .....	1,005,534	-	1,005,534
Passenger Facility Charges .....	-	184,413	184,413
Noise Mitigation Program .....	-	191,454	191,454
Other Purposes .....	-	204,492	204,492
Unrestricted (Deficit) .....	(4,092,388)	(1,517,891)	(5,610,279)
Total Net Assets .....	<u>\$ (755,309)</u>	<u>\$ 1,585,397</u>	<u>\$ 830,088</u>

See notes to basic financial statements.

**Exhibit 2**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government .....	\$ 2,384,586	\$ 440,023
Public Safety .....	2,434,842	129,518
Streets and Sanitation .....	371,112	40,578
Transportation .....	381,090	14,071
Health .....	170,838	3,157
Cultural and Recreational .....	140,065	25,725
Interest on Long-term Debt .....	381,504	-
Total Governmental Activities .....	6,264,037	653,072
Business-type Activities:		
Water .....	371,441	370,244
Sewer .....	158,292	160,005
Chicago Midway International Airport .....	217,609	124,985
Chicago-O'Hare International Airport .....	803,404	684,282
Chicago Skyway .....	12,359	-
Total Business-type Activities .....	1,563,105	1,339,516
Total Primary Government .....	\$ 7,827,142	\$ 1,992,588

See notes to basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 463,944	\$ 4,360	\$ (1,476,259)	\$ -	\$ (1,476,259)
29,931	-	(2,275,393)	-	(2,275,393)
-	-	(330,534)	-	(330,534)
-	135,589	(231,430)	-	(231,430)
112,043	-	(55,638)	-	(55,638)
18,438	-	(95,902)	-	(95,902)
-	-	(381,504)	-	(381,504)
<u>624,356</u>	<u>139,949</u>	<u>(4,846,660)</u>	<u>-</u>	<u>(4,846,660)</u>
-	-	-	(1,197)	(1,197)
-	-	-	1,713	1,713
-	45,820	-	(46,804)	(46,804)
-	179,003	-	59,881	59,881
-	-	-	(12,359)	(12,359)
<u>-</u>	<u>224,823</u>	<u>-</u>	<u>1,234</u>	<u>1,234</u>
<u>\$ 624,356</u>	<u>\$ 364,772</u>	<u>(4,846,660)</u>	<u>1,234</u>	<u>(4,845,426)</u>
General Revenues				
Taxes:				
Property Tax .....		799,878	-	799,878
Utility Tax .....		629,497	-	629,497
Sales Tax .....		273,951	-	273,951
Transportation Tax .....		321,362	-	321,362
Transaction Tax .....		275,434	-	275,434
Special Area Tax .....		531,314	-	531,314
Other Taxes .....		262,734	-	262,734
Grants and Contributions not Restricted to				
Specific Programs .....		712,360	-	712,360
Unrestricted Investment Earnings .....		90,176	57,451	147,627
Miscellaneous .....		79,279	37,605	116,884
Total General Revenues .....		<u>3,975,985</u>	<u>95,056</u>	<u>4,071,041</u>
Transfers .....		-	-	-
Change in Net Assets .....		(870,675)	96,290	(774,385)
Net Assets - Beginning .....		115,366	1,489,107	1,604,473
Net Assets - Ending .....		<u>\$ (755,309)</u>	<u>\$ 1,585,397</u>	<u>\$ 830,088</u>

**Exhibit 3**  
**CITY OF CHICAGO, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 311	\$ 22,488	\$ 946,953
Investments .....	4,469	5,601	104,383
Cash and Investments with Escrow Agent .....	-	-	-
Receivables (Net of Allowances):			
Property Tax .....	-	-	358,904
Accounts .....	217,002	18,768	4,777
Due From Other Funds .....	238,205	35,000	7,964
Due From Other Governments .....	178,287	174,418	-
Inventories .....	18,116	-	-
Restricted Investments .....	-	-	-
Other Assets .....	-	29,100	-
<b>Total Assets .....</b>	<b><u>\$ 656,390</u></b>	<b><u>\$ 285,375</u></b>	<b><u>\$ 1,422,981</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Voucher Warrants Payable .....	\$ 139,734	\$ 112,150	\$ 71,564
Bonds, Notes and Other Obligations Payable - Current .....	-	-	-
Accrued Interest .....	-	-	-
Due To Other Funds .....	312,247	91,150	11,042
Accrued and Other Liabilities .....	145,924	4,677	2,959
Claims Payable .....	9,871	-	-
Long-term Lease Obligation .....	-	-	-
Deferred Revenue .....	171	64,348	333,210
<b>Total Liabilities .....</b>	<b><u>607,947</u></b>	<b><u>272,325</u></b>	<b><u>418,775</u></b>
<b>Fund Balance:</b>			
Reserved for Encumbrances .....	30,101	-	31,937
Reserved for Resale Property .....	-	29,100	-
Reserved for Inventory .....	18,116	-	-
Reserved for Debt Service .....	-	-	-
Reserved for Long-term Trust Fund .....	-	-	-
Unreserved, Designated for Future Appropriations .....	-	-	-
Unreserved, Undesignated - Major Funds .....	226	(16,050)	972,269
Unreserved, Undesignated - Special Revenue Funds .....	-	-	-
Unreserved, Undesignated - Capital Projects Funds .....	-	-	-
<b>Total Fund Balance .....</b>	<b><u>48,443</u></b>	<b><u>13,050</u></b>	<b><u>1,004,206</u></b>
<b>Total Liabilities and Fund Balance .....</b>	<b><u>\$ 656,390</u></b>	<b><u>\$ 285,375</u></b>	<b><u>\$ 1,422,981</u></b>

See notes to basic financial statements.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ 10,630	\$ 237	\$ 79,655	\$ 31,869	\$ 1,092,143
124,807	135,537	314,215	74,159	763,171
-	321,754	-	118,585	440,339
-	476,479	-	443,843	1,279,226
3,672	25,790	2,905	39,000	311,914
-	24,798	67,368	100,426	473,761
-	159	-	37,659	390,523
-	-	-	-	18,116
521,224	-	-	-	521,224
-	-	-	-	29,100
<u>\$ 660,333</u>	<u>\$ 984,754</u>	<u>\$ 464,143</u>	<u>\$ 845,541</u>	<u>\$ 5,319,517</u>
\$ -	\$ -	\$ 35,187	\$ 95,082	\$ 453,717
-	195,616	-	5,400	201,016
-	130,087	-	3,325	133,412
-	11,030	25,795	62,376	513,640
-	10,279	149	78,508	242,496
-	-	2,981	-	12,852
-	551,137	-	-	551,137
-	454,623	-	407,939	1,260,291
<u>-</u>	<u>1,352,772</u>	<u>64,112</u>	<u>652,630</u>	<u>3,368,561</u>
-	-	49,760	37,392	149,190
-	-	-	-	29,100
-	-	-	-	18,116
-	183,119	-	130,522	313,641
500,000	-	-	-	500,000
160,333	-	-	-	160,333
-	(551,137)	350,271	-	755,579
-	-	-	3,205	3,205
-	-	-	21,792	21,792
<u>660,333</u>	<u>(368,018)</u>	<u>400,031</u>	<u>192,911</u>	<u>1,950,956</u>
<u>\$ 660,333</u>	<u>\$ 984,754</u>	<u>\$ 464,143</u>	<u>\$ 845,541</u>	<u>\$ 5,319,517</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.

7,208,489

Other long-term assets are not available to pay for current-period expenditures  
and therefore are deferred in the funds.

1,406,034

Certain liabilities, including bonds payable, are not due and payable in the current  
period and therefore are not reported in the funds.

(11,320,788)

Net assets of governmental activities

\$ (755,309)

**Exhibit 4**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	General	Federal, State and Local Grants	Special Taxing Areas
<b>Revenues:</b>			
Property Tax .....	\$ -	\$ -	\$ -
Utility Tax .....	524,842	-	-
Sales Tax .....	518,131	-	-
Transportation Tax .....	148,701	-	-
State Income Tax .....	378,545	-	-
Transaction Tax .....	245,069	-	-
Special Area Tax .....	-	-	344,046
Other Taxes .....	244,153	-	-
Federal/State Grants .....	2,347	794,564	-
Internal Service .....	300,161	-	912
Licenses and Permits .....	114,707	-	-
Fines .....	257,497	-	-
Investment Income (Loss) .....	3,051	-	8,754
Charges for Services .....	105,620	-	69
Miscellaneous .....	32,947	-	324
<b>Total Revenues .....</b>	<b>2,875,771</b>	<b>794,564</b>	<b>354,105</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government .....	889,266	465,798	235,334
Health .....	47,108	129,351	264
Public Safety .....	1,856,634	33,183	71
Streets and Sanitation .....	267,338	-	1,994
Transportation .....	33,729	141,461	78,188
Cultural and Recreational .....	-	18,789	3,870
Employee Pensions .....	-	-	-
Other .....	7,891	5,346	766
Capital Outlay .....	-	4,360	-
<b>Debt Service:</b>			
Principal Retirement .....	3,344	-	-
Interest and Other Fiscal Charges .....	1,974	-	-
<b>Total Expenditures .....</b>	<b>3,107,284</b>	<b>798,288</b>	<b>320,487</b>
<b>Revenues Over (Under) Expenditures ...</b>	<b>(231,513)</b>	<b>(3,724)</b>	<b>33,618</b>

Continued on following pages.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 403,489	\$ -	\$ 326,334	\$ 729,823
-	22,282	-	82,373	629,497
-	28,771	-	1,669	548,571
-	11,406	-	161,255	321,362
-	-	-	56,848	435,393
-	-	-	30,365	275,434
-	-	-	208,663	552,709
-	-	-	18,581	262,734
-	-	-	-	796,911
-	-	-	28,570	329,643
-	-	-	-	114,707
-	-	-	16,946	274,443
46,999	(12,447)	23,215	20,604	90,176
-	-	-	38,472	144,161
-	13,470	14,536	18,002	79,279
<u>46,999</u>	<u>466,971</u>	<u>37,751</u>	<u>1,008,682</u>	<u>5,584,843</u>
-	-	-	214,527	1,804,925
-	-	-	7,874	184,597
-	-	-	2,264	1,892,152
-	-	-	113,296	382,628
-	-	-	81,306	334,684
-	-	-	95,005	117,664
-	-	-	413,690	413,690
-	-	-	480	14,483
-	-	561,444	95,660	661,464
-	477,240	-	176,221	656,805
-	310,403	-	63,920	376,297
<u>-</u>	<u>787,643</u>	<u>561,444</u>	<u>1,264,243</u>	<u>6,839,389</u>
<u>46,999</u>	<u>(320,672)</u>	<u>(523,693)</u>	<u>(255,561)</u>	<u>(1,254,546)</u>

**Exhibit 4 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	<u>General</u>	<u>Federal, State and Local Grants</u>	<u>Special Taxing Areas</u>
Other Financing Sources (Uses):			
Issuance of Debt .....	\$ 164,000	\$ -	\$ 500
Premium .....	-	-	-
Payment to Refunded Bond Escrow Agent ....	-	-	-
Transfers In .....	94,058	-	127,694
Transfers Out .....	(25,193)	-	(32,604)
Total Other Financing Sources (Uses) .....	<u>232,865</u>	<u>-</u>	<u>95,590</u>
Net Changes in Fund Balance .....	1,352	(3,724)	129,208
Fund Balance, Beginning of Year .....	44,307	16,774	874,998
Change in Inventory .....	2,784	-	-
Fund Balance, End of Year .....	<u>\$ 48,443</u>	<u>\$ 13,050</u>	<u>\$ 1,004,206</u>

See notes to basic financial statements.

Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 405,311	\$ 44,648	\$ 163,128	\$ 777,587
-	-	17,845	-	17,845
-	(186,421)	-	-	(186,421)
-	-	10,567	61,129	293,448
<u>(78,057)</u>	<u>(2,750)</u>	<u>(96)</u>	<u>(154,748)</u>	<u>(293,448)</u>
<u>(78,057)</u>	<u>216,140</u>	<u>72,964</u>	<u>69,509</u>	<u>609,011</u>
(31,058)	(104,532)	(450,729)	(186,052)	(645,535)
691,391	(263,486)	850,760	378,963	2,593,707
-	-	-	-	2,784
<u>\$ 660,333</u>	<u>\$ (368,018)</u>	<u>\$ 400,031</u>	<u>\$ 192,911</u>	<u>\$ 1,950,956</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, 2008**  
**(Amounts are in Thousands of Dollars)**

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

Net change in fund balances - total governmental funds .....	\$ (645,535)
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 .....	289,573
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	48,660
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 .....	59,643
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>(623,016)</u>
Change in the net assets of governmental activities .....	<u>\$ (870,675)</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, 2008**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues:</b>				
Utility Tax .....	\$ 500,050	\$ 500,050	\$ 524,842	\$ 24,792
Sales Tax .....	280,800	280,800	243,511	(37,289)
Transportation Tax .....	152,400	152,400	148,701	(3,699)
Transaction Tax .....	332,850	332,850	245,069	(87,781)
Recreation Tax .....	153,343	153,343	148,038	(5,305)
Business Tax .....	90,742	90,742	92,284	1,542
State Income Tax .....	390,780	390,780	378,545	(12,235)
State Sales Tax .....	289,800	289,800	274,620	(15,180)
State Auto Rental .....	3,800	3,800	3,831	31
Federal/State Grants .....	2,370	2,370	2,347	(23)
Internal Service .....	316,067	316,067	300,161	(15,906)
Licenses and Permits .....	142,302	142,302	114,707	(27,595)
Fines .....	266,230	266,230	257,497	(8,733)
Investment Income .....	9,450	9,450	3,051	(6,399)
Charges for Services .....	79,391	79,391	76,895	(2,496)
Municipal Utilities .....	29,500	29,500	28,758	(742)
Leases, Rentals and Sales .....	24,466	24,466	13,824	(10,642)
Miscellaneous .....	29,000	29,000	19,090	(9,910)
Issuance of Debt, Net of Original Discount .....	18,671	18,671	164,000	145,329
Budgeted Prior Years' Surplus and Reappropriations .....	15,498	15,498	1,147	(14,351)
Transfers In/Out .....	91,000	91,000	94,058	3,058
<b>Total Revenues .....</b>	<b>3,218,510</b>	<b>3,218,510</b>	<b>3,134,976</b>	<b>(83,534)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government .....	1,038,024	1,038,024	923,005	115,019
Health .....	50,977	50,977	46,943	4,034
Public Safety .....	1,820,963	1,820,963	1,858,069	(37,106)
Streets and Sanitation .....	265,020	265,020	267,681	(2,661)
Transportation .....	38,577	38,577	34,357	4,220
<b>Debt Service:</b>				
Principal Retirement .....	3,345	3,345	3,345	-
Interest and Other Fiscal Charges .....	1,604	1,604	1,576	28
<b>Total Expenditures .....</b>	<b>3,218,510</b>	<b>3,218,510</b>	<b>3,134,976</b>	<b>83,534</b>
<b>Revenues Over Expenditures .....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See notes to basic financial statements.

**Exhibit 7**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Unrestricted Assets:						
Cash and Cash Equivalents .....	\$ 23,924	\$ 105	\$ 54,599	\$ 58,828	\$ 2,340	\$ 139,796
Investments .....	855	3,380	-	29,610	45	33,890
Accounts Receivable (Net of Allowances) .....	87,051	49,061	7,150	78,885	72	222,219
Due from Other Funds .....	20,312	27,871	3,176	17,371	1	68,731
Due from Other Governments .....	-	-	3,349	13,431	-	16,780
Inventories .....	14,395	1,301	-	-	-	15,696
<b>Total Unrestricted Assets .....</b>	<b>146,537</b>	<b>81,718</b>	<b>68,274</b>	<b>198,125</b>	<b>2,458</b>	<b>497,112</b>
Restricted Assets:						
Cash and Cash Equivalents .....	51,397	82,721	186,758	680,966	-	1,001,842
Investments .....	217,767	118,008	46,243	995,629	-	1,377,647
<b>Total Restricted Assets .....</b>	<b>269,164</b>	<b>200,729</b>	<b>233,001</b>	<b>1,676,595</b>	<b>-</b>	<b>2,379,489</b>
<b>Total Current Assets .....</b>	<b>415,701</b>	<b>282,447</b>	<b>301,275</b>	<b>1,874,720</b>	<b>2,458</b>	<b>2,876,601</b>
<b>NONCURRENT ASSETS:</b>						
<b>OTHER ASSETS .....</b>	<b>14,722</b>	<b>11,437</b>	<b>99,095</b>	<b>370,978</b>	<b>10,596</b>	<b>506,828</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>						
Land .....	5,083	560	103,839	669,254	12,609	791,345
Structures, Equipment and Improvements .....	2,771,902	1,492,395	1,283,844	5,717,399	490,758	11,756,298
Accumulated Depreciation .....	(699,001)	(343,780)	(253,685)	(2,005,623)	(168,680)	(3,470,769)
Construction Work in Progress .....	176,908	14,321	35,435	908,332	-	1,134,996
<b>Total Property, Plant and Equipment ....</b>	<b>2,254,892</b>	<b>1,163,496</b>	<b>1,169,433</b>	<b>5,289,362</b>	<b>334,687</b>	<b>10,211,870</b>
<b>Total Noncurrent Assets .....</b>	<b>2,269,614</b>	<b>1,174,933</b>	<b>1,268,528</b>	<b>5,660,340</b>	<b>345,283</b>	<b>10,718,698</b>
<b>Total Assets .....</b>	<b>\$ 2,685,315</b>	<b>\$ 1,457,380</b>	<b>\$ 1,569,803</b>	<b>\$ 7,535,060</b>	<b>\$ 347,741</b>	<b>\$ 13,595,299</b>

See notes to basic financial statements.

Business-type Activities - Enterprise Funds						
Major Funds						
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Unrestricted Liabilities:						
Voucher Warrants Payable .....	\$ 16,585	\$ 14,262	\$ 14,826	\$ 73,676	\$ 259	\$ 119,608
Due to Other Funds .....	35,154	7,037	4,143	4,740	27	51,101
Accrued and Other Liabilities .....	54,071	22,877	-	14,575	255	91,778
Deferred Revenue .....	22,620	15,337	15,133	14,507	-	67,597
Total Unrestricted Liabilities .....	128,430	59,513	34,102	107,498	541	330,084
Restricted Liabilities:						
Current Liabilities Payable From						
Restricted Assets .....	86,400	31,124	90,512	435,140	-	643,176
Total Current Liabilities .....	214,830	90,637	124,614	542,638	541	973,260
<b>NONCURRENT LIABILITIES:</b>						
Revenue Bonds Payable .....	1,489,721	898,929	1,201,204	5,676,214	-	9,266,068
Long-term Purchase Obligation .....	14,513	-	-	-	-	14,513
Long-term Lease Obligation .....	-	-	-	-	1,756,061	1,756,061
Total Noncurrent Liabilities .....	1,504,234	898,929	1,201,204	5,676,214	1,756,061	11,036,642
Total Liabilities .....	1,719,064	989,566	1,325,818	6,218,852	1,756,602	12,009,902
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of						
Related Debt .....	911,500	413,481	18,977	644,828	334,608	2,323,394
Restricted Net Assets:						
Debt Service .....	-	-	-	-	-	-
Capital Projects .....	1,690	-	26,486	171,359	-	199,535
Passenger Facility Charges .....	-	-	4,782	179,631	-	184,413
Contractual Use Agreement .....	-	-	31,019	110,007	-	141,026
Noise Mitigation Program .....	-	-	89,214	102,240	-	191,454
Other .....	-	-	32,518	30,948	-	63,466
Unrestricted Net Assets .....	53,061	54,333	40,989	77,195	(1,743,469)	(1,517,891)
Total Net Assets .....	\$ 966,251	\$ 467,814	\$ 243,985	\$ 1,316,208	\$ (1,408,861)	\$ 1,585,397

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, 2008**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
<b>Operating Revenues:</b>						
Charges for Services .....	\$ 358,067	\$ 158,698	\$ 54,985	\$ 416,493	\$ -	\$ 988,243
Rent .....	-	-	70,000	267,789	-	337,789
Other .....	12,177	1,307	-	-	-	13,484
<b>Total Operating Revenues .....</b>	<b>370,244</b>	<b>160,005</b>	<b>124,985</b>	<b>684,282</b>	<b>-</b>	<b>1,339,516</b>
<b>Operating Expenses:</b>						
Personal Services .....	113,971	15,746	36,931	155,205	-	321,853
Contractual Services .....	57,107	3,042	19,775	61,514	-	141,438
Repairs and Maintenance .....	2,232	56,412	37,399	100,341	-	196,384
Commodities and Materials .....	21,128	-	-	-	-	21,128
Depreciation and Amortization .....	37,546	20,982	45,944	150,787	12,359	267,618
General Fund Reimbursements .....	55,517	23,287	-	-	-	78,804
Other .....	26,895	-	15,547	111,450	-	153,892
<b>Total Operating Expenses .....</b>	<b>314,396</b>	<b>119,469</b>	<b>155,596</b>	<b>579,297</b>	<b>12,359</b>	<b>1,181,117</b>
<b>Operating Income (Loss) .....</b>	<b>55,848</b>	<b>40,536</b>	<b>(30,611)</b>	<b>104,985</b>	<b>(12,359)</b>	<b>158,399</b>
<b>Nonoperating Revenues (Expenses):</b>						
Investment Income .....	3,698	817	7,622	45,286	28	57,451
Interest Expense .....	(57,045)	(38,823)	(62,013)	(224,107)	-	(381,988)
Passenger Facility Charges .....	-	-	39,043	129,053	-	168,096
Other .....	5,892	157	777	12,282	18,497	37,605
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(47,455)</b>	<b>(37,849)</b>	<b>(14,571)</b>	<b>(37,486)</b>	<b>18,525</b>	<b>(118,836)</b>
Transfers Out .....	-	-	-	-	-	-
Capital Grants .....	-	-	6,777	49,950	-	56,727
<b>Net Income (Loss) .....</b>	<b>8,393</b>	<b>2,687</b>	<b>(38,405)</b>	<b>117,449</b>	<b>6,166</b>	<b>96,290</b>
Net Assets (Deficit) - Beginning of Year .....	957,858	465,127	282,390	1,198,759	(1,415,027)	1,489,107
<b>Net Assets (Deficit) - End of Year .....</b>	<b>\$ 966,251</b>	<b>\$ 467,814</b>	<b>\$ 243,985</b>	<b>\$ 1,316,208</b>	<b>\$ (1,408,861)</b>	<b>\$ 1,585,397</b>

See notes to basic financial statements.

**Exhibit 9**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					Total
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	
<b>Cash Flows from Operating Activities:</b>						
Received from Customers .....	\$ 356,393	\$ 147,909	\$ 113,691	\$ 616,306	\$ -	\$ 1,234,299
Payments to Vendors .....	(97,294)	(30,607)	(73,031)	(234,837)	-	(435,769)
Payments to Employees .....	(114,111)	(38,352)	(33,827)	(148,138)	-	(334,428)
Transactions with Other City Funds .....	(61,931)	(22,190)	(6,785)	(40,662)	-	(131,568)
<b>Cash Flows from Operating Activities .....</b>	<b>83,057</b>	<b>56,760</b>	<b>48</b>	<b>192,669</b>	<b>-</b>	<b>332,534</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from Issuance of Bonds .....	571,048	499,865	-	940,400	-	2,011,313
Acquisition and Construction of Capital Assets .....	(204,005)	(80,599)	(37,258)	(619,431)	(449)	(941,742)
Capital Grant Receipts .....	-	1,506	4,842	46,733	-	53,081
Bond Issuance Costs .....	(7,163)	(5,917)	-	(17,274)	-	(30,354)
Payment to Refund Bonds .....	(254,370)	(332,230)	-	(137,306)	-	(723,906)
Principal Paid on Bonds .....	(33,497)	(15,620)	(14,505)	(454,968)	-	(518,590)
Interest Paid .....	(57,890)	(40,790)	(64,879)	(279,710)	-	(443,269)
Passenger Facility Charges .....	-	-	38,727	120,294	-	159,021
Noise Mitigation Program .....	-	-	(11,683)	(9,224)	-	(20,907)
Intergovernmental Loan .....	-	-	-	-	(1,000)	(1,000)
<b>Cash Flows from Capital and Related Financing Activities .....</b>	<b>14,123</b>	<b>26,215</b>	<b>(84,756)</b>	<b>(410,486)</b>	<b>(1,449)</b>	<b>(456,353)</b>
<b>Cash Flows from Investing Activities:</b>						
Sale (Purchases) of Investments, Net ....	(126,624)	(93,026)	58,119	(574,344)	(23)	(735,898)
Investment Interest .....	10,306	4,370	10,957	56,286	31	81,950
<b>Cash Flows from Investing Activities .....</b>	<b>(116,318)</b>	<b>(88,656)</b>	<b>69,076</b>	<b>(518,058)</b>	<b>8</b>	<b>(653,948)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>(19,138)</b>	<b>(5,681)</b>	<b>(15,632)</b>	<b>(735,875)</b>	<b>(1,441)</b>	<b>(777,767)</b>
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>94,459</b>	<b>88,507</b>	<b>256,989</b>	<b>1,475,669</b>	<b>3,781</b>	<b>1,919,405</b>
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>\$ 75,321</b>	<b>\$ 82,826</b>	<b>\$ 241,357</b>	<b>\$ 739,794</b>	<b>\$ 2,340</b>	<b>\$ 1,141,638</b>

See notes to basic financial statements.

**Exhibit 9 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago- O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to						
Cash Flows from Operating Activities:						
Operating Income (Loss) .....	\$ 55,848	\$ 40,536	\$ (30,611)	\$ 104,985	\$ (12,359)	\$ 158,399
Adjustments to Reconcile:						
Depreciation and Amortization .....	37,546	20,982	45,944	150,787	12,359	267,618
Provision for Uncollectible Accounts .....	8,274	5,206	444	186	-	14,110
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables .....	(18,406)	(14,806)	(227)	1,071	-	(32,368)
(Increase) Decrease in Due From Other Funds ....	(3,412)	1,016	(1,468)	(3,313)	-	(7,177)
Increase (Decrease) in Voucher Warrants						
Payable and Due to Other Funds .....	(5,722)	(45)	(3,029)	8,064	-	(732)
Increase (Decrease) in Deferred Revenue						
and Other Liabilities .....	8,453	3,632	(11,005)	(69,111)	-	(68,031)
(Increase) Decrease in Inventories and						
Other Assets .....	476	239	-	-	-	715
Cash Flows from						
Operating Activities .....	<u>\$ 83,057</u>	<u>\$ 56,760</u>	<u>\$ 48</u>	<u>\$ 192,669</u>	<u>\$ -</u>	<u>\$ 332,534</u>
<b>Supplemental Disclosure of</b>						
<b>Noncash Items:</b>						
Capital asset additions in 2008						
included in accounts payable						
and accrued and other liabilities .....	<u>\$ 23,041</u>	<u>\$ 15,177</u>	<u>\$ 9,362</u>	<u>\$ 139,514</u>	<u>\$ 80</u>	<u>\$ 187,174</u>

See notes to basic financial statements.

**Exhibit 10**  
**CITY OF CHICAGO, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents .....	\$ 280,823	\$ 47,711
Investments .....	-	43,547
Investments, at Fair Value		
Bonds and U.S. Government		
Obligations .....	2,687,359	-
Stocks .....	5,346,510	-
Mortgages and Real Estate .....	469,992	-
Other .....	784,100	-
Cash and Investments with		
Escrow Agent .....	-	15,211
Property Tax Receivable .....	-	91,092
Accounts Receivable, Net .....	883,985	152,215
Due From City .....	22,249	-
Invested Securities Lending Collateral .....	1,104,377	-
Total Assets .....	<u>\$ 11,579,395</u>	<u>\$ 349,776</u>
<b>LIABILITIES</b>		
Voucher Warrants Payable .....	\$ 631,633	\$ 27,718
Accrued and Other Liabilities .....	-	232,637
Deferred Revenue .....	-	89,421
Securities Lending Collateral .....	1,104,377	-
Total Liabilities .....	<u>1,736,010</u>	<u>349,776</u>
<b>NET ASSETS</b>		
Reserved for Employee		
Benefit Plans .....	9,843,385	-
Total Net Assets .....	<u>\$ 9,843,385</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, 2008**  
**(Amounts are in Thousands of Dollars)**

	<u>Total</u>
<b>ADDITIONS</b>	
Contributions:	
Employees .....	\$ 290,854
City .....	<u>438,683</u>
Total Contributions .....	<u>729,537</u>
Investment Income:	
Net Appreciation in	
Fair Value of Investments .....	(4,282,997)
Interest, Dividends and Other .....	339,070
Investment Expense .....	<u>(48,001)</u>
Net Investment Income .....	<u>(3,991,928)</u>
Securities Lending Transactions:	
Securities Lending Income .....	(9,071)
Securities Lending Expense .....	<u>(45,775)</u>
Net Securities Lending Transactions .....	<u>(54,846)</u>
Total Additions .....	<u>(3,317,237)</u>
<b>DEDUCTIONS</b>	
Benefits and Refunds of Deductions .....	1,415,677
Administrative and General .....	<u>18,730</u>
Total Deductions .....	<u>1,434,407</u>
Net Increase in Net Assets .....	(4,751,644)
Net Assets Held in Trust for	
Pension Benefits:	
Beginning of Year .....	<u>14,595,029</u>
End of Year .....	<u><u>\$ 9,843,385</u></u>

See notes to basic financial statements.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008**

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**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, 2008, the City adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*.

- 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. Therefore, 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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 basis of 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.

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

**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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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

**Chicago Midway International Airport Fund** records operations of Chicago 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 157 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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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.

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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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Investments generally may not have a maturity date in excess of ten 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.

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 capital assets 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 \$29.1 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

**CITY OF CHICAGO, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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in excess of one year. 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 (Governmental and Business Activities) incurred by the City during the current fiscal year was \$858.3 million, of which \$102.8 million was capitalized 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, in the year subsequent to acquisition or when placed into service, 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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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- 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 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 as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Long-term purchase obligation represents an agreement with DuPage Water Commission to construct electrical generation facilities not to exceed \$15.0 million. The payment of the obligation will be in the form of credits against the charges for water supplied.

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

- 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."

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

**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 \$1,406.0 million are as follows (dollars in thousands):

Deferred revenue - property tax .....	\$ 1,195,772
Other assets - pension excess .....	225,759
Accounts payable - infrastructure retainage .....	<u>(15,497)</u>
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 1,406,034</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 \$11,320.8 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable .....	\$ 7,456,940
Pension obligation .....	2,874,722
Lease obligation .....	207,065
Pollution remediation.....	33,200
Claims and judgments .....	<u>609,230</u>
Total Long-term liabilities .....	11,181,157
Bonds, notes and other obligations payable current .....	(200,344)
Other assets - issuance costs .....	(61,638)
Accrued interest .....	4,718
Accrued and other liabilities - pension accrual .....	20,793
Accrued and other liabilities - other post employment benefits .....	269,275
Accrued and other liabilities - compensated absences .....	<u>106,827</u>
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities .....	<u>\$ 11,320,788</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - 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 a 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 \$289.6 million are as follows (dollars in thousands):

Capitalized asset expenditures .....	\$	669,287
Depreciation expense .....		(369,604)
Loss - disposal of equipment .....		(10,110)
		<u>          </u>
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	\$	<u>289,573</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 \$59.6 million are as follows (dollars in thousands):

Proceeds of debt .....	\$	(777,587)
Premium .....		(17,845)
Payment of refunded bond escrow agent .....		186,421
Principal retirement .....		656,805
Payment of cost of issuance .....		9,554
Interest expense .....		2,295
		<u>          </u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	\$	<u>59,643</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 \$623.0 million are as follows (dollars in thousands):

Claims and judgments .....	\$	(16,597)
Pension benefit liability .....		(488,565)
Other post employment benefits .....		(120,929)
Vacation .....		10,771
Lease obligations .....		(10,480)
Inventory .....		2,784
		<u>          </u>
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities .....	\$	<u>(623,016)</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

**3) Stewardship, Compliance and Accountability**

- a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals and Health and Welfare nonmajor Special Revenue Funds, 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, 2008 is as follows (dollars in thousands):

	<b>General Fund</b>
Revenues, GAAP Basis .....	\$ 2,875,771
Add:	
Proceeds of Debt .....	164,000
Transfers In .....	94,058
Prior Year's Surplus Utilized .....	1,147
	<hr/>
Revenues, Budgetary Basis .....	\$ 3,134,976
	<hr/>
Expenditures, GAAP Basis .....	\$ 3,107,284
Add:	
Transfers Out .....	25,193
Encumbered in 2008 .....	27,931
Deduct:	
Payments on Prior Years' Encumbrances .....	(17,541)
Provision for Doubtful Accounts.....	(7,891)
	<hr/>
Expenditures, Budgetary Basis .....	\$ 3,134,976
	<hr/>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

- c) **Individual Funds over Budget** includes the Special Events, Tourism and Festivals Fund (\$1.3 million).
  - d) **Individual Fund Deficits** include the Vehicle Tax Fund, Motor Fuel 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 \$12.5 million, \$3.3 million, \$1.9 million, and \$1,408.9 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, 2008, 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	
<b>City Funds</b>					
U.S. Treasuries.....	\$ 9,729	\$ 1,567	\$ -	\$ 33,432	\$ 44,728
U.S. Agencies.....	780,300	1,344,161	104,314	410,434	2,639,209
Commercial Paper.....	7,179	-	-	-	7,179
Corporate Bonds.....	232	-	-	128,300	128,532
Corporate Equities.....	268	-	-	-	268
Certificates of Deposit and Other Short-term .....	2,310,631	-	-	-	2,310,631
<b>Total City Funds.....</b>	<b>\$ 3,108,339</b>	<b>\$ 1,345,728</b>	<b>\$ 104,314</b>	<b>\$ 572,166</b>	<b>\$ 5,130,547</b>
<b>Pension Trust Funds</b>					
U.S. and Foreign					
Government Agencies.....	\$ 414,409	\$ 189,697	\$ 105,050	\$ 704,987	\$ 1,414,143
Commercial Paper.....	-	-	-	-	-
Corporate Bonds.....	354,587	299,277	179,182	440,513	1,273,559
Corporate Equities.....	5,159,581	-	-	-	5,159,581
Pooled Funds.....	532,621	-	-	-	532,621
Real Estate.....	464,480	-	-	-	464,480
Investments Held by Master Custodian under Securities Loans.....	-	-	-	-	-
Securities Received from Securities Lending.....	1,104,377	-	-	-	1,104,377
Venture Capital.....	344,246	-	-	-	344,246
Certificates of Deposit and Other Short-term .....	601,753	-	-	-	601,753
Other .....	69,938	-	-	-	69,938
<b>Total Pension Trust Funds.....</b>	<b>\$ 9,045,992</b>	<b>\$ 488,974</b>	<b>\$ 284,232</b>	<b>\$ 1,145,500</b>	<b>\$ 10,964,698</b>
<b>Total.....</b>	<b>\$ 12,154,331</b>	<b>\$ 1,834,702</b>	<b>\$ 388,546</b>	<b>\$ 1,717,666</b>	<b>\$ 16,095,245</b>

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, 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.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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 105 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.....	\$ 5,017,781	\$ 576,126
Aa/AA.....	31,300	33,247
A/A.....	-	257,579
Baa/BBB.....	-	244,777
Ba/BB.....	-	28,238
B/B.....	-	14,089
Caa/CCC.....	-	8,224
Ca.....	-	117
CC/C.....	-	1,397
D/D.....	-	2,719
Not Rated.....	-	545,136
Not Applicable.....	81,466	755,054
Total Funds.....	<u>\$ 5,130,547</u>	<u>\$ 2,466,703</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 105 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. The bank balance of cash and certificates of deposit with the City's various municipal depositories was \$372.2 million. Of the bank balance, 100 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 \$128.5 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, 2008 - 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):

<b>Foreign Currency Risk</b>	
Australian dollar.....	\$ 52,241
Brazilian real.....	20,628
British pound.....	199,361
Canadian dollar.....	54,395
Chilean peso.....	1,525
Columbian peso.....	603
Czech Republic koruny.....	(1,023)
Danish krone.....	12,244
Egyptian pound.....	1,221
European euro.....	330,785
Hong Kong dollar.....	62,405
Hungarian forint.....	754
Indian rupee.....	12,589
Indonesian rupiah.....	4,656
Japanese yen.....	297,390
Malaysian ringgit.....	2,768
Mexican peso.....	11,225
Moroccan dirham.....	210
New Israeli shekel.....	3,005
New Taiwan dollar.....	5,269
New Zealand dollar.....	3,719
Norwegian krone.....	8,420
Pakistan rupees.....	129
Philippines peso.....	302
Polish zloty.....	1,236
Singapore dollar.....	17,535
South African rand.....	10,829
South Korean won.....	15,035
Swedish krona.....	22,261
Swiss franc.....	100,953
Taiwan dollar.....	6,429
Thailand baht.....	1,238
Turkish lira.....	2,840
United Arab Emirates dirham.....	762
Total Pension Trust Funds.....	<u>\$ 1,263,939</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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

Per Note 4:	
Investments - City.....	\$ 5,130,547
Investments - Pension Funds.....	10,964,698
	<u>\$ 16,095,245</u>
Per Financial Statements:	
Restricted Investments.....	\$ 1,898,871
Unrestricted Investments.....	840,608
Investments with Fiduciary Funds.....	9,287,961
Investments with Escrow Agent.....	455,550
Invested Securities Lending Collateral.....	1,104,377
Investments included as cash and cash equivalents on the Statements of Net Assets.....	2,507,878
	<u>\$ 16,095,245</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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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 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, 2008 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.....	\$ 238,205	\$ 312,247
Federal, State and Local Grants.....	35,000	91,150
Special Taxing Areas.....	7,964	11,042
Reserve.....	-	-
Bond, Note Redemption and Interest.....	24,798	11,030
Community Development and Improvement Projects....	67,368	25,795
Nonmajor governmental funds.....	<u>100,426</u>	<u>62,376</u>
Total Governmental activities.....	<u>473,761</u>	<u>513,640</u>
Business-type activities:		
Water.....	20,312	35,154
Sewer.....	27,871	7,037
Chicago Midway International Airport.....	3,176	4,143
Chicago-O'Hare International Airport.....	17,371	4,740
Chicago Skyway.....	<u>1</u>	<u>27</u>
Total Business-type activities.....	<u>68,731</u>	<u>51,101</u>
Fiduciary activities:		
Pension Trust.....	<u>22,249</u>	<u>-</u>
Total Fiduciary activities.....	<u>22,249</u>	<u>-</u>
Total.....	<u>\$ 564,741</u>	<u>\$ 564,741</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, 2008 - CONTINUED**

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b) The following balances at December 31, 2008 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.....	\$ 94,058	\$ 25,193
Federal, State and Local Grants.....	-	-
Special Taxing Areas.....	127,694	32,604
Reserve.....	-	78,057
Bond, Note Redemption and Interest.....	-	2,750
Community Development and Improvement Projects....	10,567	96
Nonmajor governmental funds.....	<u>61,129</u>	<u>154,748</u>
Total Governmental activities.....	<u><u>293,448</u></u>	<u><u>293,448</u></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, 2008 - CONTINUED**

**7) Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2008 was as follows (dollars in thousands):

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance December 31, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,253,118	\$ 18,475	\$ -	\$ 1,271,593
Works of Art and Historical Collections.....	10,390	1,242	-	11,632
Construction in Progress.....	232,071	525,087	(411,701)	345,457
Total capital assets, not being depreciated.....	<u>1,495,579</u>	<u>544,804</u>	<u>(411,701)</u>	<u>1,628,682</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	2,089,108	35,030	(8,595)	2,115,543
Machinery and Equipment.....	1,063,687	103,202	(19,938)	1,146,951
Infrastructure.....	5,938,130	395,625	-	6,333,755
Total capital assets, being depreciated.....	<u>9,090,925</u>	<u>533,857</u>	<u>(28,533)</u>	<u>9,596,249</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	536,918	66,627	-	603,545
Machinery and Equipment.....	740,077	81,150	(18,423)	802,804
Infrastructure.....	2,388,266	221,827	-	2,610,093
Total accumulated depreciation.....	<u>3,665,261</u>	<u>369,604</u>	<u>(18,423)</u>	<u>4,016,442</u>
Total capital assets, being depreciated, net.....	<u>5,425,664</u>	<u>164,253</u>	<u>(10,110)</u>	<u>5,579,807</u>
Total governmental activities.....	<u>\$ 6,921,243</u>	<u>\$ 709,057</u>	<u>\$ (421,811)</u>	<u>\$ 7,208,489</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land.....	\$ 724,248	\$ 67,097	\$ -	\$ 791,345
Construction in Progress.....	1,609,400	734,807	(1,209,211)	1,134,996
Total capital assets, not being depreciated.....	<u>2,333,648</u>	<u>801,904</u>	<u>(1,209,211)</u>	<u>1,926,341</u>
Capital assets, being depreciated:				
Buildings and Other Improvements.....	9,823,573	1,401,501	(12,007)	11,213,067
Machinery and Equipment.....	523,834	20,561	(1,163)	543,232
Total capital assets, being depreciated.....	<u>10,347,407</u>	<u>1,422,062</u>	<u>(13,170)</u>	<u>11,756,299</u>
Less accumulated depreciation for:				
Buildings and Other Improvements.....	2,986,711	221,046	(519)	3,207,238
Machinery and Equipment.....	249,537	14,608	(613)	263,532
Total accumulated depreciation.....	<u>3,236,248</u>	<u>235,654</u>	<u>(1,132)</u>	<u>3,470,770</u>
Total capital assets, being depreciated, net.....	<u>7,111,159</u>	<u>1,186,408</u>	<u>(12,038)</u>	<u>8,285,529</u>
Total business-type activities.....	<u>\$ 9,444,807</u>	<u>\$ 1,988,312</u>	<u>\$ (1,221,249)</u>	<u>\$ 10,211,870</u>
Total Capital Assets.....	<u>\$ 16,366,050</u>	<u>\$ 2,697,369</u>	<u>\$ (1,643,060)</u>	<u>\$ 17,420,359</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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

Governmental activities:	
General government.....	\$ 71,453
Public safety.....	35,716
Streets and sanitation.....	11,300
Transportation.....	225,533
Health.....	2,429
Cultural and recreational.....	23,173
	<u>369,604</u>
Total depreciation expense - governmental activities.....	<u>\$ 369,604</u>
Business-type activities:	
Water.....	\$ 37,537
Sewer.....	20,442
Chicago Midway International Airport.....	39,338
Chicago-O'Hare International Airport.....	126,089
Chicago Skyway.....	12,248
	<u>235,654</u>
Total depreciation expense - business-type activities.....	<u>\$ 235,654</u>

8) **Leases**

a) **Operating Leases**

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately \$18.4 million for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows (dollars in thousands):

2009.....	\$ 17,262
2010.....	16,477
2011.....	16,033
2012.....	15,065
2013.....	14,645
2014 - 2018.....	16,084
	<u>95,566</u>
Total Future Rental Expense.....	<u>\$ 95,566</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.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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-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>
2009.....	\$ 37,838
2010.....	10,303
2011.....	10,215
2012.....	12,731
2013.....	9,104
2014 - 2018.....	54,977
2019 - 2023.....	86,167
2024 - 2028.....	8,858
2029 - 2032.....	<u>165,164</u>
 Total Minimum Future Lease Payments.....	 395,357
Less Interest.....	<u>188,292</u>
 Present Value of Minimum Future Lease Payments.....	 <u>\$ 207,065</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 million) advance refunded all of the outstanding Skyway bonds. The 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.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of \$563.0 million of which \$347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City initially recognized a deferred liability that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized \$5.7 million of revenue and will continue to recognize \$5.7 million for each subsequent year through 2105.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

**d) Lease Receivables**

Most of the O'Hare land, buildings and terminal space are 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, 2008 (dollars in thousands):

2009.....	\$	28,399
2010.....		16,433
2011.....		15,951
2012.....		15,708
2013.....		15,668
2014 - 2018.....		77,758
2019 - 2023.....		7,986
2024 - 2028.....		9,275
2029 - 2033.....		9,564
		<u>9,564</u>
Total Minimum Future Rental Income.....	\$	<u>196,742</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 \$355.1 million, including contingent rentals of \$90.3 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, 2008 (dollars in thousands):

2009.....	\$	10,603
2010.....		10,460
2011.....		10,460
2012.....		7,971
2013 - 2014.....		437
		<u>437</u>
Total Minimum Future Rental Income.....	\$	<u>39,931</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 \$62.3 million, including contingent rentals of \$25.8 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, 2008, there was minor activity; the balance remained at \$0.7 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

**10) Long-term Obligations**

a) **Long-term Debt** activity for the year ended December 31, 2008 was as follows (dollars in thousands):

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt.....	\$ 6,379,034	\$ 710,454	\$ 633,509	\$ 6,455,979	\$ 159,355
Installment purchase agreement.....	7,500	-	2,000	5,500	2,000
Tax increment.....	299,765	500	90,052	210,213	19,723
Revenue.....	512,585	66,635	16,530	562,690	10,345
	<u>7,198,884</u>	<u>777,589</u>	<u>742,091</u>	<u>7,234,382</u>	<u>191,423</u>
Less unamortized debt refunding transactions.....	134,253	9,342	8,822	134,773	-
Add unamortized premium.....	178,569	17,845	16,900	179,514	-
Add accretion of capital appreciation bonds.....	186,147	29,924	30,617	185,454	-
Less converted portion of conversion bonds.....	11,153	-	3,516	7,637	-
Total bonds, notes and certificates payable.....	<u>7,418,194</u>	<u>816,016</u>	<u>777,270</u>	<u>7,456,940</u>	<u>191,423</u>
Other liabilities					
Pension obligations.....	2,379,703	495,019	-	2,874,722	-
Lease obligations.....	245,685	10,480	49,100	207,065	37,838
Pollution Remediation.....	-	33,200	-	33,200	-
Claims and judgments.....	625,833	-	16,603	609,230	80,291
Total other liabilities.....	<u>3,251,221</u>	<u>538,699</u>	<u>65,703</u>	<u>3,724,217</u>	<u>118,129</u>
Total governmental activities.....	<u>\$ 10,669,415</u>	<u>\$ 1,354,715</u>	<u>\$ 842,973</u>	<u>\$ 11,181,157</u>	<u>\$ 309,552</u>
Business-type activities:					
Revenue bonds and notes payable:					
Water.....	\$ 1,225,811	\$ 550,112	\$ 271,999	\$ 1,503,924	\$ 39,086
Sewer.....	770,528	501,412	347,891	924,049	21,208
Chicago-O'Hare International Airport.....	5,485,073	926,905	626,873	5,785,105	146,795
Chicago Midway International Airport.....	1,269,169	-	14,505	1,254,664	36,634
Chicago Skyway.....	-	-	-	-	-
	<u>8,750,581</u>	<u>1,978,429</u>	<u>1,261,268</u>	<u>9,467,742</u>	<u>243,723</u>
Less unamortized debt refunding transactions.....	154,473	13,532	19,122	148,883	-
Less unamortized discount (premium).....	(63,013)	(8,465)	53,864	(125,342)	-
Add accretion of capital appreciation bonds.....	64,023	8,823	3,488	69,358	3,768
Total business-type activities.....	<u>\$ 8,723,144</u>	<u>\$ 1,982,185</u>	<u>\$ 1,191,770</u>	<u>\$ 9,513,559</u>	<u>\$ 247,491</u>
Total long-term obligations.....	<u>\$ 19,392,559</u>	<u>\$ 3,336,900</u>	<u>\$ 2,034,743</u>	<u>\$ 20,694,716</u>	<u>\$ 557,043</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, 2008 - CONTINUED**

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**b) Issuance of New Debt**

**i) General Obligation Notes**

The General Obligation Tender Notes, Series 2008 (\$70.4 million) were sold in February 2008 at an initial short-term intermediate rate of 1.05 percent through February 5, 2009. The notes mature no later than February 19, 2010. The Series 2008 notes were issued to meet cash flow requirements of the City's Library 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 2008 notes.

The letter of credit securing the Series 2008 notes totals \$71.6 million and terminates on the earliest of February 22, 2010 or upon redemption of the notes. Advances under the letter of credit (none at December 31, 2008) are due on the earliest of February 22, 2011 or one year after the redemption of the notes. Advances bear interest from the date of advance through the 7<sup>th</sup> 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 one 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 2008, the City issued \$165.5 million in general obligation commercial paper notes for certain operating uses.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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**ii) General Obligation Bonds**

General Obligation Bonds, Project and Refunding Series 2008A and B (\$473.7 million) were sold at a premium in June 2008. The bonds have interest rates ranging from 3.0 percent to 5.765 percent and maturity dates from January 1, 2009 to January 1, 2037. Net proceeds of \$488.2 million 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, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing 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; payment of certain pension contributions; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance (\$90.0 million); and to retire Variable Rate Demand Bonds Project Series 1999B and 2002B (\$209.9 million); and to advance refund certain maturities of general obligation bonds outstanding (\$182.7 million); and to fund capitalized interest (\$5.6 million). The advance refunding of the bonds decreased the City's total debt service payments by \$22.5 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$4.15 million.

With respect to the General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B (\$202.5 million) the City entered into a constant maturity swap overlay.

**iii) Motor Fuel Tax Revenue Bonds**

Motor Fuel Tax Revenue Bonds, Project and Refunding, Series 2008A-B (\$66.6 million) were sold at a discount in March 2008. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2015 to January 1, 2038. Net proceeds of \$63.7 million will be used to finance projects authorized under the Use of Motor Fuel Tax Act (\$60.0 million) and to advance refund certain maturities of the outstanding Motor Fuel Tax Revenue Bonds, Series 1993 (\$3.7 million). The advance refunding of the bonds increased the City's total debt service payments by \$1.3 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of \$.1 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 Note (Division/Homan redevelopment Project Area) Taxable Series 2006 in July 2006. At that time, the City drew down \$.5 million from the available \$1.0 million note at an interest rate of 7.422 percent with a final maturity of August 1, 2013. The remaining \$.5 million was received in June 2008.

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

Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2008A-D (\$779.9 million) were sold at a premium in January 2008. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates ranging from January 1, 2010 to January 1, 2038. Net proceeds of \$804.0 million will be used to finance capital improvements (\$496.3 million) and repay a portion of the City's outstanding commercial paper notes (\$241.8 million) and to fund capitalized interest (\$65.9 million).

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008A (\$111.4 million) were sold at a premium in January 2008. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates ranging from January 1, 2012 to January 1, 2016. Net proceeds of \$119.4 million and \$17.9 million of other funds will be used to advance refund all of the Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 1996A bonds outstanding (\$137.3 million). The advance refunding of the bonds decreased the City's total debt service payments by \$21.8 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$25.4 million.

During 2008, \$35.6 million of Chicago-O'Hare International Airport Commercial Paper Notes, Series A and B were issued. The proceeds were used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

Second Lien Water Revenue Project and Refunding Bonds, Series 2008 (\$549.9 million) were sold at a premium in April 2008. The bonds have interest rates ranging from 4.0 percent to 5.25 percent and maturity dates ranging from November 1, 2009 to November 1, 2038. Net proceeds of \$563.7 million will be used to finance certain capital improvements and extensions of the water system of the City (\$318.0 million), advance refund certain maturities of water revenue bonds outstanding (\$188.7 million) and repay the water system's outstanding commercial paper notes (\$57.0 million). The advance refunding of the bonds decreased the City's total debt service payments by \$14.2 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of \$7.1 million.

Second Lien Wastewater Transmission Revenue Bonds, Series 2008A (\$167.6 million) were sold at a discount in November 2008. The bonds have interest rates ranging from 3.5 percent to 5.5 percent and maturity dates ranging from January 1, 2010 to January 1, 2033. Net proceeds of \$161.7 million will be used to finance certain capital improvements and extensions of the wastewater transmission system of the City (\$150.0 million) and fund a deposit to the Debt Service Reserve Account for the bonds (\$11.7 million).

Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2008C (\$332 million) were sold in October 2008. The bonds were issued in three sub series, each at variable rate and maturing January 1, 2039. Proceeds will be used to refund the Second Lien Wastewater Transmission Variable Rate Revenue Bonds, Series 2004A and to pay the costs of issuance.

**Financial Market Related Conversions**

The global economic downturn has adversely impacted the City's variable rate debt. In 2008 global financial markets incurred substantial declines in value due to the credit crisis. Monoline insurers' credit ratings came under review due to subprime mortgage exposure resulting in downgrades by the major rating agencies. As a result, credit spreads increased on the City's variable rate debt, especially with insured bonds; therefore the City refinanced or converted many of its variable rate debt issues. In 2008, the City utilized liquidity facilities to convert five variable rate issues in the amount of \$1.217 billion and thereby removing the monoline insurers. In 2008, various bonds series were unable to be remarketed and went into bank bond mode as of December 31, 2008. The annual requirements to amortize debt outstanding reflect the repayment terms in effect as of December 31, 2008.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2009 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2008 are as follows (dollars in thousands):

Year Ending December 31,	General Obligation		Installment Purchase		Tax Increment	
	Principal	Interest	Principal	Interest	Principal	Interest
2009.....	\$ 240,031	\$ 285,631	\$ 2,000	\$ 387	\$ 22,474	\$ 11,552
2010.....	338,578	271,817	2,300	229	24,111	10,264
2011.....	293,913	279,987	1,200	47	25,639	8,891
2012.....	317,098	270,717	-	-	21,456	7,446
2013.....	327,530	253,935	-	-	30,369	6,220
2014 - 2018.....	1,182,673	1,095,716	-	-	61,987	23,840
2019 - 2023.....	1,156,702	833,745	-	-	18,775	2,766
2024 - 2028.....	1,026,812	590,941	-	-	-	-
2029 - 2033.....	763,882	349,080	-	-	-	-
2034 - 2038.....	384,787	207,835	-	-	-	-
2039 - 2043.....	88,005	6,831	-	-	-	-
	<u>\$ 6,120,011</u>	<u>\$ 4,446,235</u>	<u>\$ 5,500</u>	<u>\$ 663</u>	<u>\$ 204,811</u>	<u>\$ 70,979</u>

Year Ending December 31,	Revenue		Business-type Activities	
	Principal	Interest	Principal	Interest
2009.....	\$ 14,765	\$ 27,157	\$ 201,704	\$ 446,330
2010.....	15,495	26,428	276,901	436,087
2011.....	16,295	25,629	266,393	423,404
2012.....	17,150	24,779	253,527	411,286
2013.....	18,040	23,885	297,936	404,154
2014 - 2018.....	94,655	105,190	1,563,438	1,817,228
2019 - 2023.....	116,320	79,864	1,711,532	1,418,676
2024 - 2028.....	123,490	48,928	1,940,758	974,625
2029 - 2033.....	90,920	24,284	2,068,365	398,896
2034 - 2038.....	45,215	5,790	657,750	61,449
	<u>\$ 552,345</u>	<u>\$ 391,934</u>	<u>\$ 9,238,304</u>	<u>\$ 6,792,135</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, 2008. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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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, 2008, 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 Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Rate Paid</b>	<b>Rate Received</b>	<b>Fair Values</b>	<b>Swap Termination Date</b>	<b>Counterparty Credit Rating</b>
GO VRDB (Series 2007EFG).....	\$ 200,000	11/08/2007	3.998%	SIFMA	\$ (41,116)	01/01/2042	Aa1/A+ A2/AA-****
GO VRDB (Series 2005D).....	222,790	08/17/2005	4.104	SIFMA	(50,034)	01/01/2040	Aa3/A Aa1/A+*
Chicago Midway International Airport Revenue Bonds (Series 2004C&D).....	152,150	12/14/2004	4.174	SIFMA Plus .05%	(25,216)	01/01/2035	Aa3/A Aa1/AA-**
Wastewater Transmission Variable Rate Revenue Bonds (Series 2004A).....	332,230	07/29/2004	3.886	67% of 1 Mo. LIBOR	(81,112)	01/01/2039	N/A Aa1/AA- Aaa/AA-***
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	197,970	08/05/2004	3.8669	SIFMA	(46,813)	11/01/2031	Aaa/AA-
Water Variable Rate Revenue Refunding Bonds (Series 2004).....	196,955	04/16/2008	3.8694	SIFMA	(37,013)	11/01/2025	Aa2/AA-
Second Lien Water Revenue Refunding Bonds (Series 2000).....	100,000	04/16/2008	3.8694	SIFMA	(29,107)	11/01/2030	Aa2/AA-
GO VRDB (Series 2003B).....	202,500	08/07/2003	4.052	66.91% of 10 Yr LIBOR	(42,666)	01/01/2034	N/A Aa1/AA-****
GO VRDB (Series 2003B).....		03/02/2008	66.91% of 10 Yr LIBOR	75% of 1 Mo. LIBOR	(4,181)	03/01/2011	Aa1/AA-
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B).....	206,700	10/03/2002	3.575	70% of 1 Mo. LIBOR	(49,224)	01/01/2037	Aa1/AA- Aaa/AA-****
Sales Tax Revenue Refunding Bonds (VRDB Series 2002).....	114,980	06/27/2002	4.230	SIFMA Plus .13%	(24,619)	01/01/2034	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A).....	44,900	09/01/1999	5.084	67% 1 Mo. LIBOR	(10,219)	01/01/2019	Aaa/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999B).....	4,900	09/01/1999	6.890	67% 1 Mo. LIBOR	(135)	01/01/2010	Aa2/AA-
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B)...	<u>7,760</u>	02/10/1997	5.375	SIFMA	<u>(772)</u>	12/01/2014	Aaa/AA-
Total.....	<u>\$ 1,983,835</u>				<u>\$ (442,227)</u>		

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

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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- (3) *Fair Value.* As of December 31, 2008, the swaps had a negative fair value of \$442.2 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 SIFMA/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. SIFMA/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.
- (8) *Swap payments and associated debt.* Bonds maturing and interest payable January 1, 2009 have been excluded because funds for their payment have been provided for. As of December 31, 2008, 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):

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

Year Ending December 31,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2009.....	\$ 80,134	\$ 34,846	\$ 40,839	\$ 155,819
2010.....	112,355	31,435	42,252	186,042
2011.....	116,563	27,352	41,915	185,830
2012.....	122,509	23,230	41,437	187,176
2013.....	123,614	19,042	40,817	183,473
2014 - 2018.....	200,286	76,081	192,385	468,752
2019 - 2023.....	304,322	63,735	158,820	526,877
2024 - 2028.....	297,792	46,009	111,859	455,660
2029 - 2033.....	355,645	30,614	67,952	454,211
2034 - 2038.....	194,591	12,080	24,356	231,027
2039 - 2042.....	73,720	1,596	3,989	79,305
	<u>\$ 1,981,531</u>	<u>\$ 366,020</u>	<u>\$ 766,621</u>	<u>\$ 3,114,172</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.

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2008, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Trade Date	Variable Rate Paid	Fixed Rate Received	Fair Values	Swap Termi- nation Date	Up-Front Payment
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A).....	\$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	\$ (9,988)	01/01/2024	\$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT)).....	386,465	10/27/1999	SIFMA+ 25bps	5.100	(11,899)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999).....	23,285	06/21/2002	SIFMA+ 30bps	4.984	(152)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998).....	69,275	06/21/2002	SIFMA+ 30bps	5.250	(1,677)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997).....	60,645	06/21/2002	SIFMA+ 30bps	5.375	(1,317)	01/01/2027	1,964
Total.....	<u>\$ 858,340</u>				<u>\$ (25,033)</u>		<u>\$ 42,138</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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- (3) *Fair value.* As of December 31, 2008, the swaptions had a negative fair value of \$25.0 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 SIFMA/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. SIFMA/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, 2008. The Water Rate Stabilization account had a balance in restricted assets of \$51.4 million at December 31, 2008.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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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, 2008.

- 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, 2008. The Sewer Rate Stabilization account had a balance in restricted assets of \$14.6 million at December 31, 2008.

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, 2008.

- iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International 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, 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, 2008.
- 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 projects 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, 2008. 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 Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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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, 2008.

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, 2008 - 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, 2008, not including principal payments due January 1, 2009, are as follows (dollars in thousands):

	<b>Amount Defeased</b>	<b>Outstanding</b>
Emergency Telephone System - Series 1993 .....	\$ 213,730	\$ 156,220
General Obligation Project and Refunding Bonds - Series 1998 .....	268,835	8,775
General Obligation Project and Refunding Bonds - Series 1999A .....	174,725	19,785
General Obligation Bonds - Series 2000A .....	233,490	210,470
General Obligation Bonds - Series 2000C .....	112,965	112,965
General Obligation Bonds - Series 2001A .....	340,080	332,410
General Obligation Project and Refunding Bonds - Series 2002A .....	135,690	126,480
General Obligation Project and Refunding Bonds - Series 2003A .....	89,760	89,760
General Obligation Project Bonds - Series 2003C .....	75,375	66,125
General Obligation Project Bonds - Series 2004A .....	163,730	163,730
General Obligation Project and Refunding Bonds - Series 2006A .....	3,860	3,860
Neighborhoods Alive 21 Program - Series 2000A .....	175,255	175,255
Neighborhoods Alive 21 Program - Series 2001A .....	206,480	205,010
Neighborhoods Alive 21 Program - Series 2002A .....	28,970	17,380
Neighborhoods Alive 21 Program - Series 2003 .....	58,590	56,420
Lake Millenium Project Parking Facilities Bonds - Series 1998 .....	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999 .....	44,495	44,495
Near South Redevelopment Project Tax Increment - Series 1994A .....	23,000	14,650
Water Revenue Senior Lien Bonds - Series 2000 .....	100,445	100,445
Water Revenue Senior Lien Bonds - Series 2001 .....	235,905	222,430
Wastewater Transmission Revenue Bonds - Series 2000 .....	98,405	93,120
Wastewater Transmission Revenue Bonds - Series 2001 .....	101,650	98,615
Chicago-O'Hare International Airport Bonds Second Lien - Series 1999 .....	43,350	11,705
Chicago Skyway Tollbridge Revenue Bonds - Series 2000 .....	125,120	125,120
Special Transportation Revenue Bonds - Series 2001 .....	118,715	109,060
<b>Total .....</b>	<b>\$ 3,322,500</b>	<b>\$ 2,608,165</b>

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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**11) Pension Plans**

- a) **Retirement Benefit** - 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 64 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 45 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2008 are as follows: market value of securities loaned \$1,087.3 million, market value of cash collateral from borrowers \$1,104.2 million and market value of non-cash collateral from borrowers \$2.9 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, 2008 - 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).....	8.5%	8.5%	9.0%	9.1%	
Plan members.....	8.5	8.5	9.0	9.1	
Annual required contribution.....	\$ 360,387	\$ 17,652	\$ 318,235	\$ 189,941	\$ 886,215
Interest on net pension obligation.....	16,166	(18,295)	94,804	79,406	172,081
Adjustment to annual required contribution.....	(16,620)	18,809	(64,766)	(81,637)	(144,214)
Annual pension cost.....	359,933	18,166	348,273	187,710	914,082
Contributions made.....	146,803	15,233	172,836	81,258	416,130
Increase in net pension obligation.....	213,130	2,933	175,437	106,452	497,952
Net pension obligation (excess), beginning of year.....	202,078	(228,692)	1,185,054	992,571	2,151,011
Net pension obligation (excess), end of year.....	\$ 415,208	\$ (225,759)	\$ 1,360,491	\$ 1,099,023	\$ 2,648,963

	<u>Municipal Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>
Actuarial valuation date.....	12/31/2008	12/31/2008	12/31/2008	12/31/2008
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.....	30 years	30 years	30 years	30 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)	(d)	(e)	(e)
Postretirement benefit increases.....	(f)	(f)	(g)	(g)

- (a) Percentage represents amount applied 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, 2008 - 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):

Year	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension (Excess) Obligation
<b>Municipal Employees':</b>			
2006.....	\$ 325,514	48.25%	\$ (1,443)
2007.....	343,127	40.69	202,078
2008.....	359,933	40.79	415,207
<b>Laborers':</b>			
2006.....	20,536	0.52	(237,696)
2007.....	22,260	59.25	(228,692)
2008.....	18,166	83.85	(225,759)
<b>Policemen's:</b>			
2006.....	302,557	52.47	1,017,145
2007.....	338,507	50.40	1,185,054
2008.....	348,273	49.63	1,360,492
<b>Firemen's:</b>			
2006.....	166,575	47.41	878,368
2007.....	186,226	38.67	992,571
2008.....	187,710	43.29	1,099,024

**SCHEDULE OF FUNDING PROGRESS**

(dollars in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
<b>Municipal Employees':</b>							
2006.....	12/31/06	\$ 6,509,146	\$ 9,692,319	\$ 3,183,173	67%	\$ 1,475,877	216%
2007.....	12/31/07	6,890,463	9,968,747	3,078,284	69	1,564,459	197
2008.....	12/31/08	6,669,502	10,383,158	3,713,656	64	1,543,977	241
<b>Laborers':</b>							
2006.....	12/31/06	1,664,058	1,809,236	145,178	92	193,176	75
2007.....	12/31/07	1,757,711	1,808,295	50,584	97	192,847	26
2008.....	12/31/08	1,698,427	1,915,324	216,897	89	216,744	100
<b>Policemen's:</b>							
2006.....	12/31/06	3,997,991	8,116,543	4,118,552	49	1,012,984	407
2007.....	12/31/07	4,231,682	8,220,353	3,988,671	51	1,038,957	384
2008.....	12/31/08	4,093,720	8,482,574	4,388,854	48	1,023,581	429
<b>Firemen's:</b>							
2006.....	12/31/06	1,264,497	3,133,142	1,868,645	40	387,442	482
2007.....	12/31/07	1,374,960	3,215,874	1,840,914	43	389,125	473
2008.....	12/31/08	1,335,695	3,311,269	1,975,574	40	396,182	499

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

b) **Other Postemployment Benefits (OPEB)** - 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. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. 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. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

**Annual OPEB Cost and Contributions Made  
For Fiscal Year Ending December 31, 2008**

	<u>Municipal Employees'</u>	<u>Laborers'</u>	<u>Policemen's</u>	<u>Firemen's</u>	<u>Total</u>
Contribution Rates City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	\$ 23,783	\$ 3,565	\$ 11,349	\$ 4,308	\$ 43,005
Interest on Net OPEB Obligation	664	61	140	87	952
Adjustment to Annual - Required Contribution	<u>(867)</u>	<u>(80)</u>	<u>(111)</u>	<u>(113)</u>	<u>(1,171)</u>
Annual OPEB Cost	23,580	3,546	11,378	4,282	42,786
Contributions Made	<u>9,029</u>	<u>2,348</u>	<u>8,850</u>	<u>2,487</u>	<u>22,714</u>
Increase in Net OPEB Obligation	14,551	1,198	2,528	1,795	20,072
Net OPEB Obligation, Beginning of Year	<u>14,756</u>	<u>1,365</u>	<u>3,112</u>	<u>1,929</u>	<u>21,162</u>
Net OPEB Obligation, End of Year	<u>\$ 29,307</u>	<u>\$ 2,563</u>	<u>\$ 5,640</u>	<u>\$ 3,724</u>	<u>\$ 41,234</u>

**Actuarial Method and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

	<b>Municipal Employees'</b>	<b>Laborers'</b>	<b>Policemen's</b>	<b>Firemen's</b>
Actuarial Valuation Date	12/31/2008	12/31/2008	12/31/2008	12/31/2008
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	( b )	( c )	( d )	( d )
Healthcare Cost Trend Rate (e):	0.0%	0.0%	0.0%	0.0%

( a ) Compounded Annually

( b ) Service-based increases equivalent to a level annual rate of increase of 2.0 percent over a full career

( c ) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career

( d ) Service-based increases equivalent to a level annual rate of increase of 2.7percent over a full career

( e ) Trend not applicable - fixed dollar subsidy

**OPEB COST SUMMARY**

(dollars in thousands)

	<b>Year</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Obligation</b>	<b>Net OPEB Obligation</b>
Municipal Employees'	2007	\$ 23,287	36.63%	\$ 14,756
	2008	23,580	38.29	29,307
Laborers'	2007	3,568	61.74	1,365
	2008	3,546	66.20	2,563
Policemen's	2007	11,220	72.26	3,112
	2008	11,378	77.78	5,640
Firemen's	2007	4,177	53.83	1,929
	2008	4,281	58.09	3,723

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liability (AAL) Entry Age ( b )</u>	<u>Unfunded (Surplus) UAAL ( 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>
12/31/2008	\$ -	\$ 222,691	\$ 222,691	-	\$ 1,543,977	14.42 %
12/31/2008	-	42,064	42,064	-	216,744	19.41
12/31/2008	-	169,972	169,972	-	1,023,581	16.61
12/31/2008	-	47,309	47,309	-	396,182	11.94

**12) Other Postemployment Benefits – City Obligation**

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with 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 \$59.6 million in 2008 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 2008, the net expense to the City for providing these benefits to approximately 24,323 annuitants plus their dependents was approximately \$89.3 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

**Plan Description Summary** - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

**CITY OF CHICAGO, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

**Funding Policy** - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

**Annual OPEB Cost and Net OPEB Obligation** - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of five and one-half years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2008 is the *Annual OPEB Cost (expense)*.

**Annual OPEB Cost and Contributions Made**  
(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	\$ 244,692
Interest on Net OPEB Obligation	6,453
Adjustment to Annual Required Contribution	(32,248)
Annual OPEB Cost	218,897
Contributions Made	97,968
Increase in Net OPEB Obligation	120,929
Net OPEB Obligation, Beginning of Year	148,346
Net OPEB Obligation, End of Year	\$ 269,275

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows (dollars in thousands):

<b>Schedule of Contributions, OPEB Costs and Net Obligations</b>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 218,897	44.8%	\$ 269,275
12/31/2007	245,591	39.6	148,346

The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. Information is provided for Fiscal Year End 2008. Subsequent years' disclosure will provide information for the reporting year and for the prior two years, as applicable.

**Funded Status and Funding Progress** - As of January 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,062,864 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,562,067 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2007	\$ -	\$ 1,062,864	\$ 1,062,864	0%	\$ 2,562,067

**Actuarial Method and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2008, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 7 percent. Both rates included a 3 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 4.35 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 5.5 years.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

**Summary of Assumptions and Methods**

	<u>Settlement Health Plan</u>
Actuarial Valuation Date	December 31, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	5.5 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.35%
Projected Salary Increases	2.50%
Healthcare Inflation Rate	12% initial to 7% ultimate

**13) 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, 2008, the total amount of non-Enterprise Fund claims was \$450.5 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>2008</u>	<u>2007</u>
Balance, January 1.....	\$ 503,636	\$ 401,237
Claims incurred on current and prior year events.....	627,660	527,118
Claims paid on current and prior year events.....	<u>(633,769)</u>	<u>(424,719)</u>
Balance, December 31.....	<u>\$ 497,527</u>	<u>\$ 503,636</u>

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONTINUED**

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**14) 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, alleged 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.

As of December 31, 2008, the Enterprise Funds have entered into contracts for approximately \$539.7 million for construction projects.

In consideration for being selected as the U. S. candidate city, the City executed a Joinder Agreement (the "Joinder Agreement") for the benefit of the United States Olympic Committee (the USOC). Under the Joinder Agreement, the City agrees to be liable for any obligations of the City's bid committee and organizing committee for the Games (collectively, the "City Committees") to the USOC, the International Olympics Committee (the "IOC") and the International Paralympics Committee (the "IPC") up to an amount not to exceed \$500 million after all contingency and surplus funds are expended. If the City is not selected by the IOC and the IPC to host the Games, the City will not have any liability under the Joinder Agreement.

In November, 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement establishes accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution (e.g., hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups. The City implemented GASB Statement No. 49 for the year ended December 31, 2008, and the City recorded an estimated pollution remediation obligation of \$33.2 million as current year expense in the Statement of Activities.

The City's pollution remediation obligation is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**15) Subsequent Events**

In January 2009, the City sold General Obligation Project and Refunding Bonds Series 2008C, General Obligation Library Bonds Series 2008D and General Obligation Taxable Project and Refunding Series 2008E (\$611 million). A portion of the 2008C bonds were issued as capital appreciation bonds with yields ranging from 4.71 percent to 5.87 percent and maturity dates from January 1, 2021 to January 1, 2032. The 2008C current interest bonds were issued with interest rates ranging from 4.24 percent to 5.00 percent and maturity dates from January 1, 2023 to January 1, 2040. The 2008D bonds were issued at interest rates ranging from 1.00 percent to 5.00 percent and maturity dates from January 1, 2010 to January 1, 2039. The 2008E bonds were issued as a term bond with a 6.05 percent interest rate and maturing January 1, 2029. Proceeds will be used to pay a portion of the costs of various capital projects and to refund certain commercial paper notes and general obligation bonds of the City.

On January 28, 2009, the City terminated the interest rate swap agreement with Lehman Brothers for the Series 2008C Wastewater Transmission Revenue Bonds. The City paid \$38.1 million to terminate the swap and received an upfront payment to execute a new swap of \$38.7 million.

**CITY OF CHICAGO, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 - CONCLUDED**

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In February 2009, the City finalized a \$1.1 billion agreement with Chicago Parking Meters, LLC for a 75-year concession agreement to operate Chicago's metered parking system. Proceeds were allocated across a revenue replacement fund, mid-term fund, human infrastructure fund and budget stabilization fund.

In April 2009, \$40 million of Chicago-O'Hare International Airport Commercial Paper Notes, Series B were issued. The proceeds will be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

In September 2008, the City of Chicago received a winning bid of \$2.521 billion from Midway Investment and Development Company, LLC for a ninety-nine year lease of Midway Airport. Amid the global credit crisis, the transaction to privatize Midway Airport will not be executed. However, in April 2009, the City did receive a non-refundable security deposit payment of \$126 million.

The global economic downturn has adversely impacted the City's variable rate debt. In 2008 and 2009 global financial markets incurred substantial declines in value due to the credit crisis. Monoline insurers' credit ratings came under review due to subprime mortgage exposure resulting in downgrades by the major rating agencies. As a result credit spreads increased on the City's variable rate debt, especially with insured bonds, therefore the City refinanced or converted many of its variable rate debt issues. In 2009, the City utilized liquidity facilities to convert three variable rate issues in the amount of \$509.2 million and thereby removing the monoline insurers. Various bonds series that were unable to be remarketed in 2008 were converted out of bank bond mode during 2009. In addition, other bond series have gone into bank bond mode during 2009.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF CHICAGO, ILLINOIS**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS**  
**Last Two Years (dollars are in thousands)**

	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Unfunded (Surplus) AAL as a Percentage of Covered Payroll (( b-a ) / c )
<b>Municipal Employees'</b>							
2007 .....	12/31/2007	\$ -	\$ 217,868	\$ 217,868	-	\$ 1,564,459	13.93 %
2008 .....	12/31/2008	-	222,691	222,691	-	1,543,977	14.42
<b>Laborers'</b>							
2007 .....	12/31/2007	-	41,411	41,411	-	192,847	21.47
2008 .....	12/31/2008	-	42,064	42,064	-	216,744	19.41
<b>Policemen's</b>							
2007 .....	12/31/2007	-	179,040	179,040	-	1,038,957	17.23
2008 .....	12/31/2008	-	169,972	169,972	-	1,023,581	16.61
<b>Firemen's</b>							
2007 .....	12/31/2007	-	47,097	47,097	-	389,125	12.10
2008 .....	12/31/2008	-	47,309	47,309	-	396,182	11.94
<b>City of Chicago</b>							
2006 .....	12/31/2006	-	1,301,417	1,301,417	-	2,502,154	52.01
2007 .....	12/31/2007	-	1,062,864	1,062,864	-	2,562,067	41.48

**Note:** Beginning with fiscal year 2007, the City of Chicago will accumulate three years of data.



# 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, 2008**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>LOCAL TAX REVENUE</b>				
<b>UTILITY TAX:</b>				
Gas .....	\$ 141,950	\$ 141,950	\$ 153,165	\$ 11,215
Electric .....	99,800	99,800	99,504	(296)
Telecommunication .....	144,500	144,500	158,521	14,021
Commonwealth Edison .....	94,000	94,000	92,131	(1,869)
Infrastructure Maintenance .....	-	-	414	414
Fiber Optics .....	-	-	86	86
Cable Television .....	19,800	19,800	21,021	1,221
Total Utility Tax .....	<u>500,050</u>	<u>500,050</u>	<u>524,842</u>	<u>24,792</u>
<b>SALES TAX:</b>				
Home Rule Retailers' Occupation .....	280,800	280,800	243,511	(37,289)
<b>TRANSPORTATION TAX:</b>				
Parking .....	86,000	86,000	85,259	(741)
Vehicle Fuel .....	57,400	57,400	54,853	(2,547)
Ground Transportation .....	9,000	9,000	8,589	(411)
Total Transportation Tax .....	<u>152,400</u>	<u>152,400</u>	<u>148,701</u>	<u>(3,699)</u>
<b>TRANSACTION TAX:</b>				
Real Property .....	210,000	210,000	119,462	(90,538)
Personal Property Lease .....	116,000	116,000	119,347	3,347
Motor Vehicle Lessor .....	6,850	6,850	6,260	(590)
Total Transaction Tax .....	<u>332,850</u>	<u>332,850</u>	<u>245,069</u>	<u>(87,781)</u>
<b>RECREATION TAX:</b>				
Amusement .....	65,000	65,000	68,965	3,965
Automatic Amusement .....	1,300	1,300	1,139	(161)
Liquor .....	32,000	32,000	31,966	(34)
Boat Mooring .....	1,275	1,275	1,306	31
Cigarette .....	30,000	30,000	24,341	(5,659)
Off Track Betting .....	2,048	2,048	1,517	(531)
Soft Drink .....	21,720	21,720	18,804	(2,916)
Total Recreation Tax .....	<u>153,343</u>	<u>153,343</u>	<u>148,038</u>	<u>(5,305)</u>
<b>BUSINESS TAX:</b>				
Hotel .....	63,442	63,442	64,264	822
Employers' Expense .....	23,000	23,000	23,888	888
Foreign Fire Insurance .....	4,300	4,300	4,132	(168)
Total Business Tax .....	<u>90,742</u>	<u>90,742</u>	<u>92,284</u>	<u>1,542</u>
<b>TOTAL LOCAL TAX REVENUE .....</b>	<u>1,510,185</u>	<u>1,510,185</u>	<u>1,402,445</u>	<u>(107,740)</u>

**Schedule A-1 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>INTERGOVERNMENTAL REVENUE</b>				
<b>STATE INCOME TAX:</b>				
Income .....	\$ 270,900	\$ 270,900	\$ 268,827	\$ (2,073)
Personal Property Replacement .....	119,880	119,880	109,718	(10,162)
Total State Income Tax .....	<u>390,780</u>	<u>390,780</u>	<u>378,545</u>	<u>(12,235)</u>
<b>STATE SALES TAX:</b>				
State Retailers' Occupation .....	289,800	289,800	274,620	(15,180)
<b>STATE AUTO RENTAL TAX:</b>				
Municipal Auto Rental .....	3,800	3,800	3,831	31
<b>FEDERAL/STATE GRANTS:</b>				
Grants .....	2,370	2,370	2,347	(23)
TOTAL INTERGOVERNMENTAL REVENUE ...	<u>686,750</u>	<u>686,750</u>	<u>659,343</u>	<u>(27,407)</u>
<b>LOCAL NON-TAX REVENUE</b>				
<b>INTERNAL SERVICE:</b>				
Water Fund .....	55,517	55,517	55,517	-
Chicago-O'Hare International Airport Fund .....	35,995	35,995	33,208	(2,787)
Vehicle Tax Fund .....	19,927	19,927	19,927	-
Chicago Midway International Airport Fund .....	8,388	8,388	7,013	(1,375)
Federal Funds .....	18,172	18,172	14,319	(3,853)
Sewer Fund .....	22,164	22,164	22,164	-
Emergency Communication Fund .....	75,505	75,505	82,947	7,442
Federal Funds - Pensions .....	20,363	20,363	16,861	(3,502)
Indirect Cost Recovery .....	1,868	1,868	1,472	(396)
Electrical Services .....	6,451	6,451	5,602	(849)
Electrical Construction .....	15,053	15,053	10,797	(4,256)
Transportation .....	9,881	9,881	8,250	(1,631)
Fleet Management .....	17,521	17,521	12,238	(5,283)
Miscellaneous - Planning, Purchasing, etc. ....	8,351	8,351	6,417	(1,934)
Other .....	911	911	3,429	2,518
Total Internal Service .....	<u>316,067</u>	<u>316,067</u>	<u>300,161</u>	<u>(15,906)</u>
<b>LICENSES AND PERMITS:</b>				
Alcoholic Liquor Dealers' License .....	13,195	13,195	11,445	(1,750)
Building License .....	22,831	22,831	21,847	(984)
Building Permits .....	54,392	54,392	30,955	(23,437)
Fines and Penalties .....	6,484	6,484	7,059	575
Other .....	45,400	45,400	43,401	(1,999)
Total Licenses and Permits .....	<u>142,302</u>	<u>142,302</u>	<u>114,707</u>	<u>(27,595)</u>

**Schedule A-1 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2008**  
**(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 .....	\$ 266,230	\$ 266,230	\$ 257,497	\$ (8,733)
INVESTMENT INCOME:				
Interest on Investments .....	9,450	9,450	3,051	(6,399)
CHARGES FOR SERVICES:				
Health Services .....	945	945	1,078	133
Inspection .....	13,800	13,800	10,798	(3,002)
Information .....	800	800	799	(1)
Safety .....	43,270	43,270	43,844	574
Reimbursement of Current Expense .....	4,779	4,779	7,211	2,432
Other .....	15,797	15,797	13,165	(2,632)
Total Charges for Services .....	79,391	79,391	76,895	(2,496)
MUNICIPAL UTILITIES:				
Parking .....	29,500	29,500	28,758	(742)
Total Municipal Utilities .....	29,500	29,500	28,758	(742)
LEASES, RENTALS AND SALES:				
Sale of Land and Buildings .....	15,750	15,750	316	(15,434)
Vacation of Streets and Alleys .....	3,000	3,000	4,707	1,707
Sale of Impounded Autos .....	237	237	196	(41)
Sale of Materials .....	1,279	1,279	3,058	1,779
Rentals and Leases .....	4,200	4,200	5,547	1,347
Total Leases, Rentals and Sales .....	24,466	24,466	13,824	(10,642)
MISCELLANEOUS:				
Property Damage .....	134	134	158	24
Other .....	28,866	28,866	18,932	(9,934)
Total Miscellaneous .....	29,000	29,000	19,090	(9,910)
TOTAL LOCAL NON-TAX REVENUE .....	896,406	896,406	813,983	(82,423)
Issuance of Debt, Net of Original				
Discount .....	18,671	18,671	164,000	145,329
Budgeted Prior Years' Surplus and Reappropriations .....	15,498	15,498	1,147	(14,351)
Transfers In .....	91,000	91,000	94,058	3,058
Total Revenues .....	\$ 3,218,510	\$ 3,218,510	\$ 3,134,976	\$ (83,534)

# NONMAJOR GOVERNMENTAL FUNDS



**Schedule B-1  
CITY OF CHICAGO, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
December 31, 2008  
(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents .....	\$ 13,341	\$ 4,061	\$ 14,467	\$ 31,869
Investments .....	65,431	6,996	1,732	74,159
Cash and Investments with Escrow Agent .....	-	118,585	-	118,585
Receivables (Net of Allowances):				
Property Tax .....	338,927	104,916	-	443,843
Accounts .....	13,628	142	25,230	39,000
Due from Other Funds .....	64,621	100	35,705	100,426
Due from Other Governments .....	15,375	226	22,058	37,659
Total Assets .....	<u>\$ 511,323</u>	<u>\$ 235,026</u>	<u>\$ 99,192</u>	<u>\$ 845,541</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Voucher Warrants Payable .....	\$ 78,998	\$ -	\$ 16,084	\$ 95,082
Bonds, Notes and Other Obligations Payable - Current .....	-	5,400	-	5,400
Accrued Interest .....	-	3,325	-	3,325
Due to Other Funds .....	62,256	100	20	62,376
Accrued and Other Liabilities .....	39,435	101	38,972	78,508
Deferred Revenue .....	312,361	95,578	-	407,939
Total Liabilities .....	493,050	104,504	55,076	652,630
Fund Balance:				
Reserved for Encumbrances .....	15,068	-	22,324	37,392
Reserved for Debt Service .....	-	130,522	-	130,522
Unreserved, Undesignated .....	3,205	-	21,792	24,997
Total Fund Balance .....	<u>18,273</u>	<u>130,522</u>	<u>44,116</u>	<u>192,911</u>
Total Liabilities and Fund Balance .....	<u>\$ 511,323</u>	<u>\$ 235,026</u>	<u>\$ 99,192</u>	<u>\$ 845,541</u>

**Schedule B-2**  
**CITY OF CHICAGO, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property Tax .....	\$ 326,334	\$ -	\$ -	\$ 326,334
Utility Tax .....	82,373	-	-	82,373
Sales Tax .....	-	1,669	-	1,669
Transportation Tax .....	161,255	-	-	161,255
State Income Tax .....	56,848	-	-	56,848
Transaction Tax .....	30,365	-	-	30,365
Special Area Tax .....	-	208,663	-	208,663
Other Taxes .....	18,430	151	-	18,581
Federal/State Grants .....	-	-	-	-
Internal Service .....	28,570	-	-	28,570
Fines .....	16,946	-	-	16,946
Investment Income .....	9,869	5,039	5,696	20,604
Charges for Services .....	38,472	-	-	38,472
Miscellaneous .....	16,485	500	1,017	18,002
<b>Total Revenues</b> .....	<u>785,947</u>	<u>216,022</u>	<u>6,713</u>	<u>1,008,682</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government .....	214,527	-	-	214,527
Health .....	7,874	-	-	7,874
Public Safety .....	2,264	-	-	2,264
Streets and Sanitation .....	113,296	-	-	113,296
Transportation .....	81,306	-	-	81,306
Cultural and Recreational .....	95,005	-	-	95,005
Employee Pensions .....	413,690	-	-	413,690
Other .....	480	-	-	480
Capital Outlay .....	-	-	95,660	95,660
<b>Debt Service:</b>				
Principal Retirement .....	-	176,221	-	176,221
Interest and Other Fiscal Charges .....	5,628	58,292	-	63,920
<b>Total Expenditures</b> .....	<u>934,070</u>	<u>234,513</u>	<u>95,660</u>	<u>1,264,243</u>
Revenues Over (Under) Expenditures .....	<u>(148,123)</u>	<u>(18,491)</u>	<u>(88,947)</u>	<u>(255,561)</u>

Continued on following page.

**Schedule B-2 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt .....	\$ 163,128	\$ -	\$ -	\$ 163,128
Payment to Refunded Bond Escrow Agent .....	-	-	-	-
Transfers In .....	27,943	33,186	-	61,129
Transfers Out .....	(16,000)	(138,748)	-	(154,748)
Total Other Financing Sources (Uses) .....	<u>175,071</u>	<u>(105,562)</u>	<u>-</u>	<u>69,509</u>
Net Change in Fund Balances .....	26,948	(124,053)	(88,947)	(186,052)
Fund Balance - Beginning of Year .....	(8,675)	254,575	133,063	378,963
Fund Balance - End of Year .....	<u>\$ 18,273</u>	<u>\$ 130,522</u>	<u>\$ 44,116</u>	<u>\$ 192,911</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.

Schedule C-1  
CITY OF CHICAGO, ILLINOIS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
December 31, 2008  
(Amounts are in Thousands of Dollars)

	Vehicle Tax	Motor Fuel Tax and Project	Pension
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 3	\$ 39	\$ 2,656
Investments .....	85	43,066	47
Receivables (Net of Allowances):			
Property Tax .....	-	-	338,927
Accounts .....	231	2,043	336
Due from Other Funds .....	31,333	126	-
Due from Other Governments .....	-	6,875	-
Total Assets .....	<u>\$ 31,652</u>	<u>\$ 52,149</u>	<u>\$ 341,966</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Voucher Warrants Payable .....	\$ 9,844	\$ 49,129	\$ 7,357
Due to Other Funds .....	2,576	6,313	22,248
Accrued and Other Liabilities .....	31,731	-	-
Deferred Revenue .....	-	-	312,361
Total Liabilities .....	<u>44,151</u>	<u>55,442</u>	<u>341,966</u>
Fund Balance (Deficit):			
Reserve for Encumbrances .....	971	10,578	-
Unreserved, Undesignated .....	<u>(13,470)</u>	<u>(13,871)</u>	-
Total Fund Balance (Deficit) .....	<u>(12,499)</u>	<u>(3,293)</u>	-
Total Liabilities and Fund Balance .....	<u>\$ 31,652</u>	<u>\$ 52,149</u>	<u>\$ 341,966</u>

Public Building Commission	Miscellaneous	Chicago Public Library	Special Events, Tourism and Festivals	Health and Welfare	Total Nonmajor Special Revenue Funds
\$ -	\$ 3,897	\$ 97	\$ 6	\$ 6,643	\$ 13,341
-	6,800	5,714	4,056	5,663	65,431
-	-	-	-	-	338,927
-	10,370	164	272	212	13,628
-	9,117	15,232	793	8,020	64,621
1,994	-	-	6,506	-	15,375
<u>\$ 1,994</u>	<u>\$ 30,184</u>	<u>\$ 21,207</u>	<u>\$ 11,633</u>	<u>\$ 20,538</u>	<u>\$ 511,323</u>
\$ -	\$ 3,802	\$ 3,557	\$ 1,734	\$ 3,575	\$ 78,998
-	13,784	11,950	5,385	-	62,256
-	53	1,266	6,385	-	39,435
-	-	-	-	-	312,361
-	<u>17,639</u>	<u>16,773</u>	<u>13,504</u>	<u>3,575</u>	<u>493,050</u>
-	820	953	1,746	-	15,068
1,994	11,725	3,481	(3,617)	16,963	3,205
<u>1,994</u>	<u>12,545</u>	<u>4,434</u>	<u>(1,871)</u>	<u>16,963</u>	<u>18,273</u>
<u>\$ 1,994</u>	<u>\$ 30,184</u>	<u>\$ 21,207</u>	<u>\$ 11,633</u>	<u>\$ 20,538</u>	<u>\$ 511,323</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, 2008**  
**(Amounts are in Thousands of Dollars)**

	Vehicle Tax	Motor Fuel Tax and Project	Pension
Revenues:			
Property Tax .....	\$ -	\$ -	\$ 325,565
Utility Tax .....	-	-	-
Sales Tax .....	-	-	-
Transportation Tax .....	94,749	65,223	-
State Income Tax .....	-	-	56,848
Transaction Tax .....	-	-	-
Special Area Tax .....	-	-	-
Other Taxes .....	-	-	-
Federal/State Grants .....	-	-	-
Internal Service .....	28,570	-	-
Fines .....	15,193	-	-
Investment Income .....	-	2,438	1,097
Charges for Services .....	14,316	125	-
Miscellaneous .....	13	-	-
<b>Total Revenues .....</b>	<b>152,841</b>	<b>67,786</b>	<b>383,510</b>
Expenditures:			
Current:			
General Government .....	56,229	-	-
Health .....	-	-	-
Public Safety .....	-	-	-
Streets and Sanitation .....	46,377	66,919	-
Transportation .....	31,170	50,117	-
Cultural and Recreational .....	-	-	-
Employee Pensions .....	-	-	413,690
Other .....	-	-	-
Capital Outlay .....	-	-	-
Debt Service:			
Principal Retirement .....	-	-	-
Interest and Other Fiscal Charges .....	-	1,530	-
<b>Total Expenditures .....</b>	<b>133,776</b>	<b>118,566</b>	<b>413,690</b>
<b>Revenues Over (Under) Expenditures .....</b>	<b>19,065</b>	<b>(50,780)</b>	<b>(30,180)</b>
Other Financing Sources (Uses):			
Issuance of Debt .....	-	61,523	30,180
Transfers In .....	-	-	-
Transfers Out .....	-	-	-
<b>Total Other Financing Sources (Uses) .....</b>	<b>-</b>	<b>61,523</b>	<b>30,180</b>
<b>Net Change in Fund Balances .....</b>	<b>19,065</b>	<b>10,743</b>	<b>-</b>
Fund Balance (Deficit) - Beginning of Year .....	(31,564)	(14,036)	-
Fund Balance (Deficit) - End of Year .....	<b>\$ (12,499)</b>	<b>\$ (3,293)</b>	<b>\$ -</b>

<u>Public Building Commission</u>	<u>Miscellaneous</u>	<u>Chicago Public Library</u>	<u>Special Events, Tourism and Festivals</u>	<u>Health and Welfare</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 769	\$ 326,334
-	82,373	-	-	-	82,373
-	-	-	-	-	-
-	-	-	1,283	-	161,255
-	-	-	-	-	56,848
-	30,365	-	-	-	30,365
-	-	-	-	-	-
-	-	-	18,430	-	18,430
-	-	-	-	-	-
-	-	-	-	-	28,570
-	-	1,753	-	-	16,946
3,003	668	823	110	1,730	9,869
-	60	14	23,957	-	38,472
-	9,567	200	6,705	-	16,485
<u>3,003</u>	<u>123,033</u>	<u>2,790</u>	<u>50,485</u>	<u>2,499</u>	<u>785,947</u>
-	113,647	34,234	6,945	3,472	214,527
-	7,874	-	-	-	7,874
-	2,164	-	100	-	2,264
-	-	-	-	-	113,296
-	-	-	-	19	81,306
-	-	49,774	45,231	-	95,005
-	-	-	-	-	413,690
-	105	-	375	-	480
-	-	-	-	-	-
-	-	-	-	-	-
1,890	-	2,207	-	1	5,628
<u>1,890</u>	<u>123,790</u>	<u>86,215</u>	<u>52,651</u>	<u>3,492</u>	<u>934,070</u>
<u>1,113</u>	<u>(757)</u>	<u>(83,425)</u>	<u>(2,166)</u>	<u>(993)</u>	<u>(148,123)</u>
-	-	70,425	1,000	-	163,128
-	-	18,750	-	9,193	27,943
-	(1,000)	-	-	(15,000)	(16,000)
-	(1,000)	89,175	1,000	(5,807)	175,071
1,113	(1,757)	5,750	(1,166)	(6,800)	26,948
881	14,302	(1,316)	(705)	23,763	(8,675)
<u>\$ 1,994</u>	<u>\$ 12,545</u>	<u>\$ 4,434</u>	<u>\$ (1,871)</u>	<u>\$ 16,963</u>	<u>\$ 18,273</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, 2008**  
**(Amounts are in Thousands of Dollars)**

FUND	Transaction and Property Tax	Special Area and Utility Taxes	Trans- portation Tax	State Taxes
Original and Final Budgeted Revenues:				
Vehicle Tax .....	\$ -	\$ -	\$ 102,727	\$ -
Motor Fuel Tax and Project .....	-	-	75,687	-
Pension .....	332,099	-	-	95,993
Miscellaneous .....	63,010	76,005	-	-
Chicago Public Library .....	-	-	-	-
Special Events, Tourism and Festivals .....	-	-	800	17,092
Health and Welfare .....	-	-	-	-
Total Original and Final Budgeted Revenues ....	<u>395,109</u>	<u>76,005</u>	<u>179,214</u>	<u>113,085</u>
Actual Revenues:				
Vehicle Tax .....	-	-	94,749	-
Motor Fuel Tax and Project .....	-	-	65,223	-
Pension .....	359,368	-	-	56,848
Miscellaneous .....	30,365	82,373	-	-
Chicago Public Library .....	-	-	-	-
Special Events, Tourism and Festivals .....	-	-	1,283	18,430
Health and Welfare .....	769	-	-	-
Total Actual Revenues .....	<u>390,502</u>	<u>82,373</u>	<u>161,255</u>	<u>75,278</u>
Variance Positive (Negative) .....	<u>\$ (4,607)</u>	<u>\$ 6,368</u>	<u>\$ (17,959)</u>	<u>\$ (37,807)</u>

Internal Service	Fines	Investment Income	Leases, Rentals, Sales and Charges for Services	Miscellaneous	Proceeds of Debt	Budgeted Prior Years' Surplus and Operating Transfers In/ Other	Total Nonmajor Special Revenue Funds
\$ 27,207	\$ 16,500	\$ -	\$ 10,300	\$ 1,000	\$ -	\$ (9,792)	\$ 147,942
-	-	500	-	-	61,523	4,231	141,941
-	-	-	-	-	15,093	-	443,185
-	-	-	-	10,182	-	2,565	151,762
-	1,200	1,100	200	-	70,428	21,832	94,760
-	-	50	24,667	725	7,200	991	51,525
-	-	-	-	-	-	35,079	35,079
<u>27,207</u>	<u>17,700</u>	<u>1,650</u>	<u>35,167</u>	<u>11,907</u>	<u>154,244</u>	<u>54,906</u>	<u>1,066,194</u>
28,570	15,193	-	14,316	13	-	-	152,841
-	-	2,438	125	-	61,523	-	129,309
-	-	1,097	-	-	30,180	-	447,493
-	-	668	60	9,567	-	-	123,033
-	1,753	823	14	200	70,425	18,750	91,965
-	-	110	23,957	6,705	1,000	-	51,485
-	-	1,730	-	-	-	9,193	11,692
<u>28,570</u>	<u>16,946</u>	<u>6,866</u>	<u>38,472</u>	<u>16,485</u>	<u>163,128</u>	<u>27,943</u>	<u>1,007,818</u>
<u>\$ 1,363</u>	<u>\$ (754)</u>	<u>\$ 5,216</u>	<u>\$ 3,305</u>	<u>\$ 4,578</u>	<u>\$ 8,884</u>	<u>\$ (26,963)</u>	<u>\$ (58,376)</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, 2008**  
**(Amounts are in Thousands of Dollars)**

FUND	General Government	Health	Public Safety	Streets and Sanitation
Original and Final Budget:				
Vehicle Tax .....	\$ 61,242	\$ -	\$ -	\$ 51,606
Motor Fuel Tax and Project .....	-	-	-	70,271
Pension .....	-	-	-	-
Miscellaneous .....	139,297	7,837	4,628	-
Chicago Public Library .....	35,032	-	-	-
Special Events, Tourism and Festivals .....	6,815	-	100	-
Health and Welfare .....	3,502	-	-	-
Total Original and Final Budget .....	<u>245,888</u>	<u>7,837</u>	<u>4,728</u>	<u>121,877</u>
Actual Expenditures and Encumbrances:				
Vehicle Tax .....	56,266	-	-	46,652
Motor Fuel Tax and Project .....	-	-	-	73,284
Pension .....	-	-	-	-
Miscellaneous .....	113,537	4,119	2,770	-
Chicago Public Library .....	34,614	-	-	-
Special Events, Tourism and Festivals .....	6,506	-	100	-
Health and Welfare .....	3,096	-	-	-
Total Actual Expenditures and Encumbrances ...	<u>214,019</u>	<u>4,119</u>	<u>2,870</u>	<u>119,936</u>
Variance Positive (Negative) .....	<u>\$ 31,869</u>	<u>\$ 3,718</u>	<u>\$ 1,858</u>	<u>\$ 1,941</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>
\$ 35,094	\$ -	\$ -	\$ -	\$ -	\$ 147,942
71,655	-	-	-	15	141,941
-	-	443,185	-	-	443,185
-	-	-	-	-	151,762
-	54,855	-	-	4,873	94,760
-	44,610	-	-	-	51,525
-	-	-	31,577	-	35,079
<u>106,749</u>	<u>99,465</u>	<u>443,185</u>	<u>31,577</u>	<u>4,888</u>	<u>1,066,194</u>
33,849	-	-	-	-	136,767
51,363	-	-	-	1,531	126,178
-	-	397,617	-	-	397,617
-	-	-	-	-	120,426
-	49,995	-	-	2,133	86,742
-	46,226	-	-	-	52,832
-	-	-	15,000	-	18,096
<u>85,212</u>	<u>96,221</u>	<u>397,617</u>	<u>15,000</u>	<u>3,664</u>	<u>938,658</u>
<u>\$ 21,537</u>	<u>\$ 3,244</u>	<u>\$ 45,568</u>	<u>\$ 16,577</u>	<u>\$ 1,224</u>	<u>\$ 127,536</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, 2008  
(Amounts are in Thousands of Dollars)

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 3,332	\$ 1,240	\$ 9,895	\$ -	\$ 14,467
Investments .....	45	-	1,687	-	1,732
Accounts Receivable (Net of Allowances) .....	-	-	457	24,773	25,230
Due from Other Funds .....	-	-	35,705	-	35,705
Due from Other Governments .....	-	-	-	22,058	22,058
Total Assets .....	<u>\$ 3,377</u>	<u>\$ 1,240</u>	<u>\$ 47,744</u>	<u>\$ 46,831</u>	<u>\$ 99,192</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Voucher Warrants Payable .....	\$ 122	\$ 1	\$ 15,961	\$ -	\$ 16,084
Due to Other Funds .....	-	-	20	-	20
Accrued and Other Liabilities .....	-	-	272	38,700	38,972
Total Liabilities .....	<u>122</u>	<u>1</u>	<u>16,253</u>	<u>38,700</u>	<u>55,076</u>
Fund Balance:					
Reserved for Encumbrances .....	1	208	22,115	-	22,324
Unreserved, Undesignated .....	3,254	1,031	9,376	8,131	21,792
Total Fund Balance .....	<u>3,255</u>	<u>1,239</u>	<u>31,491</u>	<u>8,131</u>	<u>44,116</u>
Total Liabilities and Fund Balance .....	<u>\$ 3,377</u>	<u>\$ 1,240</u>	<u>\$ 47,744</u>	<u>\$ 46,831</u>	<u>\$ 99,192</u>

Schedule D-2

CITY OF CHICAGO, ILLINOIS

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2008

(Amounts are in Thousands of Dollars)

	Highway and Transportation Projects	Building Projects	Equipment Projects	Chicago Public Building Commission	Total Nonmajor Capital Project Funds
<b>REVENUES</b>					
Investment Income .....	\$ 52	\$ 1	\$ 4,502	\$ 1,141	\$ 5,696
Miscellaneous .....	-	-	1,017	-	1,017
Total Revenues .....	<u>52</u>	<u>1</u>	<u>5,519</u>	<u>1,141</u>	<u>6,713</u>
<b>EXPENDITURES</b>					
Capital Outlay .....	-	-	95,660	-	95,660
Total Expenditures .....	<u>-</u>	<u>-</u>	<u>95,660</u>	<u>-</u>	<u>95,660</u>
Revenues Over (Under) Expenditures .....	<u>52</u>	<u>1</u>	<u>(90,141)</u>	<u>1,141</u>	<u>(88,947)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt .....	-	-	-	-	-
Total Other Financing Sources (Uses) .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance .....	52	1	(90,141)	1,141	(88,947)
Fund Balance - Beginning of Year .....	3,203	1,238	121,632	6,990	133,063
Fund Balance - End of Year .....	<u>\$ 3,255</u>	<u>\$ 1,239</u>	<u>\$ 31,491</u>	<u>\$ 8,131</u>	<u>\$ 44,116</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, 2008  
(Amounts are in Thousands of Dollars)

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
<b>ASSETS:</b>						
Cash,						
January 1, 2008.....	\$ 8,496	\$ 6,594	\$ 37,258	\$ 20,935	\$ 3,926	\$ 77,209
Additions.....	4,018,126	23,249	572,700	73,892	37,098	4,725,065
Deductions.....	<u>4,012,187</u>	<u>28,386</u>	<u>594,960</u>	<u>78,005</u>	<u>41,024</u>	<u>4,754,562</u>
Cash,						
December 31, 2008....	<u>14,435</u>	<u>1,457</u>	<u>14,998</u>	<u>16,822</u>	<u>-</u>	<u>47,712</u>
Investments,						
January 1, 2008.....	41	806	31,733	6,006	20	38,606
Additions.....	41	886	69,592	10,294	6,499	87,312
Deductions.....	<u>62</u>	<u>1,249</u>	<u>66,638</u>	<u>11,153</u>	<u>3,270</u>	<u>82,372</u>
Investments,						
December 31, 2008....	<u>20</u>	<u>443</u>	<u>34,687</u>	<u>5,147</u>	<u>3,249</u>	<u>43,546</u>
Cash and Investments with Escrow Agent,						
January 1, 2008.....	-	-	13,756	120	-	13,876
Additions.....	-	-	22,131	2	-	22,133
Deductions.....	<u>-</u>	<u>-</u>	<u>20,797</u>	<u>1</u>	<u>-</u>	<u>20,798</u>
Cash and Investments with Escrow Agent,						
December 31, 2008....	<u>-</u>	<u>-</u>	<u>15,090</u>	<u>121</u>	<u>-</u>	<u>15,211</u>
Accounts Receivables,						
January 1, 2008.....	48,933	13,846	72,643	60,497	1,248	197,167
Additions.....	16,275	24,000	152,926	69,550	34,006	296,757
Deductions.....	<u>48,933</u>	<u>22,000</u>	<u>83,574</u>	<u>62,765</u>	<u>33,345</u>	<u>250,617</u>
Accounts Receivables,						
December 31, 2008....	<u>16,275</u>	<u>15,846</u>	<u>141,995</u>	<u>67,282</u>	<u>1,909</u>	<u>243,307</u>

**Schedule E-1 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Payroll Clearing Fund	Payroll Deduction Fund	Other Clearing Fund	License and Special Deposit Fund	Special Assessment Fund	Total
<b>ASSETS - Concluded:</b>						
Total Assets,						
January 1, 2008.....	\$ 57,470	\$ 21,246	\$ 155,390	\$ 87,558	\$ 5,194	\$ 326,858
Additions.....	4,034,442	48,135	817,349	153,738	77,603	5,131,267
Deductions.....	<u>4,061,182</u>	<u>51,635</u>	<u>765,969</u>	<u>151,924</u>	<u>77,639</u>	<u>5,108,349</u>
Total Assets,						
December 31, 2008.....	<u>\$ 30,730</u>	<u>\$ 17,746</u>	<u>\$ 206,770</u>	<u>\$ 89,372</u>	<u>\$ 5,158</u>	<u>\$ 349,776</u>
<b>LIABILITIES:</b>						
Voucher Warrants Payable,						
January 1, 2008.....	\$ 57,281	\$ 34	\$ 14,010	\$ 3,175	\$ 4	\$ 74,504
Additions.....	8,535,100	-	335,493	32,049	482	8,903,124
Deductions.....	<u>8,578,682</u>	<u>3,500</u>	<u>336,027</u>	<u>31,219</u>	<u>482</u>	<u>8,949,910</u>
Voucher Warrants Payable,						
December 31, 2008.....	<u>13,699</u>	<u>(3,466)</u>	<u>13,476</u>	<u>4,005</u>	<u>4</u>	<u>27,718</u>
Accrued Liabilities,						
January 1, 2008.....	189	21,212	141,380	84,383	5,189	252,353
Additions.....	1,123,541	-	132,827	4,241	352	1,260,961
Deductions.....	<u>1,106,699</u>	<u>-</u>	<u>80,913</u>	<u>3,257</u>	<u>387</u>	<u>1,191,256</u>
Accrued Liabilities,						
December 31, 2008.....	<u>17,031</u>	<u>21,212</u>	<u>193,294</u>	<u>85,367</u>	<u>5,154</u>	<u>322,058</u>
Total Liabilities,						
January 1, 2008.....	57,470	21,246	155,390	87,558	5,193	326,857
Additions.....	9,658,641	-	468,320	36,290	834	10,164,085
Deductions.....	<u>9,685,381</u>	<u>3,500</u>	<u>416,940</u>	<u>34,476</u>	<u>869</u>	<u>10,141,166</u>
Total Liabilities,						
December 31, 2008.....	<u>\$ 30,730</u>	<u>\$ 17,746</u>	<u>\$ 206,770</u>	<u>\$ 89,372</u>	<u>\$ 5,158</u>	<u>\$ 349,776</u>

**Schedule E-2**  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 4,258	\$ 72,895	\$ 165,899	\$ 37,771	\$ 280,823
Receivables					
Employer and Other .....	206,063	17,676	539,629	82,035	845,403
Interest and Dividends .....	15,805	4,391	8,705	9,681	38,582
Total Receivables .....	221,868	22,067	548,334	91,716	883,985
Due from City .....	8,447	613	8,981	4,208	22,249
Investments, at Fair Value					
Bonds and U.S. Government					
Obligations .....	1,360,361	390,194	766,793	170,011	2,687,359
Stocks .....	2,536,521	669,700	1,591,059	549,230	5,346,510
Mortgages and Real Estate .....	318,414	42,653	86,035	22,890	469,992
Other .....	458,252	39,932	237,500	48,416	784,100
Total Investments .....	4,673,548	1,142,479	2,681,387	790,547	9,287,961
Invested Securities Lending					
Collateral .....	543,249	145,706	287,600	127,822	1,104,377
Total Assets .....	5,451,370	1,383,760	3,692,201	1,052,064	11,579,395
<b>LIABILITIES</b>					
Voucher Warrants Payable .....	168,508	49,474	403,603	10,048	631,633
Securities Lending Collateral .....	543,248	145,706	287,600	127,823	1,104,377
Total Liabilities .....	711,756	195,180	691,203	137,871	1,736,010
Net Assets Held in Trust for					
Pension Benefits .....	<u>\$ 4,739,614</u>	<u>\$ 1,188,580</u>	<u>\$ 3,000,998</u>	<u>\$ 914,193</u>	<u>\$ 9,843,385</u>

**Schedule E-3**  
**CITY OF CHICAGO, ILLINOIS**  
**FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**Year Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	Pension Trust Funds				
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
<b>ADDITIONS</b>					
Contributions					
Employees .....	\$ 137,749	\$ 19,418	\$ 93,207	\$ 40,480	\$ 290,854
City .....	<u>155,833</u>	<u>17,580</u>	<u>181,526</u>	<u>83,744</u>	<u>438,683</u>
Total Contributions .....	<u>293,582</u>	<u>36,998</u>	<u>274,733</u>	<u>124,224</u>	<u>729,537</u>
Investment Income					
Net Appreciation in Fair					
Value of Investments .....	(2,051,464)	(533,441)	(1,187,618)	(510,474)	(4,282,997)
Interest, Dividends and Other ....	173,661	38,991	94,819	31,599	339,070
Investment Expense .....	<u>(22,388)</u>	<u>(7,390)</u>	<u>(11,476)</u>	<u>(6,747)</u>	<u>(48,001)</u>
Net Investment Income .....	<u>(1,900,191)</u>	<u>(501,840)</u>	<u>(1,104,275)</u>	<u>(485,622)</u>	<u>(3,991,928)</u>
Securities Lending Transactions					
Securities Lending Income .....	(16,278)	(7,010)	8,296	5,921	(9,071)
Securities Lending Expense .....	<u>(31,107)</u>	<u>(1,612)</u>	<u>(8,771)</u>	<u>(4,285)</u>	<u>(45,775)</u>
Net Securities Lending Transactions .....	<u>(47,385)</u>	<u>(8,622)</u>	<u>(475)</u>	<u>1,636</u>	<u>(54,846)</u>
Total Additions .....	<u>(1,653,994)</u>	<u>(473,464)</u>	<u>(830,017)</u>	<u>(359,762)</u>	<u>(3,317,237)</u>
<b>DEDUCTIONS</b>					
Benefits and Refunds of					
Deductions .....	608,166	117,147	497,721	192,643	1,415,677
Administrative and General .....	<u>7,750</u>	<u>3,626</u>	<u>4,498</u>	<u>2,856</u>	<u>18,730</u>
Total Deductions .....	<u>615,916</u>	<u>120,773</u>	<u>502,219</u>	<u>195,499</u>	<u>1,434,407</u>
Net Increase in Net Assets .....	<u>(2,269,910)</u>	<u>(594,237)</u>	<u>(1,332,236)</u>	<u>(555,261)</u>	<u>(4,751,644)</u>
Net Assets Held in Trust for					
Pension Benefits:					
Beginning of Year .....	<u>7,009,524</u>	<u>1,782,817</u>	<u>4,333,234</u>	<u>1,469,454</u>	<u>14,595,029</u>
End of Year .....	<u>\$ 4,739,614</u>	<u>\$ 1,188,580</u>	<u>\$ 3,000,998</u>	<u>\$ 914,193</u>	<u>\$ 9,843,385</u>



## **PART III**

### **STATISTICAL SECTION (UNAUDITED)**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

#### Contents

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning that year.

**Table 1**  
**CITY OF CHICAGO**  
**NET ASSETS BY COMPONENT**  
**Last Seven Fiscal Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Invested in capital assets,							
net of related debt .....	\$ 1,418,685	\$ 1,091,893	\$ 813,964	\$ 514,271	\$ 574,393	\$ 570,665	\$ 494,930
Restricted .....	997,687	1,216,595	1,346,754	2,632,804	2,451,160	2,980,207	2,842,149
Unrestricted (deficit) .....	(827,376)	(1,202,113)	(1,397,160)	(1,597,634)	(2,003,328)	(3,435,506)	(4,092,388)
Total governmental activities,							
net assets .....	\$ 1,588,996	\$ 1,106,375	\$ 763,558	\$ 1,549,441	\$ 1,022,225	\$ 115,366	\$ (755,309)
Business-type activities:							
Invested in capital assets,							
net of related debt .....	\$ 1,744,719	\$ 1,560,539	\$ 1,610,788	\$ 1,879,343	\$ 1,940,069	\$ 2,168,833	\$ 2,323,394
Restricted .....	716,704	897,313	877,781	886,488	971,669	881,908	779,894
Unrestricted .....	(23,929)	(16,955)	(117,238)	(1,603,766)	(1,587,939)	(1,561,634)	(1,517,891)
Total business type activities,							
net assets .....	\$ 2,437,494	\$ 2,440,897	\$ 2,371,331	\$ 1,162,065	\$ 1,323,799	\$ 1,489,107	\$ 1,585,397
Primary Government:							
Invested in capital assets,							
net of related debt .....	\$ 3,163,404	\$ 2,652,432	\$ 2,424,752	\$ 2,393,614	\$ 2,514,462	\$ 2,739,498	\$ 2,818,324
Restricted .....	1,714,391	2,113,908	2,224,535	3,519,292	3,422,829	3,862,115	3,622,043
Unrestricted .....	(851,305)	(1,219,068)	(1,514,398)	(3,201,400)	(3,591,267)	(4,997,140)	(5,610,279)
Total primary government,							
net assets .....	\$ 4,026,490	\$ 3,547,272	\$ 3,134,889	\$ 2,711,506	\$ 2,346,024	\$ 1,604,473	\$ 830,088

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year ended 2002.

**Table 2**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Seven Fiscal Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
Governmental Activities:							
General Government .....	\$ 1,587,322	\$ 1,738,548	\$ 1,642,072	\$ 1,842,353	\$ 2,088,299	\$ 2,452,145	\$ 2,384,586
Public Safety .....	1,623,340	1,646,760	1,853,887	1,834,008	2,300,048	2,435,437	2,434,842
Employee Pensions .....	328,518	354,819	299,810	388,053	-	-	-
Streets and Sanitation .....	318,982	335,727	334,878	353,976	337,103	367,222	371,112
Transportation .....	240,572	304,580	275,536	285,598	292,679	333,401	381,090
Health .....	178,741	174,780	164,830	147,376	170,769	175,577	170,838
Cultural and Recreational .....	102,516	100,725	95,924	114,504	119,193	128,003	140,065
Other .....	10,332	10,771	10,581	9,892	-	-	-
Interest on Long-term Debt .....	280,347	301,181	352,119	335,373	371,523	385,305	381,504
Total Governmental Activities .....	<u>4,670,670</u>	<u>4,967,891</u>	<u>5,029,637</u>	<u>5,311,133</u>	<u>5,679,614</u>	<u>6,277,090</u>	<u>6,264,037</u>
Business-type Activities:							
Water .....	305,246	318,925	297,902	326,444	324,075	350,181	371,441
Sewer .....	146,286	144,420	135,013	132,727	130,471	136,961	158,292
Chicago Midway International Airport .....	117,117	128,550	138,404	170,959	188,092	211,082	217,609
Chicago-O'Hare International Airport .....	611,484	636,653	645,437	692,575	697,497	751,351	803,404
Chicago Skyway .....	34,790	37,544	42,373	16,915	12,752	13,555	12,359
Total Business-type Activities .....	<u>1,214,923</u>	<u>1,266,092</u>	<u>1,259,129</u>	<u>1,339,620</u>	<u>1,352,887</u>	<u>1,463,130</u>	<u>1,563,105</u>
Total Primary Government .....	<u>\$ 5,885,593</u>	<u>\$ 6,233,983</u>	<u>\$ 6,288,766</u>	<u>\$ 6,650,753</u>	<u>\$ 7,032,501</u>	<u>\$ 7,740,220</u>	<u>\$ 7,827,142</u>

**NOTES:**

Employee Pensions and Other have been reclassified by function.

The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year ended 2002.

**Table 2 - Continued**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Seven Fiscal Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007	2008
<b>Program Revenues</b>							
Governmental Activities:							
Licenses, Permits, Fines and							
Charges for Services:							
General Government .....	\$ 337,809	\$ 350,643	\$ 362,973	\$ 363,196	\$ 385,082	\$ 422,363	\$ 440,023
Public Safety .....	91,392	99,907	112,721	120,853	151,835	155,529	129,518
Streets and Sanitation .....	26,937	24,420	31,494	36,980	36,058	41,467	40,578
Transportation .....	14,216	21,697	23,589	23,260	10,224	13,262	14,071
Health .....	3,135	6,083	12,333	4,165	5,529	2,795	3,157
Cultural and Recreational .....	18,977	20,217	21,423	24,288	23,127	24,412	25,725
Other .....	-	-	-	1	-	-	-
Operating Grants and Contributions .....	710,906	680,939	649,066	637,654	659,279	610,974	624,356
Capital Grants and Contributions .....	352,189	236,676	173,529	133,673	142,705	137,613	139,949
<b>Total Governmental Activities .....</b>	<b>1,555,561</b>	<b>1,440,582</b>	<b>1,387,128</b>	<b>1,344,070</b>	<b>1,413,839</b>	<b>1,408,415</b>	<b>1,417,377</b>
Business-type Activities:							
Licenses, Permits, Fines and							
Charges for Services:							
Water .....	315,458	317,455	327,514	344,267	330,439	334,377	370,244
Sewer .....	141,330	142,373	144,988	143,522	136,437	138,681	160,005
Chicago Midway							
International Airport .....	89,858	78,973	85,608	92,228	105,570	107,253	124,985
Chicago-O'Hare							
International Airport .....	451,046	481,957	442,569	532,877	545,916	652,763	684,282
Chicago Skyway .....	43,232	39,770	41,191	1,896	-	-	-
Capital Grants and Contributions .....	194,922	179,626	210,915	228,467	273,320	268,331	224,823
<b>Total Business-type activities and</b>							
Program Revenues .....	1,235,846	1,240,154	1,252,785	1,343,257	1,391,682	1,501,405	1,564,339
<b>Total Primary Government</b>							
Program Revenues .....	\$ 2,791,407	\$ 2,680,736	\$ 2,639,913	\$ 2,687,327	\$ 2,805,521	\$ 2,909,820	\$ 2,981,716
<b>Net (Expenses)/Revenues</b>							
Governmental Activities .....	\$ (3,115,109)	\$ (3,527,309)	\$ (3,642,509)	\$ (3,967,063)	\$ (4,265,775)	\$ (4,868,675)	\$ (4,846,660)
Business-type Activities .....	20,923	(25,938)	(6,344)	3,637	38,795	38,275	1,234
Total Primary Government							
Net Expense .....	\$ (3,094,186)	\$ (3,553,247)	\$ (3,648,853)	\$ (3,963,426)	\$ (4,226,980)	\$ (4,830,400)	\$ (4,845,426)

**Table 2 - Concluded**  
**CITY OF CHICAGO**  
**CHANGES IN NET ASSETS - ACCRUAL BASIS OF ACCOUNTING**  
**Last Seven Fiscal Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2002	2003	2004	2005	2006	2007	2008
<b>General Revenues and Other</b>							
<b>Changes in Net Assets</b>							
Governmental Activities:							
Taxes							
Property Tax .....	\$ 692,867	\$ 706,666	\$ 693,411	\$ 696,085	\$ 700,636	\$ 732,415	\$ 799,878
Utility Tax .....	488,419	512,567	504,800	539,325	522,089	552,179	629,497
Sales Tax .....	190,462	187,152	203,251	248,807	288,052	293,078	273,951
Transportation Tax .....	322,811	330,926	322,018	337,993	337,780	332,459	321,362
Transaction Tax .....	232,168	242,212	278,584	325,227	339,020	304,715	275,434
Special Area Tax .....	150,077	277,401	350,293	386,537	460,940	533,260	531,314
Other Taxes .....	162,951	166,671	165,607	205,811	233,620	245,408	262,734
Grants and Contributions Not							
Restricted to Specific Programs .....	506,452	498,205	522,951	606,509	654,017	714,661	712,360
Unrestricted Investment Earnings .....	52,377	24,414	27,377	80,728	148,631	182,700	90,176
Transfers .....	27,662	-	96,000	1,236,099	2,000	1,000	-
Miscellaneous .....	74,187	98,474	135,400	89,825	51,774	69,941	79,279
Total Governmental Activities .....	<u>2,900,433</u>	<u>3,044,688</u>	<u>3,299,692</u>	<u>4,752,946</u>	<u>3,738,559</u>	<u>3,961,816</u>	<u>3,975,985</u>
Business-type Activities:							
Investment Earnings .....	42,094	28,093	27,109	57,916	97,556	100,720	57,451
Miscellaneous .....	6,132	1,248	5,669	(34,720)	27,383	27,313	37,605
Transfers .....	(27,662)	-	(96,000)	(1,236,099)	(2,000)	(1,000)	-
Total Business-type Activities .....	<u>20,564</u>	<u>29,341</u>	<u>(63,222)</u>	<u>(1,212,903)</u>	<u>122,939</u>	<u>127,033</u>	<u>95,056</u>
Total Primary Government .....	<u>\$ 2,920,997</u>	<u>\$ 3,074,029</u>	<u>\$ 3,236,470</u>	<u>\$ 3,540,043</u>	<u>\$ 3,861,498</u>	<u>\$ 4,088,849</u>	<u>\$ 4,071,041</u>
<b>Change in Net Assets</b>							
Governmental Activities .....	\$ (214,676)	\$ (482,621)	\$ (342,817)	\$ 785,883	\$ (527,216)	\$ (906,859)	\$ (870,675)
Business-type Activities .....	41,487	3,403	(69,566)	(1,209,266)	161,734	165,308	96,290
Total Primary Government .....	<u>\$ (173,189)</u>	<u>\$ (479,218)</u>	<u>\$ (412,383)</u>	<u>\$ (423,383)</u>	<u>\$ (365,482)</u>	<u>\$ (741,551)</u>	<u>\$ (774,385)</u>

**Table 3**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**Last Ten Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

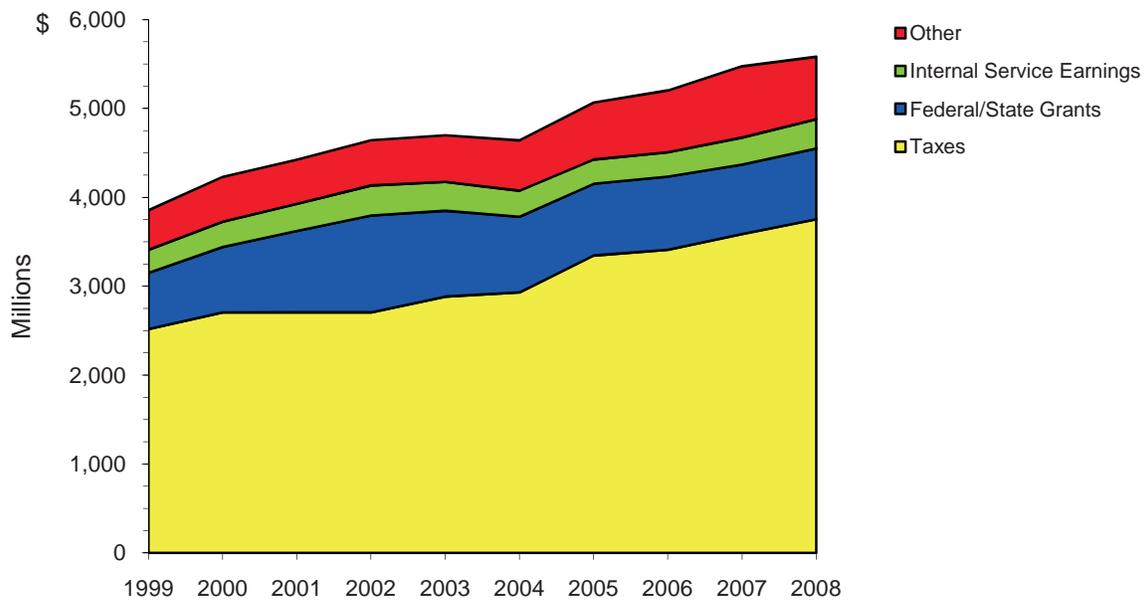
	1999	Percent of Total	2000	Percent of Total	2001	Percent of Total
Revenues:						
Property Tax .....	\$ 642,692	16.7 %	\$ 664,007	15.7 %	\$ 641,351	14.5 %
Utility Tax .....	456,011	11.8	482,610	11.4	503,971	11.4
Sales Tax .....	408,842	10.6	436,320	10.3	430,637	9.7
Transportation Tax .....	277,554	7.2	319,214	7.5	309,502	7.0
State Income Tax .....	303,431	7.9	336,011	7.9	314,581	7.1
Transaction Tax .....	187,871	4.9	200,804	4.7	216,550	4.9
Special Area Tax .....	80,417	2.1	97,510	2.3	128,108	2.9
Other Taxes .....	160,706	4.1	169,340	4.0	163,492	3.7
Total Taxes .....	<u>2,517,524</u>	<u>65.3</u>	<u>2,705,816</u>	<u>63.8</u>	<u>2,708,192</u>	<u>61.2</u>
Federal/State Grants .....	632,835	16.4	738,055	17.4	914,844	20.7
Internal Service .....	261,056	6.7	282,458	6.7	307,627	7.0
Licenses and Permits .....	64,464	1.7	70,269	1.7	82,044	1.8
Fines .....	110,039	2.9	134,259	3.2	150,525	3.4
Investment Income .....	89,762	2.3	121,760	2.9	96,252	2.2
Charges for Services .....	93,723	2.4	109,703	2.6	103,977	2.3
Miscellaneous .....	86,788	2.3	70,409	1.7	62,816	1.4
Total Revenues .....	<u>\$ 3,856,191</u>	<u>100.0 %</u>	<u>\$ 4,232,729</u>	<u>100.0 %</u>	<u>\$ 4,426,277</u>	<u>100.0 %</u>
	2006	Percent of Total	2007	Percent of Total	2008	Percent of Total
Revenues:						
Property Tax .....	\$ 665,990	12.8 %	\$ 661,707	12.1 %	\$ 729,823	13.1 %
Utility Tax .....	522,089	10.0	552,179	10.1	629,497	11.3
Sales Tax .....	559,156	10.7	570,927	10.4	548,571	9.9
Transportation Tax .....	337,780	6.5	332,459	6.1	321,362	5.8
State Income Tax .....	380,111	7.3	433,446	7.9	435,393	7.8
Transaction Tax .....	339,020	6.5	304,715	5.6	275,434	4.9
Special Area Tax .....	374,342	7.2	488,193	8.9	552,709	9.9
Other Taxes .....	233,620	4.5	245,408	4.5	262,734	4.7
Total Taxes .....	<u>3,412,108</u>	<u>65.5</u>	<u>3,589,034</u>	<u>65.5</u>	<u>3,755,523</u>	<u>67.3</u>
Federal/State Grants .....	823,504	15.8	781,967	14.3	796,911	14.2
Internal Service .....	275,191	5.3	303,827	5.5	329,643	5.9
Licenses and Permits .....	117,689	2.3	148,172	2.7	114,707	2.1
Fines .....	221,819	4.3	240,277	4.4	274,443	4.9
Investment Income .....	148,631	2.8	182,700	3.3	90,176	1.6
Charges for Services .....	155,215	3.0	151,369	2.8	144,161	2.6
Miscellaneous .....	51,774	1.0	79,956	1.4	79,279	1.4
Total Revenues .....	<u>\$ 5,205,931</u>	<u>100.0 %</u>	<u>\$ 5,477,302</u>	<u>100.0 %</u>	<u>\$ 5,584,843</u>	<u>100.0 %</u>

**NOTE:**

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

2002	Percent of Total	2003	Percent of Total	2004	Percent of Total	2005	Percent of Total
\$ 662,919	14.3 %	\$ 729,458	15.5 %	\$ 651,950	14.0 %	\$ 739,419	14.6 %
488,419	10.5	512,567	10.9	504,800	10.9	539,325	10.6
419,491	9.0	414,425	8.8	441,579	9.5	499,228	9.8
322,811	7.0	330,926	7.0	322,018	6.9	337,993	6.7
273,535	5.9	266,512	5.7	282,676	6.1	354,022	7.0
232,168	5.0	242,212	5.2	278,584	6.0	325,227	6.4
145,365	3.1	222,263	4.7	284,127	6.1	346,580	6.8
162,951	3.5	166,671	3.5	165,607	3.6	205,811	4.1
2,707,659	58.3	2,885,034	61.3	2,931,341	63.1	3,347,605	66.0
1,088,585	23.4	965,885	20.6	852,050	18.3	806,472	15.9
339,761	7.4	324,745	6.9	293,339	6.3	273,516	5.4
83,148	1.8	96,678	2.1	104,627	2.3	120,904	2.4
181,711	3.9	192,746	4.1	202,536	4.4	210,850	4.2
52,377	1.1	24,414	0.5	27,377	0.6	80,728	1.6
116,581	2.5	120,376	2.6	150,879	3.2	131,139	2.6
74,128	1.6	90,375	1.9	81,645	1.8	97,093	1.9
<b>\$ 4,643,950</b>	<b>100.0 %</b>	<b>\$ 4,700,253</b>	<b>100.0 %</b>	<b>\$ 4,643,794</b>	<b>100.0 %</b>	<b>\$ 5,068,307</b>	<b>100.0 %</b>

### REVENUE SOURCES



**Table 4**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**Last Ten Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	1999	Percent of Total	2000	Percent of Total	2001	Percent of Total
Expenditures:						
Current:						
Public Safety .....	\$ 1,362,215	29.0 %	\$ 1,385,262	27.7 %	\$ 1,426,100	27.6 %
General Government .....	1,172,273	25.0	1,251,368	25.1	1,305,306	25.3
Employee Pensions .....	329,034	7.0	328,353	6.6	339,379	6.6
Streets and Sanitation .....	345,177	7.4	340,418	6.8	359,420	7.0
Transportation .....	208,034	4.4	252,283	5.1	401,289	7.8
Health .....	116,678	2.5	145,979	2.9	163,405	3.2
Cultural and Recreational .....	81,618	1.7	87,774	1.8	88,659	1.7
Other .....	11,082	0.2	20,645	0.4	11,883	0.2
Capital Outlay .....	577,135	12.3	675,067	13.5	527,171	10.2
Debt Service:						
Principal Retirement .....	303,597	6.5	287,468	5.8	292,980	5.7
Interest and Other Fiscal Charges .....	183,041	3.9	219,955	4.4	248,768	4.8
Total Expenditures .....	<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>
Debt Service as a Percentage of Non Capital Expenditures (2) .....						
	2006	Percent of Total	2007	Percent of Total	2008	Percent of Total
Expenditures:						
Current:						
Public Safety .....	\$ 1,851,356	29.5 %	\$ 1,880,599	30.8 %	\$ 1,892,152	27.7 %
General Government .....	1,523,482	24.3	1,650,679	27.1	1,804,925	26.4
Employee Pensions .....	396,923	6.3	371,649	6.1	413,690	6.0
Streets and Sanitation .....	353,828	5.6	377,485	6.2	382,628	5.6
Transportation .....	244,381	3.9	267,476	4.4	334,684	4.9
Health .....	173,594	2.7	195,254	3.2	184,597	2.7
Cultural and Recreational .....	99,841	1.6	108,527	1.8	117,664	1.7
Other .....	9,112	0.1	4,427	0.1	14,483	0.2
Capital Outlay .....	915,311	14.6	602,433	9.9	661,464	9.7
Debt Service:						
Principal Retirement .....	375,028	6.0	297,503	4.9	656,805	9.6
Interest and Other Fiscal Charges .....	331,507	5.3	342,489	5.6	376,297	5.5
Total Expenditures .....	<u>\$ 6,274,363</u>	<u>100.0 %</u>	<u>\$ 6,098,521</u>	<u>100.0 %</u>	<u>\$ 6,839,389</u>	<u>100.0 %</u>
Debt Service as a Percentage of Non Capital Expenditures (2) .....						
		<u>12.9 %</u>		<u>11.4 %</u>		<u>16.7 %</u>

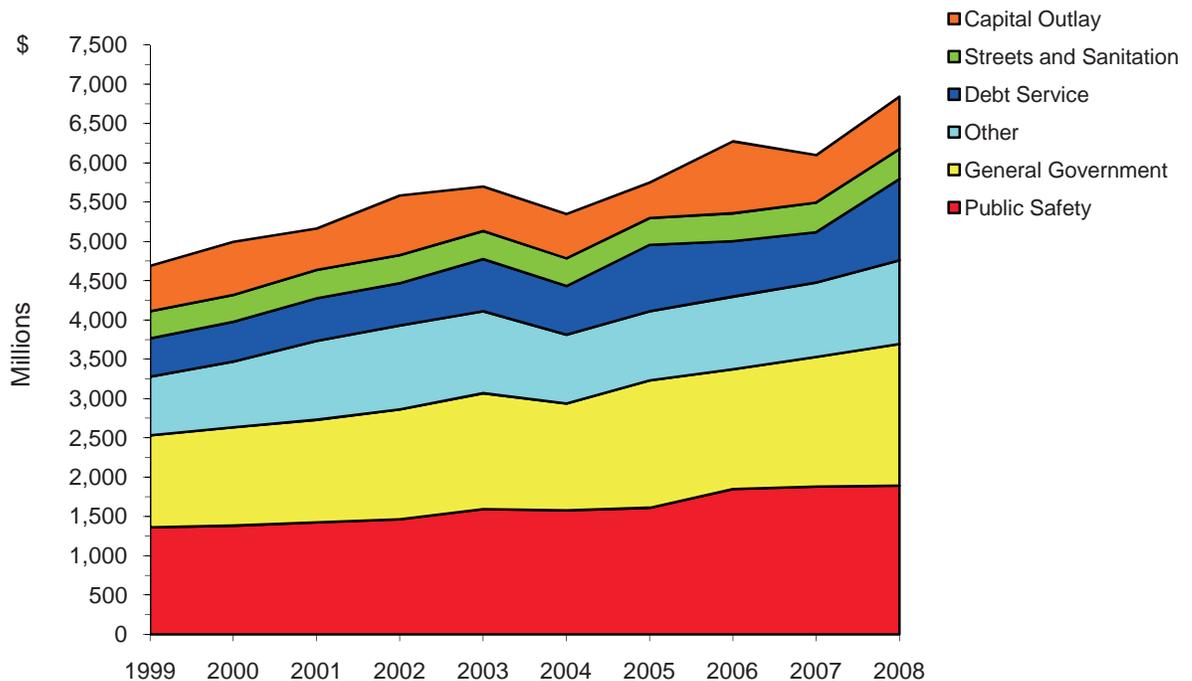
**NOTES:**

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

(2) Non Capital Expenditures include all expenditures except Capital Outlay and Capital Expenditures included with Transportation.

2002	Percent of Total	2003	Percent of Total	2004	Percent of Total	2005	Percent of Total
\$ 1,464,970	26.2 %	\$ 1,594,333	28.0 %	\$ 1,579,014	29.5 %	\$ 1,611,923	28.0 %
1,399,128	25.0	1,474,984	25.9	1,358,469	25.4	1,620,307	28.2
328,518	5.9	354,819	6.2	299,810	5.6	388,053	6.7
357,924	6.4	356,512	6.2	353,020	6.6	339,760	5.9
467,902	8.4	421,665	7.4	308,535	5.8	221,377	3.9
177,993	3.2	174,412	3.1	179,531	3.4	166,580	2.9
83,509	1.5	81,637	1.4	77,661	1.5	95,153	1.7
10,388	0.2	10,684	0.2	10,191	0.2	9,382	0.2
758,356	13.6	564,519	9.9	563,975	10.5	452,284	7.9
285,688	5.1	396,748	7.0	303,755	5.7	543,413	9.5
251,162	4.5	267,734	4.7	315,916	5.9	301,662	5.2
<u>\$ 5,585,538</u>	<u>100.0 %</u>	<u>\$ 5,698,047</u>	<u>100.0 %</u>	<u>\$ 5,349,877</u>	<u>100.0 %</u>	<u>\$ 5,749,894</u>	<u>100.0 %</u>
			<u>12.8 %</u>		<u>12.7 %</u>		<u>15.8 %</u>

### EXPENDITURES BY FUNCTION



**Table 4A**  
**CITY OF CHICAGO, ILLINOIS**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**  
**Modified Accrual Basis of Accounting**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Excess of revenues over (under) expenditures .....	\$ (833,693)	\$ (761,843)	\$ (738,083)	\$ 941,588
Other Financing Sources (Uses):				
Issuance of Debt, including premium/discount .....	\$ 1,368,597	\$ 1,193,249	\$ 965,745	\$ 917,326
Payment to Refunded Bond Escrow Agent .....	(352,143)	(267,086)	(127,821)	(132,289)
Transfers in .....	88,373	108,616	213,346	138,882
Transfers out .....	(83,875)	(105,650)	(105,616)	(111,220)
Total other financing sources (uses) .....	<u>1,020,952</u>	<u>929,129</u>	<u>945,654</u>	<u>812,699</u>
Net change in fund balances .....	<u>\$ 187,259</u>	<u>\$ 167,286</u>	<u>\$ 207,571</u>	<u>\$ 1,754,287</u>

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>\$ (997,794)</u>	<u>\$ (706,083)</u>	<u>\$ (681,587)</u>	<u>\$ (1,068,432)</u>	<u>\$ (621,219)</u>	<u>\$ (1,254,546)</u>
\$ 1,322,827	\$ 720,357	\$ 1,871,896	\$ 762,833	\$ 1,653,881	\$ 795,432
(173,725)	(143,143)	(1,186,065)	(276,607)	(951,419)	(186,421)
166,798	200,780	1,469,857	670,035	332,016	293,448
(166,798)	(104,780)	(233,758)	(668,035)	(331,016)	(293,448)
<u>1,149,102</u>	<u>673,214</u>	<u>1,921,930</u>	<u>488,226</u>	<u>703,462</u>	<u>609,011</u>
<u>\$ 151,308</u>	<u>\$ (32,869)</u>	<u>\$ 1,240,343</u>	<u>\$ (580,206)</u>	<u>\$ 82,243</u>	<u>\$ (645,535)</u>

**Table 5**  
**CITY OF CHICAGO, ILLINOIS**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years Ended December 31, 2008**  
**(Amounts Are in Thousands of Dollars)**  
**(Modified Accrual Basis of Accounting)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:				
Reserved .....	\$ 71,077	\$ 85,744	\$ 113,208	\$ 124,447
Unreserved .....	108,107	80,653	33,241	13,014
Total General Fund .....	<u>179,184</u>	<u>166,397</u>	<u>146,449</u>	<u>137,461</u>
Other Governmental Funds:				
Reserved .....	498,734	439,737	477,172	453,902
Unreserved, Reported in:				
Special Revenue Funds .....	47,327	84,981	127,474	109,027
Capital Projects Funds .....	773,294	974,231	1,122,892	1,039,993
Debt Service Funds .....	-	-	-	-
Permanent Fund (1) .....	-	-	-	-
Total All Other Governmental Funds .....	<u>1,319,355</u>	<u>1,498,949</u>	<u>1,727,538</u>	<u>1,602,922</u>
Total Governmental Funds .....	<u>\$ 1,498,539</u>	<u>\$ 1,665,346</u>	<u>\$ 1,873,987</u>	<u>\$ 1,740,383</u>

**NOTE:**

(1) This balance represents the Reserve Fund, Unreserved, Designated for Future Appropriations balance.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 40,897	\$ 30,981	\$ 53,171	\$ 35,557	\$ 39,673	\$ 48,217
19,458	42,246	57,648	26,834	4,634	226
<u>60,355</u>	<u>73,227</u>	<u>110,819</u>	<u>62,391</u>	<u>44,307</u>	<u>48,443</u>
481,563	488,985	1,350,927	800,546	1,191,674	461,830
200,175	294,690	525,769	723,353	816,551	959,424
1,149,095	999,816	832,129	696,630	906,603	372,063
-	-	-	-	(556,819)	(551,137)
-	-	274,272	231,017	191,391	660,333
<u>1,830,833</u>	<u>1,783,491</u>	<u>2,983,097</u>	<u>2,451,546</u>	<u>2,549,400</u>	<u>1,902,513</u>
<u>\$ 1,891,188</u>	<u>\$ 1,856,718</u>	<u>\$ 3,093,916</u>	<u>\$ 2,513,937</u>	<u>\$ 2,593,707</u>	<u>\$ 1,950,956</u>

**Table 6**  
**CITY OF CHICAGO, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2004 (3)	2005 (4)	2006 (4)	2007 (4)	2008 (4)
<b>Revenues:</b>					
Utility Tax .....	\$ 460,596	\$ 492,109	\$ 475,482	\$ 501,023	\$ 524,842
Sales Tax .....	412,909	471,069	537,441	543,238	518,131
State Income Tax .....	258,378	307,462	314,559	377,727	378,545
Other Taxes .....	570,002	669,041	708,706	687,511	637,923
Federal/State Grants .....	1,947	2,066	2,802	3,366	2,347
Other Revenues (1) .....	698,168	722,366	729,999	822,561	813,983
<b>Total Revenues .....</b>	<b><u>2,402,000</u></b>	<b><u>2,664,113</u></b>	<b><u>2,768,989</u></b>	<b><u>2,935,426</u></b>	<b><u>2,875,771</u></b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety .....	1,540,686	1,546,359	1,783,993	1,845,497	1,856,634
General Government .....	692,090	884,040	783,059	860,976	889,266
Other (2) .....	323,410	301,466	328,081	349,616	356,066
Debt Service .....	11,472	7,705	7,069	6,930	5,318
<b>Total Expenditures .....</b>	<b><u>2,567,658</u></b>	<b><u>2,739,570</u></b>	<b><u>2,902,202</u></b>	<b><u>3,063,019</u></b>	<b><u>3,107,284</u></b>
<b>Revenues Under Expenditures .....</b>	<b><u>(165,658)</u></b>	<b><u>(75,457)</u></b>	<b><u>(133,213)</u></b>	<b><u>(127,593)</u></b>	<b><u>(231,513)</u></b>
<b>Other Financing Sources (Uses):</b>					
<b>Issuance of Debt, Net of Original</b>					
Discount/Including Premium .....	87,465	15,050	-	23,921	164,000
Transfers In .....	92,666	118,244	115,058	130,561	94,058
Transfers Out .....	-	(17,100)	(30,500)	(42,500)	(25,193)
<b>Total Other Financing Sources (Uses) ..</b>	<b><u>180,131</u></b>	<b><u>116,194</u></b>	<b><u>84,558</u></b>	<b><u>111,982</u></b>	<b><u>232,865</u></b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....</b>	<b>14,473</b>	<b>40,737</b>	<b>(48,655)</b>	<b>(15,611)</b>	<b>1,352</b>
Fund Balance - Beginning of Year .....	60,355	73,227	110,819	62,391	44,307
Change in Inventory .....	<u>(1,601)</u>	<u>(3,145)</u>	<u>227</u>	<u>(2,473)</u>	<u>2,784</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 73,227</u></b>	<b><u>\$ 110,819</u></b>	<b><u>\$ 62,391</u></b>	<b><u>\$ 44,307</u></b>	<b><u>\$ 48,443</u></b>

**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, 2004.
- (4) Source: City of Chicago Basic Financial Statements for years ended December 31, 2005-2008.

**Table 7**  
**CITY OF CHICAGO, ILLINOIS**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2004 (3)	2005 (4)	2006 (4)	2007 (4)	2008 (4)
<b>Revenues:</b>					
Property Tax .....	\$ 265,026	\$ 310,543	\$ 302,772	\$ 314,742	\$ 326,334
Utility Tax .....	33,559	31,675	24,299	28,838	82,373
Sales Tax .....	126	93	76	5	-
State Income Tax .....	24,298	46,560	65,552	55,719	56,848
Other Taxes .....	299,498	334,580	382,232	465,533	554,096
Federal/State Grants .....	850,103	804,406	820,702	778,601	794,564
Other Revenues (1) .....	98,869	107,150	115,023	114,906	120,401
Total Revenues .....	<u>1,571,479</u>	<u>1,635,007</u>	<u>1,710,656</u>	<u>1,758,344</u>	<u>1,934,616</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety .....	38,328	65,564	67,363	35,102	35,518
General Government .....	666,379	736,267	740,423	789,703	915,659
Employee Pensions .....	299,810	388,053	396,923	371,649	413,690
Other (2) .....	605,528	530,786	552,675	603,553	677,990
Capital Outlay .....	4,137	16,513	8,110	16,674	4,360
Debt Service .....	4,557	80,129	6,356	7,603	5,628
Total Expenditures .....	<u>1,618,739</u>	<u>1,817,312</u>	<u>1,771,850</u>	<u>1,824,284</u>	<u>2,052,845</u>
Revenues Under Expenditures .....	<u>(47,260)</u>	<u>(182,305)</u>	<u>(61,194)</u>	<u>(65,940)</u>	<u>(118,229)</u>
<b>Other Financing Sources (Uses):</b>					
<b>Issuance of Debt, Net of Original</b>					
Discount/Including Premium .....	84,990	104,750	79,250	144,614	163,628
Payment to Refunded Bond Escrow Agent ...	-	(134,148)	-	-	-
Transfers In .....	77,469	521,879	193,850	108,045	155,637
Transfers Out .....	(21,948)	(55,168)	(38,177)	(86,470)	(48,604)
Total Other Financing Sources (Uses) ....	<u>140,511</u>	<u>437,313</u>	<u>234,923</u>	<u>166,189</u>	<u>270,661</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	93,251	255,008	173,729	100,249	152,432
Fund Balance - Beginning of Year .....	<u>260,860</u>	<u>354,111</u>	<u>609,119</u>	<u>782,848</u>	<u>883,097</u>
Fund Balance - End of Year .....	<u>\$ 354,111</u>	<u>\$ 609,119</u>	<u>\$ 782,848</u>	<u>\$ 883,097</u>	<u>\$ 1,035,529</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, 2004.  
(4) Source: Major and Nonmajor Special Revenue Funds for years ended December 31, 2005-2008.

**Table 8**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2004 (2)	2005 (3)	2006 (3)	2007 (3)	2008 (3)
<b>Revenues:</b>					
Property Tax .....	\$ 386,924	\$ 428,876	\$ 363,218	\$ 346,965	\$ 403,489
Utility Tax .....	10,645	15,541	22,308	22,318	22,282
Sales Tax .....	28,544	28,066	21,639	27,684	30,440
Other Taxes .....	180,836	211,990	193,824	217,731	220,220
Other Revenues (1) .....	7,222	32,522	33,368	30,594	6,562
Total Revenues .....	<u>614,171</u>	<u>716,995</u>	<u>634,357</u>	<u>645,292</u>	<u>682,993</u>
<b>Expenditures:</b>					
Debt Service .....	603,642	757,241	693,110	625,459	1,022,156
Total Expenditures .....	<u>603,642</u>	<u>757,241</u>	<u>693,110</u>	<u>625,459</u>	<u>1,022,156</u>
Revenues Over (Under) Expenditures ..	<u>10,529</u>	<u>(40,246)</u>	<u>(58,753)</u>	<u>19,833</u>	<u>(339,163)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of Debt, Net of Original Discount/Including Premium .....	178,694	1,513,417	302,658	777,151	405,311
Payment to Refunded Bond Escrow Agent ..	(143,143)	(1,051,917)	(276,607)	(951,419)	(186,421)
Transfers In .....	7,723	2,107	8,741	63,807	33,186
Transfers Out .....	(45,762)	(93,246)	(509,884)	(73,325)	(141,498)
Total Other Financing Sources (Uses) ..	<u>(2,488)</u>	<u>370,361</u>	<u>(475,092)</u>	<u>(183,786)</u>	<u>110,578</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	8,041	330,115	(533,845)	(163,953)	(228,585)
Fund Balance - Beginning of Year .....	<u>350,731</u>	<u>358,772</u>	<u>688,887</u>	<u>155,042</u>	<u>(8,911)</u>
Fund Balance - End of Year .....	<u>\$ 358,772</u>	<u>\$ 688,887</u>	<u>\$ 155,042</u>	<u>\$ (8,911)</u>	<u>\$ (237,496)</u>

**NOTES:**

(1) Includes Investment Income and Miscellaneous Revenues.

(2) Source: City of Chicago General Purpose Financial Statements for year ended December 31, 2004.

(3) Source: Major (Bond, Note Redemption and Interest) and Nonmajor (Special Taxing Areas) Debt Service Funds for years ended December 31, 2005-2008.

**Table 9**  
**CITY OF CHICAGO, ILLINOIS**  
**CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Five Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	2004 (2)	2005 (3)	2006 (3)	2007 (3)	2008 (3)
Revenues:					
Other Revenues (1) .....	\$ 56,144	\$ 34,676	\$ 56,687	\$ 76,666	\$ 44,464
Total Revenues .....	<u>56,144</u>	<u>34,676</u>	<u>56,687</u>	<u>76,666</u>	<u>44,464</u>
Expenditures:					
Capital Outlay .....	559,838	435,771	907,201	585,759	657,104
Total Expenditures .....	<u>559,838</u>	<u>435,771</u>	<u>907,201</u>	<u>585,759</u>	<u>657,104</u>
Revenues Under Expenditures .....	<u>(503,694)</u>	<u>(401,095)</u>	<u>(850,514)</u>	<u>(509,093)</u>	<u>(612,640)</u>
Other Financing Sources (Uses):					
Issuance of Debt, Net of Original					
Discount/Including Premium .....	369,208	238,679	380,925	708,195	62,493
Transfers In .....	22,922	2,627	352,386	29,603	10,567
Transfers Out .....	(37,070)	-	(10,977)	(27,521)	(96)
Total Other Financing Sources (Uses) ..	<u>355,060</u>	<u>241,306</u>	<u>722,334</u>	<u>710,277</u>	<u>72,964</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....	(148,634)	(159,789)	(128,180)	201,184	(539,676)
Fund Balance - Beginning of Year .....	<u>1,219,242</u>	<u>1,070,608</u>	<u>910,819</u>	<u>782,639</u>	<u>983,823</u>
Fund Balance - End of Year .....	<u>\$ 1,070,608</u>	<u>\$ 910,819</u>	<u>\$ 782,639</u>	<u>\$ 983,823</u>	<u>\$ 444,147</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, 2004.  
(3) Source: Major (Community Development and Improvement Projects) and Nonmajor (Capital Projects Funds) for years ended December 31, 2005-2008.

**Table 10**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY TAX LEVIES BY FUND (1)**  
**Five Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

	<u>2004</u>	<u>2005</u>	<u>Percent Change</u>
Note Redemption and Interest (2) .....	\$ 138,122	\$ 81,223	(41.19) %
Bond Redemption and Interest .....	282,400	312,780	10.76
Policemen's Annuity and Benefit (3) .....	119,826	137,284	14.57
Municipal Employees' Annuity and Benefit (3) .....	126,624	137,412	8.52
Firemen's Annuity and Benefit (3) .....	52,808	49,372	(6.51)
Laborers' and Retirement Board Employees' Annuity and Benefit (3) .....	-	-	-
Total .....	<u>\$ 719,780</u>	<u>\$ 718,071</u>	(0.24)

**NOTES:**

- (1) See Table 11 - PROPERTY LEVIES, COLLECTIONS AND ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES 1999 - 2008. 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 the Cook County Clerk's Office at time of publication.
- (5) Source: Cook County Clerk's Office.
- (6) Not applicable (N/A).

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<u>2006</u>	<u>Percent Change</u>	<u>2007</u>	<u>Percent Change</u>	<u>2008</u>	<u>Percent Change</u>
\$ 60,116	(25.99) %	\$ 33,506	(44.26) %	\$ 73,363	118.95 %
316,858	1.30	381,145	20.29	414,158	8.66
135,528	(1.28)	141,080	4.10	139,640	(1.02)
137,228	(0.13)	128,378	(6.45)	131,344	2.31
69,500	40.77	65,242	(6.13)	65,426	0.28
-	-	-	-	9,526	N/A
<u>\$ 719,230</u>	0.16	<u>\$ 749,351</u>	4.19	<u>\$ 833,457 (4)</u>	11.22

**Table 11**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY LEVIES, COLLECTIONS AND**  
**ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE TAXES**  
**Last Ten Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars)**

Tax Year (1)	Total Tax Levy for Fiscal Year (2)	Collected Within Fiscal Year			Total Collections to Date		Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
		Amount	Perce- tage of Levy	Collections in Subsequent Years	Amount	Perce- tage of Levy		
1999 .....	\$ 657,731	\$ 638,228	97.03 %	\$ 8,745	\$ 646,973	98.36 %	\$ 10,758	\$ -
2000 .....	672,104	646,409	96.18	9,253	655,662	97.55	16,442	-
2001 .....	687,381	664,393	96.66	13,355	677,748	98.60	9,633	-
2002 .....	707,181	676,997	95.73	13,650	690,647	97.66	16,534	-
2003 .....	719,695 (3)	674,325	93.70	27,121	701,446	97.46	18,249	-
2004 .....	719,780 (3)	694,214	96.45	12,064	706,278	98.12	13,502	-
2005 .....	718,071 (3)	694,593	96.73	13,224	707,817	98.57	10,070	184
2006 .....	719,230 (3)	630,666	87.69	77,297	707,963	98.43	11,042	225
2007 .....	749,351 (3)	712,008	95.02	-	712,008	95.02	22,465	14,878
2008 .....	833,457 (3), (4)	-	N/A	-	-	N/A	33,338	800,119
Total Net Outstanding Taxes Receivable .....								<u>\$ 815,406</u>

**NOTES:**

- (1) Taxes for each year become due and payable in the following year. For example, taxes for the 2008 tax levy become due and payable in 2009.
- (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 12**  
**CITY OF CHICAGO, ILLINOIS**  
**TOP TEN ESTIMATED EQUALIZED ASSESSED VALUATION (EAV)**  
**Current Year and Nine Years Ago (2)**  
**(Amounts are in Thousands of Dollars)**

Property	2007 EAV	Rank	Percent- tage of Total EAV	1998 EAV	Rank	Percent- tage of Total EAV
Sears Tower .....	\$ 514,662	1	0.70 %	\$ 301,946	1	0.89 %
AON Building (3) .....	374,456	2	0.51	219,911	2	0.65
One First National Plaza .....				185,929	4	0.55
Chicago Mercantile Exchange .....				202,462	3	0.60
Prudential Plaza .....	293,604	4	0.40	164,167	5	0.48
AT&T Corporate Center 1 .....	297,653	3	0.40	159,555	6	0.47
Citicorp Plaza .....	216,217	7	0.29	130,727	8	0.38
Three First National Plaza .....	205,913	10	0.28	130,962	7	0.39
900 North Michigan .....				111,904	10	0.33
Leo Burnett Building .....	211,813	8	0.29			
Chase Plaza .....	250,261	5	0.34			
Water Tower Place .....	231,069	6	0.31			
Hyatt Regency Hotel .....				116,617	9	0.34
UBS Tower .....	208,906	9	0.28			
Totals .....	<u>\$ 2,804,554</u>		<u>3.80 %</u>	<u>\$ 1,724,180</u>		<u>5.08 %</u>

**NOTES:**

- (1) Source: Cook County Treasurer's Office, Cook County Assessor's Office.
- (2) 2008 information not available at time of publication.
- (3) AON Building formerly known as AMOCO Building.

**Table 13**  
**CITY OF CHICAGO, ILLINOIS**  
**ASSESSED AND ESTIMATED FAIR MARKET VALUE OF ALL TAXABLE PROPERTY**  
**Last Ten Years**  
**(Amounts are in Thousands of Dollars)**

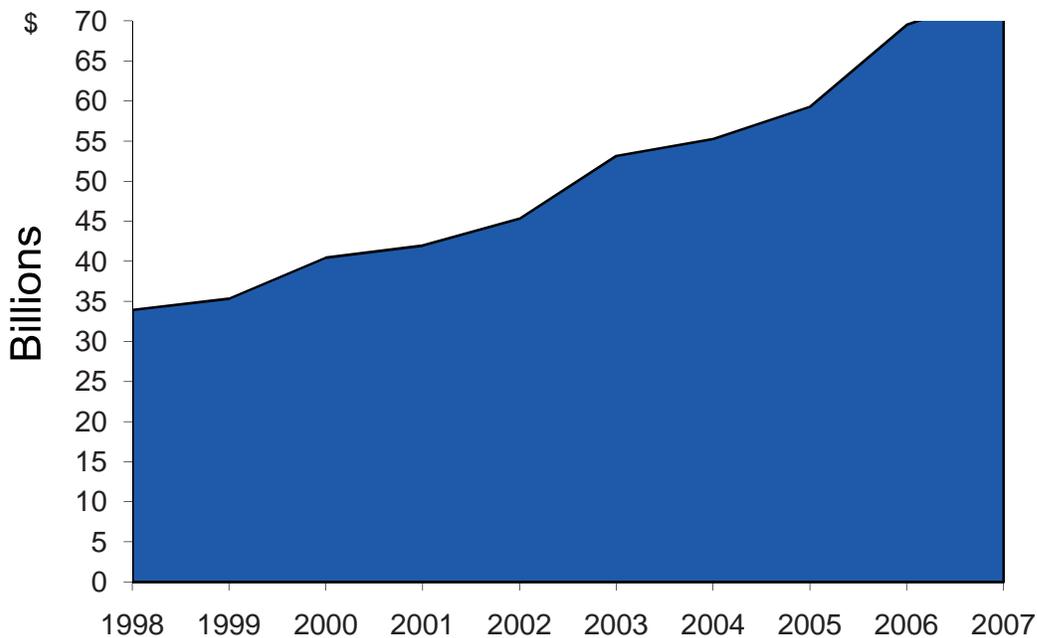
Tax Year	Assessed Values (1)				
	Class 2 (2)	Class 3 (3)	Class 5 (4)	Other (5)	Total
1998	\$ 6,646,198	\$ 2,047,577	\$ 7,848,335	\$ 267,007	\$ 16,809,117
1999	6,777,400	2,021,411	7,910,838	282,255	16,991,904
2000	8,758,682	1,966,921	8,807,444	342,943	19,875,990
2001	8,973,796	1,923,256	8,757,366	354,036	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	12,988,216	1,883,048	10,401,429	465,462	25,738,155
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,947
2006	18,521,873	2,006,898	12,157,149	688,868	33,374,788
2007 (9)	18,937,256	1,768,927	12,239,086	678,196	33,623,465

**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) 2008 information not available at time of publication.
- (10) 2007 information not available at time of publication.

State Equalization Factor (6)	Total Equalized Assessed Value (7)	Total Direct Tax Rate	Total Estimated Fair Market Value (8)	Ratio of Total Equalized Assessed to Total Estimated Fair Market Value (9)
2.1799	\$ 33,940,146	\$ 1.998	\$ 122,726,446	27.66 %
2.2505	35,354,802	1.860	135,522,333	26.09
2.2235	40,480,077	1.660	162,593,364	24.90
2.3098	41,981,912	1.637	185,912,246	22.58
2.4689	45,330,892	1.591	201,938,231	22.45
2.4598	53,168,632	1.380	223,572,427	23.78
2.5757	55,277,096	1.302	262,080,627	21.09
2.7320	59,304,530	1.243	286,354,518	20.71
2.7080	69,517,264	1.062	329,770,733	21.08
2.8439	73,645,316	1.044	N/A (10)	N/A (10)

### EQUALIZED ASSESSED VALUE



**Table 14**  
**CITY OF CHICAGO, ILLINOIS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**Per \$100 OF EQUALIZED ASSESSED VALUATION**  
**Last Ten Years**

Tax Year	City	Chicago School Finance Authority	Board of Education	Community College District No. 508
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	1.302	0.177	3.104	0.242
2005	1.243	0.127	3.026	0.234
2006	1.062	0.118	2.697	0.205
2007 (1)	1.044	0.091	2.583	0.159

**NOTE:**

(1) 2008 information not available from the Cook County Clerk's Office at time of publication.

**Table 15**  
**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)**

Tax Year	Total City Tax Extension	Bond, Note Redemption and Interest	Chicago Public Library Bond, Note Redemption and Interest	Policemen's Annuity and Benefit
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	0.804928	0.138133	0.271463
2003	719,695 (2)	0.713397	0.117772	0.230466
2004	719,780 (2)	0.647396	0.113280	0.216752
2005	718,071 (2)	0.606566	0.090041	0.231467
2006	719,230 (2)	0.519706	0.049968	0.194953
2007 (1)	749,351 (2)	0.549329	0.039514	0.191548

**NOTES:**

(1) 2008 information not available from the Cook County Clerk's Office 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.

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Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
\$ 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
0.443	0.315	0.060	0.533	5.981
0.379	0.284	0.057	0.500	5.302
0.355	0.263	0.053	0.446	4.994

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Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Public Building Commission	Total
\$ 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
0.231683	0.083243	-	-	1.243
0.197399	0.099974	-	-	1.062
0.174302	0.088581	-	-	1.044

**Table 16**  
**CITY OF CHICAGO, ILLINOIS**  
**RATIO OF GENERAL 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)	G. O. Bonds	G. O. Notes	General Obligation Certificates and Other
1999	2,783,726	\$ 35,354,802	\$ 2,372,227	\$ 393,940	\$ 243,949
2000	2,896,016	40,480,077	2,916,540	357,199	241,088
2001	2,896,016	41,981,912	3,574,098	293,710	237,928
2002	2,896,016	45,330,892	4,114,093	274,753	234,087
2003	2,896,016	53,168,632	4,555,253	378,733	367,027
2004	2,896,016	55,277,096	4,983,428	226,427	362,592
2005	2,896,016	59,304,530	5,077,434	112,495	344,426
2006	2,896,016	69,517,264	5,394,802	72,530	322,145
2007	2,896,016	73,651,158	5,759,573	77,998	458,654
2008	2,896,016	N/A (4)	5,687,447	259,097	362,140

**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 17**  
**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
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
2006 .....	201,865	273,190	475,055	6,274,363	7.6
2007 .....	143,575	267,698	411,273	6,098,521	6.7
2008 .....	429,066	302,105	731,171	6,839,389	10.7

Total 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)
\$ 3,010,116	\$ 125,509	\$ 2,884,607	8.16 %	\$ 1,036.24
3,514,827	146,584	3,368,243	8.32	1,163.06
4,105,736	125,816	3,979,920	9.48	1,374.27
4,622,933	112,700	4,510,233	9.95	1,557.39
5,301,013	183,347	5,117,666	9.63	1,767.14
5,572,447	135,795	5,436,652	9.84	1,877.29
5,534,355	133,011	5,401,344	9.11	1,865.09
5,789,477	102,951	5,686,526	8.18	1,963.57
6,296,225	70,543	6,225,682	8.45	2,149.74
6,308,684	10,080	6,298,604	N/A (4)	2,174.92

**Table 18**  
**CITY OF CHICAGO, ILLINOIS**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**December 31, 2008**  
**(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 G. O. Bonds and Notes (Includes Commercial Paper) .....	\$ 6,196,720			
Add (Deduct):				
General Obligation Tender Notes Series 2008 (3) .....	<u>(70,425)</u>	\$ 6,126,295	100.00 %	\$ 6,126,295
Board of Education .....		4,623,026	100.00	4,623,026
Chicago School Finance Authority .....		66,645	100.00	66,645
Chicago Park District .....		814,290	100.00	814,290
Community College District No. 508 .....		-	100.00	-
Cook County .....		2,897,975	45.58	1,320,897
Cook County Forest Preserve District .....		115,105	46.24	53,225
Metropolitan Water Reclamation District of Greater Chicago .....		<u>1,379,237</u>	47.22	<u>651,276</u>
Net Direct and Overlapping Long-term Debt .....		<u>\$ 16,022,573</u>		<u>\$ 13,655,654</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 2008 that have a nominal maturity no later than January 31, 2010 are excluded from Net Direct Long-term Debt. All other outstanding Tender Notes are included in Net Direct Long-term debt.

**Table 19**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT STATISTICS**  
**Last Ten Years**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Direct Debt	\$ 2,571,412	\$ 3,094,839	\$ 3,722,403	\$ 4,257,256
Overlapping Debt	<u>5,481,771</u>	<u>5,680,450</u>	<u>6,419,427</u>	<u>6,644,501</u>
Total Debt	<u>\$ 8,053,183</u>	<u>\$ 8,775,289</u>	<u>\$ 10,141,830</u>	<u>\$ 10,901,757</u>
Equalized				
Assessed Valuation (1)	\$ 35,354,802	\$ 40,480,077	\$ 41,981,912	\$ 45,330,892
Direct Debt Burden (2)	7.58%	8.75%	9.20%	10.14%
Total Debt Burden (2)	23.73%	24.82%	25.05%	25.97%
Estimated Fair Market				
Value (FMV) (5)	\$ 135,522,333	\$ 162,593,364	\$ 185,912,246	\$ 201,938,231
% of Direct Debt to FMV	1.90%	1.90%	2.00%	2.11%
% of Total Direct Debt to FMV	5.94%	5.40%	5.46%	5.40%
Population (3)	2,783,726	2,896,016	2,896,016	2,896,016
Direct Debt Per Capita (4)	\$ 923.73	\$ 1,068.65	\$ 1,285.35	\$ 1,470.04
Total Debt Per Capita (4)	2,892.95	3,030.12	3,501.99	3,764.40

**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 1997 is \$33,940,146.
- (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.

2003	2004	2005	2006	2007	2008
\$ 4,798,541	\$ 5,113,565	\$ 5,123,729	\$ 5,422,232	\$ 5,805,921	\$ 6,126,295
<u>7,150,282</u>	<u>7,429,853</u>	<u>7,574,950</u>	<u>7,750,883</u>	<u>7,904,184</u>	<u>7,529,359</u>
<u>\$ 11,948,823</u>	<u>\$ 12,543,418</u>	<u>\$ 12,698,679</u>	<u>\$ 13,173,115</u>	<u>\$ 13,710,105</u>	<u>\$ 13,655,654</u>
\$ 53,168,632	\$ 55,277,096	\$ 59,304,530	\$ 69,517,264	73,645,316	N/A (6)
10.59%	9.62%	9.27%	9.14%	8.35%	8.32%
26.36%	23.59%	22.97%	22.21%	19.72%	18.54%
\$ 223,572,427	\$ 262,080,627	\$ 286,354,518	\$ 329,770,733	N/A (6)	N/A (6)
2.15%	1.95%	1.79%	1.64%	N/A (6)	N/A (6)
5.34%	4.79%	4.43%	3.99%	N/A (6)	N/A (6)
2,896,016	2,896,016	2,896,016	2,896,016	2,896,016	2,896,016
\$ 1,656.95	\$ 1,765.72	\$ 1,769.23	\$ 1,872.31	\$ 2,004.80	\$ 2,115.42
4,125.95	4,331.27	4,384.88	4,548.70	4,734.13	4,715.32

**Table 20**  
**CITY OF CHICAGO, ILLINOIS**  
**REVENUE BOND COVERAGE**  
**Last Ten Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Proprietary Funds							
Year	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
1999	\$ 1,142,051	\$ 691,159	\$ 450,892	\$ 64,135	\$ 202,943	\$ 267,078	169 %
2000	1,184,672	718,995	465,677	70,125	226,130	296,255	157
2001	1,216,685	747,528	469,157	76,696	252,804	329,500	142
2002	1,232,203	751,884	480,319	87,653	269,777	357,430	134
2003	1,241,829	769,871	471,958	82,610	292,688	375,298	126
2004	1,235,290	721,879	513,411	102,559	318,733	421,292	122
2005	1,344,175	776,318	567,857	543,460 (3)	315,585	859,045	66
2006	1,422,873	779,168	643,705	210,891	397,341	608,232	106
2007	1,550,299	856,550	693,749	168,712	416,810	585,522	118
2008	1,602,668	913,499	689,169	219,482	438,553	658,035	105

**Table 20 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**REVENUE BOND COVERAGE**  
**Last Three Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Tax Increment Financing Funds							
Year	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
2006 (4) \$	400,404	\$ 124,905	\$ 275,499	\$ 75,248	\$ 31,553	\$ 106,801	258%
2007	509,238	238,757	270,481	91,378	48,514	139,892	193%
2008	557,596	296,469	261,127	176,221	58,292	234,513	111%

Sales Tax and Motor Fuel Tax Funds						
Year	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage	
		Principal	Interest	Total		
2006 (4) .....	\$ 643,343	\$ 6,215	\$ 25,930	\$ 32,145	2001%	
2007 .....	652,883	13,030	25,595	38,625	1690%	
2008 .....	625,200	10,345	26,361	36,706	1703%	

**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.
- (4) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data for TIF and Sales Tax and Motor Fuel Tax Funds.

**Table 21**  
**CITY OF CHICAGO, ILLINOIS**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Years Ended December 31, 2008**  
**(Amounts are in Thousands of Dollars Except Where Noted)**

Governmental Funds							
Year	Net General Obligation Debt	Tax Increment Allocation Bonds and Notes	Motor Fuel and Sales Tax Revenue	Installment Purchase Agreement	Capital Leases	Water Revenue Bonds	Skyway
1999	\$ 3,010,116	\$ 354,091	\$ 467,905	\$ 18,600	\$ -	\$ 655,092	\$ 179,765
2000	3,514,827	508,663	458,945	17,500	-	786,236	490,195
2001	3,867,808	532,811	449,520	16,400	-	1,032,055	437,910
2002	4,622,933	519,646	454,220	15,200	-	1,003,787	437,910
2003	5,301,013	471,846	543,380	13,800	31,332	974,014	437,910
2004	5,572,447	470,688	533,530	12,400	32,263	1,022,433	423,600
2005	5,534,355	407,709	518,800	10,900	309,813	1,031,089	-
2006	5,789,477	351,776	512,585	9,200	278,861	1,169,224	-
2007	6,296,225	285,363	499,555	7,500	245,685	1,195,803	-
2008	6,308,684	204,811	552,345	5,500	207,065	1,464,838	-

**NOTES:**

- (1) See Table 13 for Estimated Fair Market Value
- (2) Amounts in Dollars
- (3) 2007 information not available at time of publication.
- (4) 2008 information not available at time of publication.

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Proprietary Fund Revenue Bonds

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Chicago O'Hare International Airport Revenue Bonds	Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds	Chicago Midway Airport Revenue Bonds	Wastewater Transmission Revenue Bonds	Total Primary Government	Ratio of Bonded Debt to Estimated Fair Market Value (1)	Per Capita (2)
\$ 2,427,610	\$ 239,885	\$ 843,975	\$ 471,913	\$ 8,668,952	6.40 %	2,993.41
2,420,531	229,210	667,785	575,158	9,669,050	5.95	3,338.74
2,402,415	918,000	1,129,185	683,673	11,469,777	6.17	3,960.54
2,487,040	903,875	1,145,435	669,388	12,259,434	6.07	4,233.21
3,218,040	880,326	1,164,353	654,363	13,690,377	6.12	4,727.31
3,195,155	854,533	1,279,455	747,463	14,143,967	5.40	4,883.94
4,387,805	1,215,416	1,272,115	731,963	15,419,965	5.38	5,324.54
4,353,685	796,715	1,268,764	770,528	15,300,815	4.64	5,283.40
4,562,956	766,255	1,254,664	754,908	15,868,914	N/A (3)	5,479.57
4,912,635	725,675	1,239,404	902,904	16,523,861	N/A (4)	5,705.72

**Table 22**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR GENERAL LONG-TERM DEBT (1)**  
**December 31, 2008**

Year Ended December 31,	General Obligation Debt		Installment Purchase Agreements		Sales Tax and Motor Fuel Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2009 . . . . .	\$ 240,031,421	\$ 285,631,165	\$ 2,000,000	\$ 387,500	\$ 14,765,000
2010 . . . . .	338,578,188	271,816,670	2,300,000	228,625	15,495,000	26,428,198
2011 . . . . .	293,913,322	279,987,079	1,200,000	46,500	16,295,000	25,628,826
2012 . . . . .	317,098,246	270,716,763	-	-	17,150,000	24,779,394
2013 . . . . .	327,529,568	253,934,874	-	-	18,040,000	23,885,265
2014 . . . . .	249,948,061	241,807,746	-	-	18,980,000	22,944,648
2015 . . . . .	230,597,896	229,101,632	-	-	18,400,000	21,973,481
2016 . . . . .	240,645,265	218,940,959	-	-	18,135,000	21,033,192
2017 . . . . .	229,502,521	208,080,833	-	-	19,085,000	20,100,381
2018 . . . . .	231,979,706	197,784,608	-	-	20,055,000	19,138,552
2019 . . . . .	233,723,704	187,095,621	-	-	21,070,000	18,127,879
2020 . . . . .	237,291,400	176,392,984	-	-	22,115,000	17,101,073
2021 . . . . .	233,587,510	165,352,023	-	-	23,205,000	16,025,933
2022 . . . . .	234,585,785	157,746,960	-	-	24,360,000	14,897,145
2023 . . . . .	217,513,945	147,157,719	-	-	25,570,000	13,711,543
2024 . . . . .	222,613,162	137,139,283	-	-	26,840,000	12,466,401
2025 . . . . .	207,374,920	127,189,290	-	-	28,180,000	11,158,807
2026 . . . . .	201,279,929	117,986,820	-	-	29,590,000	9,785,504
2027 . . . . .	209,168,857	109,015,600	-	-	23,090,000	8,326,140
2028 . . . . .	186,375,251	99,610,050	-	-	15,790,000	7,191,500
2029 . . . . .	181,091,572	85,013,101	-	-	16,550,000	6,462,214
2030 . . . . .	165,010,883	76,484,136	-	-	17,355,000	5,697,622
2031 . . . . .	140,359,179	68,859,598	-	-	18,195,000	4,895,669
2032 . . . . .	135,335,872	62,313,074	-	-	19,065,000	4,054,718
2033 . . . . .	142,084,805	56,409,611	-	-	19,755,000	3,173,348
2034 . . . . .	117,999,614	50,119,961	-	-	10,490,000	2,260,750
2035 . . . . .	87,962,022	44,799,895	-	-	11,015,000	1,736,250
2036 . . . . .	86,434,681	40,966,998	-	-	11,565,000	1,185,500
2037 . . . . .	58,461,343	37,145,611	-	-	12,145,000	607,250
2038 . . . . .	33,928,903	34,802,767	-	-	-	-
2039 . . . . .	37,734,724	3,693,686	-	-	-	-
2040 . . . . .	24,625,000	2,077,366	-	-	-	-
2041 . . . . .	25,645,000	1,059,901	-	-	-	-
	<u>\$ 6,120,012,255</u>	<u>\$ 4,446,234,384</u>	<u>\$ 5,500,000</u>	<u>\$ 662,625</u>	<u>\$ 552,345,000</u>	<u>\$ 391,934,134</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, 2009, 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, 2008. 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,
\$ 22,473,629	\$ 11,551,699	\$ 279,270,050	\$ 324,727,315	2009
24,110,490	10,263,539	380,483,678	308,737,032	2010
25,639,812	8,891,176	337,048,134	314,553,581	2011
21,455,734	7,445,864	355,703,980	302,942,021	2012
30,369,202	6,219,704	375,938,770	284,039,843	2013
15,236,762	11,852,928	284,164,823	276,605,322	2014
8,965,000	3,950,522	257,962,896	255,025,635	2015
11,160,000	3,400,094	269,940,265	243,374,245	2016
11,685,000	2,666,019	260,272,521	230,847,233	2017
14,940,000	1,970,857	266,974,706	218,894,017	2018
5,025,000	1,105,663	259,818,704	206,329,163	2019
3,165,000	821,307	262,571,400	194,315,364	2020
3,440,000	598,388	260,232,510	181,976,344	2021
7,145,000	241,144	266,090,785	172,885,249	2022
-	-	243,083,945	160,869,262	2023
-	-	249,453,162	149,605,684	2024
-	-	235,554,920	138,348,097	2025
-	-	230,869,929	127,772,324	2026
-	-	232,258,857	117,341,740	2027
-	-	202,165,251	106,801,550	2028
-	-	197,641,572	91,475,315	2029
-	-	182,365,883	82,181,758	2030
-	-	158,554,179	73,755,267	2031
-	-	154,400,872	66,367,792	2032
-	-	161,839,805	59,582,959	2033
-	-	128,489,614	52,380,711	2034
-	-	98,977,022	46,536,145	2035
-	-	97,999,681	42,152,498	2036
-	-	70,606,343	37,752,861	2037
-	-	33,928,903	34,802,767	2038
-	-	37,734,724	3,693,686	2039
-	-	24,625,000	2,077,366	2040
-	-	25,645,000	1,059,901	2041
<u>\$ 204,810,629</u>	<u>\$ 70,978,904</u>	<u>\$ 6,882,667,884</u>	<u>\$ 4,909,810,047</u>	

**Table 23**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION DEBT (1)**  
**December 31, 2008**

Year Ended December 31,	General Obligation Bonds		General Obligation Tender Notes	
	Principal	Interest	Principal	Interest
2009 .....	\$ 226,561,421	\$ 265,971,947	\$ -	\$ 2,112,750
2010 .....	253,123,188	254,572,839	70,425,000	293,438
2011 .....	274,263,322	263,685,399	-	-
2012 .....	296,253,246	255,369,945	-	-
2013 .....	305,854,568	239,555,050	-	-
2014 .....	227,933,061	228,470,212	-	-
2015 .....	207,757,896	216,733,142	-	-
2016 .....	216,100,265	207,685,177	-	-
2017 .....	200,547,521	198,033,253	-	-
2018 .....	201,134,706	189,176,108	-	-
2019 .....	203,643,704	180,029,521	-	-
2020 .....	203,496,400	170,821,809	-	-
2021 .....	209,477,510	161,459,573	-	-
2022 .....	215,390,785	155,048,610	-	-
2023 .....	195,593,945	145,413,869	-	-
2024 .....	212,188,162	136,485,246	-	-
2025 .....	206,054,920	127,055,153	-	-
2026 .....	199,854,929	117,917,295	-	-
2027 .....	209,168,857	109,015,600	-	-
2028 .....	186,375,251	99,610,050	-	-
2029 .....	181,091,572	85,013,101	-	-
2030 .....	165,010,883	76,484,136	-	-
2031 .....	140,359,179	68,859,598	-	-
2032 .....	135,335,872	62,313,074	-	-
2033 .....	142,084,805	56,409,611	-	-
2034 .....	117,999,614	50,119,961	-	-
2035 .....	87,962,022	44,799,895	-	-
2036 .....	86,434,681	40,966,998	-	-
2037 .....	58,461,343	37,145,611	-	-
2038 .....	33,928,903	34,802,767	-	-
2039 .....	37,734,724	3,693,686	-	-
2040 .....	24,625,000	2,077,366	-	-
2041 .....	25,645,000	1,059,901	-	-
	<u>\$ 5,687,447,255</u>	<u>\$ 4,285,855,503</u>	<u>\$ 70,425,000</u>	<u>\$ 2,406,188</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, 2009, 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, 2008. 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,
\$ 13,470,000	\$ 17,546,468	\$ 240,031,421	\$ 285,631,165	\$ 525,662,586	..... 2009
15,030,000	16,950,393	338,578,188	271,816,670	610,394,858	..... 2010
19,650,000	16,301,680	293,913,322	279,987,079	573,900,401	..... 2011
20,845,000	15,346,818	317,098,246	270,716,763	587,815,009	..... 2012
21,675,000	14,379,824	327,529,568	253,934,874	581,464,442	..... 2013
22,015,000	13,337,534	249,948,061	241,807,746	491,755,807	..... 2014
22,840,000	12,368,490	230,597,896	229,101,632	459,699,528	..... 2015
24,545,000	11,255,782	240,645,265	218,940,959	459,586,224	..... 2016
28,955,000	10,047,580	229,502,521	208,080,833	437,583,354	..... 2017
30,845,000	8,608,500	231,979,706	197,784,608	429,764,314	..... 2018
30,080,000	7,066,100	233,723,704	187,095,621	420,819,325	..... 2019
33,795,000	5,571,175	237,291,400	176,392,984	413,684,384	..... 2020
24,110,000	3,892,450	233,587,510	165,352,023	398,939,533	..... 2021
19,195,000	2,698,350	234,585,785	157,746,960	392,332,745	..... 2022
21,920,000	1,743,850	217,513,945	147,157,719	364,671,664	..... 2023
10,425,000	654,037	222,613,162	137,139,283	359,752,445	..... 2024
1,320,000	134,137	207,374,920	127,189,290	334,564,210	..... 2025
1,425,000	69,525	201,279,929	117,986,820	319,266,749	..... 2026
		209,168,857	109,015,600	318,184,457	..... 2027
-	-	186,375,251	99,610,050	285,985,301	..... 2028
-	-	181,091,572	85,013,101	266,104,673	..... 2029
-	-	165,010,883	76,484,136	241,495,019	..... 2030
-	-	140,359,179	68,859,598	209,218,777	..... 2031
-	-	135,335,872	62,313,074	197,648,946	..... 2032
-	-	142,084,805	56,409,611	198,494,416	..... 2033
-	-	117,999,614	50,119,961	168,119,575	..... 2034
-	-	87,962,022	44,799,895	132,761,917	..... 2035
-	-	86,434,681	40,966,998	127,401,679	..... 2036
-	-	58,461,343	37,145,611	95,606,954	..... 2037
-	-	33,928,903	34,802,767	68,731,670	..... 2038
-	-	37,734,724	3,693,686	41,428,410	..... 2039
-	-	24,625,000	2,077,366	26,702,366	..... 2040
-	-	25,645,000	1,059,901	26,704,901	..... 2041
<u>\$ 362,140,000</u>	<u>\$ 157,972,693</u>	<u>\$ 6,120,012,255</u>	<u>\$ 4,446,234,384</u>	<u>\$ 10,566,246,639</u>	

**Table 24**  
**CITY OF CHICAGO, ILLINOIS**  
**DEBT SERVICE REQUIREMENTS FOR PROPRIETARY FUNDS (1)**  
**December 31, 2008**

Year Ended December 31,	Water Revenue Bonds		Wastewater Transmission Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 39,085,616	\$ 71,521,216	\$ 24,028,434	\$ 41,533,365
2010	40,520,808	70,044,168	26,310,029	39,313,626
2011	42,201,798	68,371,267	27,671,664	37,940,097
2012	44,023,392	66,581,480	29,048,342	36,580,420
2013	41,520,776	69,088,833	30,485,061	35,156,351
2014	42,699,245	67,941,120	32,056,824	33,630,964
2015	43,951,663	66,701,692	33,723,630	31,992,869
2016	45,443,525	65,243,056	35,425,483	30,263,603
2017	47,024,651	63,683,402	37,117,381	28,660,088
2018	48,681,040	62,074,957	38,894,328	26,982,513
2019	55,970,180	54,815,305	33,342,954	32,350,368
2020	58,396,679	52,534,910	32,360,908	33,305,425
2021	66,486,090	44,736,051	33,409,861	32,321,311
2022	69,476,860	41,844,347	34,588,159	31,244,360
2023	72,378,312	38,780,256	35,767,239	30,140,709
2024	75,747,536	35,503,928	47,292,510	19,044,789
2025	76,256,869	32,143,193	30,296,647	35,552,010
2026	54,790,000	28,736,185	31,250,576	34,659,628
2027	57,450,000	26,132,180	32,239,251	33,691,221
2028	76,645,000	23,399,549	31,705,000	12,837,831
2029	80,295,000	19,947,579	33,365,000	11,286,605
2030	84,175,000	16,249,484	23,105,000	9,653,852
2031	40,580,000	12,361,152	24,185,000	8,611,454
2032	27,980,000	10,354,900	25,325,000	7,519,386
2033	29,415,000	8,913,400	26,700,000	6,364,493
2034	30,940,000	7,397,925	27,970,000	5,144,026
2035	32,530,000	5,803,838	29,290,000	3,864,348
2036	34,205,000	4,127,787	21,500,000	2,523,002
2037	21,950,000	2,365,387	22,535,000	1,517,799
2038	23,105,000	1,213,012	11,915,000	463,017
	<u>\$ 1,503,925,040</u>	<u>\$ 1,138,611,559</u>	<u>\$ 902,904,281</u>	<u>\$ 694,149,530</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, 2009, 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, 2008. Amounts above exclude Commercial Paper issues as the timing of payments is not certain.

Chicago-O'Hare International Airport and Chicago Midway International Airport Bonds					Year Ended
Principal	Interest	Principal	Totals Interest	Total	December 31,
\$ 138,590,000	\$ 333,275,138	\$ 201,704,050	\$ 446,329,719	\$ 648,033,769	..... 2009
210,070,000	326,729,023	276,900,837	436,086,817	712,987,654	..... 2010
196,520,000	317,092,919	266,393,462	423,404,283	689,797,745	..... 2011
180,455,000	308,124,403	253,526,734	411,286,303	664,813,037	..... 2012
225,930,000	299,908,745	297,935,837	404,153,929	702,089,766	..... 2013
217,970,000	289,712,671	292,726,069	391,284,755	684,010,824	..... 2014
214,715,000	279,368,371	292,390,293	378,062,932	670,453,225	..... 2015
201,425,000	268,446,938	282,294,008	363,953,597	646,247,605	..... 2016
269,605,000	258,058,431	353,747,032	350,401,921	704,148,953	..... 2017
254,705,000	244,467,727	342,280,368	333,525,197	675,805,565	..... 2018
271,385,000	231,173,164	360,698,134	318,338,837	679,036,971	..... 2019
236,175,000	217,144,987	326,932,587	302,985,322	629,917,909	..... 2020
225,790,000	204,814,779	325,685,951	281,872,141	607,558,092	..... 2021
236,900,000	192,993,397	340,965,019	266,082,104	607,047,123	..... 2022
249,105,000	180,476,824	357,250,551	249,397,789	606,648,340	..... 2023
262,250,000	167,285,112	385,290,046	221,833,829	607,123,875	..... 2024
272,065,000	153,523,675	378,618,516	221,218,878	599,837,394	..... 2025
282,430,000	139,201,779	368,470,576	202,597,592	571,068,168	..... 2026
297,325,000	124,306,056	387,014,251	184,129,457	571,143,708	..... 2027
313,015,000	108,607,557	421,365,000	144,844,937	566,209,937	..... 2028
339,970,000	92,332,838	453,630,000	123,567,022	577,197,022	..... 2029
357,380,000	74,932,194	464,660,000	100,835,530	565,495,530	..... 2030
354,330,000	56,686,879	419,095,000	77,659,485	496,754,485	..... 2031
319,805,000	38,644,570	373,110,000	56,518,856	429,628,856	..... 2032
301,755,000	25,037,109	357,870,000	40,315,002	398,185,002	..... 2033
262,655,000	13,972,417	321,565,000	26,514,368	348,079,368	..... 2034
46,265,000	6,567,045	108,085,000	16,235,231	124,320,231	..... 2035
48,445,000	4,386,325	104,150,000	11,037,114	115,187,114	..... 2036
44,445,000	2,102,595	88,930,000	5,985,781	94,915,781	..... 2037
-	-	35,020,000	1,676,029	36,696,029	..... 2038
<u>\$ 6,831,475,000</u>	<u>\$ 4,959,373,668</u>	<u>\$ 9,238,304,321</u>	<u>\$ 6,792,134,757</u>	<u>\$ 16,030,439,078</u>	

**Table 25**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2008**

Long-term debt is comprised of the following issues at December 31, 2008 (dollars in thousands):

	Original Principal	Outstanding at December 31, 2008
General Long-term Debt:		
General Obligation Debt:		
General Obligation Bonds:		
Refunding Series of 1991 - 5.75% to 7.0% .....	\$ 54,743	\$ 5,508
Refunding Series of 1992 - 5.0% to 6.4% .....	48,070	12,240
Tender Bonds Series B of 1992 - Variable Rate (.5% at December 31, 2008) .....	35,000	6,285
Refunding Series of 1993 A - 3.8% to 5.5% .....	92,260	40,195
Refunding Series of 1993 B - 4.25% to 5.125% .....	153,280	117,075
Project and Refunding Series 1995 A-2 - 5.0% to 6.25% .....	220,390	131,680
Tender Bonds 1996 B - Variable Rate (.5% at December 31, 2008) .....	1,500	1,500
Tender Bonds 1997 - Variable Rate (.5% at December 31, 2008) .....	5,500	1,755
Project and Refunding Series 1998 - 3.85% to 5.5% .....	426,600	135,835
Project and Refunding Series 1999 A - 4.0% to 5.375% .....	300,000	93,650
Emergency Telephone System Refunding Series 1999 - 4.5% to 5.5% .....	213,110	158,780
City Colleges of Chicago Capital Improvement Project Series 1999 - 6.0% .....	308,964	281,739
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	6,780
Project and Refunding Series 2000 C - 5.25% to 5.75% .....	182,700	69,735
Refunding Series of 2000 D - 4.5% to 5.75% .....	107,305	105,465
Project and Refunding Series 2001 A - 4.0% to 5.65% .....	580,338	162,848
Neighborhoods Alive 21 Program Series 2001 A and B - 4.0% to 5.5% .....	238,975	7,345
Project and Refunding Series 2002 A - 4.0% to 5.65% .....	169,765	3,785
Neighborhoods Alive 21 Program Series 2002 A - 4.0% to 5.25% .....	51,500	7,850
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	41,660
Project and Refunding Series 2003 A - 4.625% to 5.25% .....	157,990	68,230
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	106,740
Emergency Telephone System Series 2004 - 3.0% to 6.9% .....	64,665	54,865
Project and Refunding Series 2004 - 1.92% to 5.5% .....	489,455	274,325
Refunding Series 2005 A - 2.5% to 5.0% .....	441,090	437,210
Project and Refunding Series 2005 B and C - 3.5% to 5.0% .....	339,275	324,660
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	101,256
Direct Access Bonds, Series 2006 - 3.5% to 4.4% .....	35,753	35,653
Project and Refunding Series 2006 A and B - 3.5% to 5.375% .....	649,995	629,290
Project and Refunding Series 2007 A and B - 3.75% to 5.462% .....	589,590	583,440
City Colleges of Chicago Capital Improvement Project Series 2007 - 4.0% to 5.0% .....	39,110	38,520
Project and Refunding Series 2007 C and D - 4.0% to 5.44% .....	330,890	330,890
Project and Refunding Series 2007 E to G - 3.998% .....	200,000	200,000
Project and Refunding Series 2008 A and B - 3.0% to 5.765% .....	473,705	471,265
Total General Obligation Bonds .....	<u>8,503,586</u>	<u>5,687,447</u>

**Table 25 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2008**

	Original Principal	Outstanding at December 31, 2008
General Obligation Notes:		
Commercial Paper Notes - Variable Rate (3.0% at December 31, 2008) .....	\$ 188,672	\$ 188,672
Tender Notes Series 2008 - 1.05% .....	70,425	70,425
Total General Obligation Notes .....	<u>259,097</u>	<u>259,097</u>
Total General Obligation Bonds and Notes .....	<u>8,762,683</u>	<u>5,946,544</u>
General Obligation Certificates and Other Obligations:		
Building Acquisition Certificates (Limited Tax) Series 1997 - 4.4% to 5.4% .....	28,800	18,030
Modern Schools Across Chicago Program - Series 2007 A to K - 3.6% to 5.0% .....	356,005	344,110
Total General Obligation Certificates and Other Obligations .....	<u>384,805</u>	<u>362,140</u>
Total General Obligation Debt .....	<u>9,147,488</u>	<u>6,308,684</u>
Installment Purchase Agreement - 7.75% .....	<u>24,700</u>	<u>5,500</u>
Tax Increment Allocation Bonds and Notes:		
Division-North Branch Tax Increment - Series of 1991 - 8.75% .....	2,615	520
Read-Dunning Redevelopment Project Tax Increment - Series 1996 B - 7.25% .....	7,035	3,870
Stockyards Industrial Tax Increment - Series 1996 A - 5.375% .....	14,800	4,650
Stockyards Southeast Tax Increment - Series 1996 B - 5.375% .....	20,000	3,110
Sanitary Drainage Tax Increment - Series 1997 A - 7.375% to 7.75% .....	5,530	3,225
95th and Western Avenue Tax Increment - Series 1998 - 8.5% .....	2,600	1,090
Lincoln/Belmont/Ashland Tax Increment - Series 1998 - 4.0% to 11.0% .....	12,375	8,350
Irving/Cicero Tax Increment - Series 1998 - 7.0% .....	4,470	2,735
Near South Tax Increment - Series 1999 A and B - 4.0% to 5.65% .....	50,000	22,755
Near North Tax Increment - Series 1999 A and B - 5.084% to 6.89% .....	55,000	47,900
Neighborhood Improvement Fund Tax Increment Notes - 7.0% to 9.5% .....	17,420	8,032
Goose Island Redevelopment Tax Increment - Series 2000 - 7.45% .....	16,800	15,645
Near West Redevelopment Tax Increment - Series 2000 - 4.625% to 6.0% .....	11,560	3,650
Pulaski Corridor Redevelopment Tax Increment - Series 2000 - 6.175% .....	1,685	797
Near South Tax Increment - Series 2001 A and B - 4.75% to 6.25% .....	46,242	28,587
Chatham Ridge Redevelopment Project, Series 2002 - 3.3% to 6.05% .....	17,935	9,770
Pilsen Redevelopment Project - 4.35% to 6.75% - Series 2004 .....	49,520	40,125
Total Tax Increment Allocation Bonds and Notes .....	<u>335,587</u>	<u>204,811</u>

**Table 25 - Continued**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2008**

	Original Principal	Outstanding at December 31, 2008
Motor Fuel Tax and Sales Tax Revenue Bonds:		
Motor Fuel Tax Revenue Bonds - Refunding Series 1993 - 4.05% to 6.125% .....	\$ 70,175	\$ 27,835
Motor Fuel Tax Revenue Bonds - Series 2003 - 2.25% to 5.25% .....	115,645	114,390
Motor Fuel Tax Revenue Bonds - Series 2008A and B - 4.0% to 5.0% .....	66,635	66,635
Sales Tax Revenue Bonds - Series 1998 - 4.5% to 5.5% .....	125,000	89,785
Sales Tax Revenue Bonds - Series 2002 - 4.23% .....	116,595	114,575
Sales Tax Revenue Refunding Bonds - Series 2005 - 3.25% to 5.0% .....	142,825	139,125
Total Motor Fuel Tax and Sales Tax Revenue Bonds .....	<u>636,875</u>	<u>552,345</u>
Total General Long-term Debt .....	<u>\$ 10,144,650</u>	<u>\$ 7,071,340</u>
Proprietary Fund Revenue Bonds:		
Water Revenue Bonds:		
Refunding Series 1993 - 4.125% to 6.5% .....	\$ 49,880	\$ 33,695
Series 1995 - 3.6% to 5.75% .....	157,805	22,100
Series 1997 - 3.9% to 5.25% .....	277,911	28,835
Series 2000 - 2nd Lien - 3.87% .....	100,000	100,000
Series 2000 - 4.375% to 5.875% .....	156,819	35,809
Series 2001 - 3.0% to 5.75% .....	353,905	100,260
Series 2004 - 2nd Lien - 3.867% .....	500,000	392,225
Series 2006A - 2nd Lien - 4.5% to 5.0% .....	215,400	205,165
Series 2008 - 2nd Lien - 4.0% to 5.25% .....	549,915	541,850
Illinois Environmental Protection Agency Loan - 2.905% .....	3,605	2,614
Illinois Environmental Protection Agency Loan - 2.57% .....	2,641	2,285
Chicago-O'Hare International Airport Revenue Bonds:		
Series of 1984 - 2nd Lien - Variable Rate (.35% at December 31, 2008) .....	100,000	19,205
Series of 1988 - 2nd Lien - Variable Rate (.75% at December 31, 2008) .....	150,000	14,500
Refunding Series of 1993 A - 4.8% to 5.0% .....	324,270	72,795
Refunding Series of 1993 C - 2nd Lien - 4.9% to 5.75% .....	320,430	86,160
Series of 1994 B - 2nd Lien - Variable Rate (1.1% at December 31, 2008) .....	68,700	39,500
Series of 1994 C - 2nd Lien - Variable Rate (1.0% at December 31, 2008) .....	83,800	48,500
Series of 1996 A and B - 2nd Lien - 4.7% to 7.1% .....	216,075	82,260
Refunding Series of 1999 - 2nd Lien - 5.5% .....	409,850	294,955
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	129,220
Series of 2004 A - H - 3rd Lien - 3.49% to 5.35% .....	385,045	214,930
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 (.85% to 1.25% at December 31, 2008) .....	300,000	300,000
Series of 2006 A - D - 3rd Lien - 4.55% to 5.5% .....	156,150	118,305

**Table 25 - Concluded**  
**CITY OF CHICAGO, ILLINOIS**  
**LONG-TERM DEBT**  
**December 31, 2008**

	Original Principal	Outstanding at December 31, 2008
Proprietary Fund Revenue Bonds - Concluded:		
Chicago-O'Hare International Airport Revenue Bonds - Concluded:		
Series of 2008 A - D - 3rd Lien - 4.0% to 5.0% .....	\$ 779,915	\$ 779,915
Commercial Paper Notes - Variable Rate (1.65% to 1.75% at December 31, 2008) .....	35,565	35,565
Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds:		
Series of 2001 A through E - 2nd Lien - 3.4% to 5.75% .....	700,000	614,250
Refunding Series of 2008A - 4.0% to 5.0% .....	111,425	111,425
Chicago Midway Airport Revenue Bonds:		
Series 1996 A and B - 4.8% to 6.5% .....	254,040	145,550
Series 1998 A, B and C - 4.3% to 5.5% .....	397,715	383,445
Series 1998 - 2nd Lien A and B - Variable Rate (8.0% at December 31, 2008) .....	171,000	149,625
Series 2001 A and B - 5.0% to 5.5% .....	295,855	277,020
Series 2002 A - 2nd Lien - Variable Rate (4.3% at December 31, 2008) .....	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
Commercial Paper Notes - Variable Rate (2.65% at December 31, 2008) .....	10,674	10,674
Wastewater Transmission Revenue Bonds:		
Refunding Series 1993 - 5.125% to 6.5% .....	232,880	48,825
Refunding Series 1998 A - 4.55% to 5.0% .....	62,423	62,133
Series 1998 B - 2nd Lien - 4.0% to 5.25% .....	47,575	2,725
Series 2000 - 2nd Lien - 5.0% to 6.0% .....	115,000	5,005
Series 2001 - 2nd Lien - 3.5% to 5.5% .....	187,685	77,615
Refunding Series 2004 B - 2nd Lien - 3.0% to 5.25% .....	61,925	53,995
Series 2006 A and B - 2nd Lien - 4.5% to 5.0% .....	155,030	151,235
Series 2008 A - 2nd Lien - 4.0% to 5.5% .....	167,635	167,635
Series 2008 C1-3 - 2nd Lien - Variable Rate (3.886% at December 31, 2008) .....	332,230	332,230
Illinois Environmental Protection Agency Loan - 2.5% .....	1,546	1,506
Total Proprietary Fund Revenue Bonds .....	<u>\$ 12,080,189</u>	<u>\$ 9,224,081</u>

**NOTE:**

The balance outstanding at December 31, 2008 listed above for each year excluded amounts payable January 1, 2009. In addition, the balance outstanding of water revenue bonds at December 31, 2008 excludes payments due on November 1, 2009.

**Table 26**  
**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>Unemployment Rate (3)</u>	<u>Per Capita Income (4)</u>	<u>Total Income</u>
1999 .....	2,783,726	34.7	1,026,900	5.9 %	\$ 32,704	\$ 91,038,975,104
2000 .....	2,896,016	31.5	1,061,928	5.9	34,918	101,123,086,688
2001 .....	2,896,016	34.8	1,074,200	7.2	35,157	101,815,234,512
2002 .....	2,896,016	31.9	1,059,960	8.5	35,085	101,606,721,360
2003 .....	2,896,016	32.6	1,067,823	8.2	35,464	102,704,311,424
2004 .....	2,896,016	32.6	1,051,018	7.2	37,169	107,642,018,704
2005 .....	2,896,016	33.0	1,045,282	7.0	38,439	111,319,959,024
2006 .....	2,896,016	33.5	1,040,000	5.2	41,887	121,305,422,192
2007 .....	2,896,016	33.7	1,033,328	5.7	43,714	126,596,443,424
2008 .....	2,896,016	34.1	1,032,746	6.4	N/A (5)	N/A (5)

**NOTES:**

- (1) Source: U.S. Census Bureau.
- (2) Source: World Business Chicago Website, Claritas data estimates; Cook County's Website.
- (3) Source: Bureau of Labor Statistics 2008, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.
- (4) Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area (in 2008 dollars).
- (5) N/A means not available at time of publication.

**Table 27**  
**CITY OF CHICAGO, ILLINOIS**  
**PRINCIPAL EMPLOYERS (NON-GOVERNMENT)**  
**Curent Year and Nine Years Ago (See Note at the End of this Page)**

Employer	2008			1999		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
J. P. Morgan Chase .....	8,865	1	0.81 %	7,237	2	0.63 %
United Airlines .....	6,403	2	0.58	8,843	1	0.77
Jewel Food Stores, Inc. ....	5,977	3	0.55	3,142	10	0.27
Northern Trust .....	5,084	4	0.46	5,306	3	0.46
Accenture LLP .....	4,532	5	0.41			
American Airlines .....	3,582	6	0.33			
SBC/AT&T .....	3,459	7	0.32	4,420	5	0.39
Ford Motor Company .....	3,325	8	0.30			
CVS Corporation .....	3,161	9	0.29			
Bonded Maintenance Company .....	2,955	10	0.27			
Commonwealth Edison Company .....				3,620	7	0.32
Andersen Consulting .....				4,713	4	0.41
Arthur Andersen, LLP .....				3,965	6	0.35
Dominick's .....				3,245	8	0.28
Harris Trust .....				3,142	9	0.27

**NOTES:**

- (1) Source: City of Chicago, Department of Revenue, Employer's Expense Tax Return, June 30, 2008.
- (2) J. P. Morgan Chase formerly known as Banc One.
- (3) SBC/AT&T formerly known as Ameritech.

**Table 28**  
**CITY OF CHICAGO, ILLINOIS**  
**FULL TIME EQUIVALENT CITY OF CHICAGO EMPLOYEES BY FUNCTION**  
**Last Three Years (See Note at the End of this Page)**

Function	Budgeted Full Time Equivalent Positions		
	2008	2007	2006
General Government .....	5,112	5,195	5,214
Public Safety .....	23,313	23,397	23,345
Streets and Sanitation .....	3,648	3,609	3,578
Transportation .....	819	829	862
Health .....	1,535	1,554	1,570
Cultural and Recreational .....	1,596	1,608	1,620
Business-type Activities .....	3,898	4,015	4,108
Total .....	<u>39,921</u>	<u>40,207</u>	<u>40,297</u>

**NOTES:**

- (1) Source: City of Chicago 2008 Program and Budget Summary
- (2) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data.

**Table 29**  
**CITY OF CHICAGO, ILLINOIS**  
**OPERATING INDICATORS BY FUNCTION/DEPARTMENT**  
**Last Three Years (See Note at the End of this Page)**

<u>Function/Program</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Police			
Physical Arrests .....	196,621	221,915	227,576
Fire			
Emergency Responses .....	377,808	402,403	300,971
Refuse Collection			
Refuse Collected (Tons per Day) .....	4,240	4,320	4,451
Cultural			
Volumes in Library .....	5,721,334	5,891,306	5,700,000
Water			
Average Daily Consumption (Thousand of Gallons) .....	827,156	860,285	884,970

**Table 30**  
**CITY OF CHICAGO, ILLINOIS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Three Years (See Note at the End of this Page)**

<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Police Stations .....	25	25	25
Fire Stations .....	101	102	102
Other Public Works			
Streets ( Miles) .....	3,775	3,775	3,775
Streetlights .....	285,989	192,511	190,000
Traffic Signals .....	2,960	2,727	2,795
Water Mains (Miles) .....	4,375	4,236	4,230
Sewers Mains (Miles) .....	4,500	4,500	4,500

**NOTE:**

(1) Beginning with fiscal year 2006, the City of Chicago will accumulate ten years of data.

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